

## Urban Resilience under Global Pressure: A Political Economy Analysis of the US–China Trade War and Its Impact on MSMEs in Indonesia

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### Abstract

This article examines how the US-China trade war reshapes the resilience of Micro, Small, and Medium Enterprises (MSMEs) in Indonesian urban economies. While existing studies primarily focus on macroeconomic consequences of global trade rivalry, this study situates MSMEs as socially embedded urban actors operating within spatially uneven market structures, informal economic networks, and localized consumption systems. Using a qualitative political economy approach based on literature review, policy analysis, and illustrative urban evidence from Surabaya and Jakarta, the article analyzes how global supply-chain disruptions, import competition, and financial tightening affect MSME sustainability at the city level. The findings demonstrate that MSMEs function not only as economic units but also as neighborhood-based infrastructures of social resilience that absorb labor displacement, stabilize household income circulation, and maintain local economic continuity under conditions of global uncertainty. However, adaptive capacity varies across urban spaces depending on infrastructure access, institutional support, and market connectivity. The study argues that MSME resilience should be understood as a spatially embedded relational process shaped by interactions between global political economy restructuring and localized social adaptation practices.

**Keywords:** *Urban Resilience; Political Economy; US-China Trade War; Msmes; Informal Economy; Indonesia*

### Abstrak

Artikel ini menganalisis bagaimana perang dagang antara Amerika Serikat dan Tiongkok mempengaruhi ketahanan Usaha Mikro, Kecil, dan Menengah (UMKM) dalam konteks ekonomi perkotaan di Indonesia. Sementara penelitian-penelitian sebelumnya masih menekankan dampak makroekonomi dari rivalitas perdagangan global, sementara dimensi spasial dan sosiologis di tingkat kota masih relatif kurang mendapat perhatian. Dengan menggunakan pendekatan kualitatif berbasis ekonomi politik melalui studi literatur, analisis dokumen kebijakan, serta ilustrasi empiris dari Kota Surabaya dan Jakarta, artikel ini menjelaskan bagaimana gangguan rantai pasok global, penetrasi produk impor, serta keterbatasan akses pembiayaan mempengaruhi keberlanjutan UMKM dalam struktur ekonomi kota yang berbeda secara spasial. Hasil penelitian menunjukkan bahwa UMKM tidak hanya berfungsi sebagai unit ekonomi, tetapi juga sebagai infrastruktur sosial berbasis komunitas yang menjaga stabilitas sirkulasi pendapatan rumah tangga, menyerap tenaga kerja terdampak krisis, serta mempertahankan sistem konsumsi lokal di tengah ketidakpastian ekonomi global. Namun demikian, kapasitas adaptasi UMKM berbeda antar ruang kota tergantung pada akses infrastruktur, dukungan kelembagaan, dan konektivitas pasar. Artikel ini menegaskan bahwa UMKM perlu dipahami sebagai proses relasional yang terlekat secara spasial, yang dibentuk melalui interaksi antara restrukturisasi ekonomi politik global dan praktik adaptasi sosial di tingkat lokal.

**Kata Kunci:** *Ketahanan Perkotaan; Ekonomi Politik; Perang Dagang AS-Tiongkok; UMKM; Ekonomi Informal; Indonesia*

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## Introduction

The intensifying economic rivalry between the United States and China has emerged as one of the most significant sources of global financial instability in the contemporary international system. Since the escalation of tariff measures and trade restrictions between the two countries, the US-China trade war has reshaped global trade patterns, disrupted global value chains, and heightened uncertainty across both developed and developing economies. This rivalry is not merely an economic confrontation but reflects a broader political-economic struggle over production networks, technological dominance, and global governance.

For developing countries such as Indonesia, the consequences of this global rivalry extend beyond macroeconomic indicators and state-level policy choices. Trade conflicts between major powers generate structural pressures that penetrate domestic economies through declining export demand, volatile capital flows, exchange rate fluctuations, and disruptions in supply chains (UN Trade and development, 2022; WORD BANK GROUP, 2023). These pressures are unevenly distributed and tend to disproportionately affect vulnerable economic actors, particularly Micro, Small, and Medium Enterprises (MSMEs), which operate with limited capital, weak bargaining power, and high dependence on market stability.

In Indonesia, MSMEs play a central role not only as economic units but also as social institutions that absorb labor, sustain household livelihoods, and stabilize local economies. Accounting for more than 60 percent of the national GDP and the vast majority of employment, MSMEs function as a social and economic buffer during periods of crisis (OECD, 2020; World Bank, 2021). However, their structural position within the global political economy makes them highly exposed to external shocks. Disruptions in imported raw materials, rising production costs, declining domestic purchasing power, and intensified competition from imported goods are among the key challenges faced by Indonesian MSMEs in the context of global trade conflicts.

From a political economy perspective, these challenges cannot be understood solely as market failures or managerial shortcomings at the firm level. Instead, they reflect broader structural dynamics shaped by international trade regimes, state policies, and power asymmetries within the global economy (Gereffi et al., 2019; Wade, 2016). Studies on Indonesia have shown that trade liberalization and regional trade agreements often produce uneven outcomes for local industries and small producers, particularly when state protection and institutional support are weak (Alia et al., 2020). Alia's analysis of the ASEAN-China Free Trade Area (ACFTA), for instance, demonstrates how trade openness can contribute to industrial decline at the local level when domestic actors lack sufficient adaptive capacity.

Recent scholarship in Indonesian political economy further emphasizes the need to situate MSMEs within the intersection of global economic forces and national governance. Mandra Nur Alia's works highlight how political-economic structures influence labor relations, industrial resilience, and community-based economic models in Indonesia (Alia, 2024; Alia et al., 2020; Putri et al., 2025). Despite the growing literature on the US-China trade war and its implications for developing economies, existing studies largely emphasize macroeconomic indicators such as export performance, trade diversion, and investment flows. Limited attention has been given to how global trade rivalry reshapes urban economic structures and affects MSMEs as socially embedded actors operating within spatially differentiated city environments. As a consequence, the urban dimension of MSME resilience remains underexplored in both political economy and urban sociology scholarship.

This article addresses this gap by examining how global trade rivalry affects MSME resilience at the urban level in Indonesia. Rather than treating MSMEs solely as national economic actors, this study situates them within everyday urban economic practices shaped by informal networks, spatial inequality, and localized adaptation strategies. Using illustrative evidence from Surabaya and Jakarta, the article demonstrates how MSMEs function

as adaptive infrastructures that mediate the relationship between global economic pressures and local social resilience.

## Method

This study employs a qualitative political economy approach to examine how global trade rivalry influences MSME resilience within Indonesian urban contexts. Rather than treating MSMEs solely as macroeconomic indicators, the analysis positions them as socially embedded actors operating within spatially differentiated city economies shaped by infrastructure accessibility, institutional arrangements, and neighborhood-based consumption systems.

The research relies on three categories of data sources. First, academic literature published between 2015 and 2025 on global trade conflict, urban restructuring, informal economies, and MSME resilience was reviewed in order to construct the analytical framework of the study. Second, policy documents produced by international organizations such as the World Bank, OECD, and UNCTAD were analyzed to identify transmission mechanisms linking global trade rivalry with domestic economic change. Third, illustrative urban evidence from Indonesian cities particularly Surabaya and Jakarta was incorporated to contextualize how MSMEs respond to global economic pressures within localized production networks and neighborhood-level market environments.

Jakarta and Surabaya were selected as analytical references because they represent two complementary urban economic configurations within Indonesia. Jakarta functions as a metropolitan node integrated into global distribution systems and platform-based commerce networks, while Surabaya represents a regional commercial hub where MSMEs remain embedded in community-oriented production clusters and informal consumption circuits. These contrasting characteristics enable the analysis to capture spatial variation in MSME vulnerability and adaptive capacity under conditions of global economic uncertainty.

Data were analyzed using thematic qualitative content analysis (Braun & Clarke, 2019). The analytical procedure involved

identifying transmission channels linking global trade rivalry with urban economic restructuring, mapping spatial variations in MSME vulnerability across city environments, and interpreting adaptation strategies developed through informal cooperation systems, digital platforms, and neighborhood-based economic networks. Although the study relies primarily on secondary data, the integration of urban illustrative evidence allows the analysis to capture localized manifestations of global structural change within Indonesian cities.

## Results and Discussion

Urban sociology has long emphasized that cities function as strategic arenas where global economic transformations intersect with local social structures. Rather than being passive recipients of macroeconomic change, urban economies actively reorganize themselves through spatial restructuring, informal production systems, and neighborhood-based survival strategies (Castells, 1996; Sassen, 2001; Harvey, 2008). In this context, Micro, Small, and Medium Enterprises (MSMEs) represent critical components of urban livelihood infrastructures that mediate the relationship between global economic pressures and everyday economic practices.

The expansion of global production networks and trade conflicts between major economic powers, particularly the United States and China, has reshaped supply-chain structures that directly influence urban economic actors in developing countries. These transformations often generate uneven spatial impacts across cities, reinforcing inequalities between central business districts and peripheral urban settlements (Logan & Molotch, 1987). As a result, MSMEs located in different urban zones experience differentiated exposure to market volatility, import competition, and financial constraints.

Scholars of the informal economy have demonstrated that MSMEs in developing countries operate within hybrid institutional environments combining formal regulation and informal social networks (Portes & Haller, 2005; Chen, 2012). In Indonesian cities, neighborhood-based production systems, family labor arrangements, and community credit

mechanisms remain essential for sustaining small-scale economic activities. These localized institutional arrangements enable MSMEs to function not only as economic actors but also as social stabilizers during periods of economic disruption.

Urban resilience literature further suggests that small-scale enterprises contribute to maintaining economic continuity under conditions of uncertainty by absorbing displaced labor and sustaining local consumption cycles (Williams & Vorley, 2015). This perspective highlights the importance of understanding MSMEs not merely as business entities but as socially embedded infrastructures that support household survival and community-level economic circulation.

Despite these contributions, limited attention has been given to how global trade rivalry reshapes MSME resilience within urban spatial contexts. Most political economy analyses continue to focus on national-level indicators such as export performance, investment flows, and trade balances, while overlooking the everyday urban realities through which global pressures are experienced and negotiated. This article therefore integrates global political economy analysis with urban sociology perspectives in order to examine how the US–China trade war affects MSMEs as locally embedded actors operating within spatially differentiated city economies.

### **Global Trade Rivalry and Structural Economic Pressures on Indonesia**

The US-China trade war has intensified global economic fragmentation by disrupting established trade regimes and global value chains. Tariff escalations, export controls, and strategic decoupling have altered production networks and increased uncertainty across international markets (Flew & Cunningham, 2010; WORD BANK GROUP, 2023). For Indonesia, these global dynamics manifest as indirect but persistent structural pressures rather than immediate trade shocks.

At the macro level, trade diversion and supply chain realignment have generated volatility in export demand, currency exchange rates, and investment flows. While certain sectors have benefited from industrial relocation, the broader economy has faced rising

input costs and unstable market access. These macroeconomic shifts form the structural context within which MSMEs operate, shaping their exposure to risk and limiting their adaptive capacity.

MSMEs operating in metropolitan areas such as Jakarta experience different adaptation challenges compared to those located in regional commercial centers such as Surabaya.

In Jakarta, MSMEs are more strongly integrated into globalized distribution systems through import-dependent supply chains and platform-based commerce. Consequently, tariff escalations and supply-chain disruptions between the United States and China affect the availability and price stability of raw materials used by small-scale producers in sectors such as garments, electronics repair services, and retail trade. Rising logistics costs and intensified competition from redirected Chinese exports further reshape the competitive environment of neighborhood-level enterprises.

In contrast, MSMEs in Surabaya remain more closely embedded in regional production clusters and community-based consumption networks. Small-scale food processing industries, household-based manufacturing activities, and neighborhood retail enterprises rely heavily on localized supply systems and informal labor arrangements. These characteristics provide a degree of flexibility that allows urban MSMEs to absorb external shocks through adaptive social strategies rather than purely market-based adjustments.

These variations demonstrate that global economic rivalry does not affect MSMEs uniformly but interacts with existing spatial inequalities within urban economies. Understanding MSME resilience therefore requires attention not only to macroeconomic transmission mechanisms but also to the localized institutional environments in which urban enterprises operate.

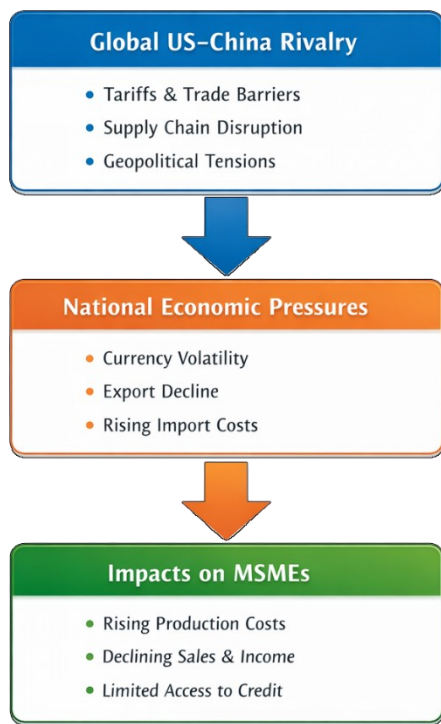


Figure 1. Transmission of US-China Trade War Impacts from Global to Local Levels

This transmission process highlights that MSME vulnerability is not accidental but structurally produced through global political-economic arrangements.

**Transmission Mechanisms Affecting MSMEs**  
*Disruption of Supply Chains and Rising Production Costs*

One of the most immediate effects of the US–China trade war on Indonesian MSMEs is the disruption of global supply chains. Many MSMEs depend on imported raw materials and intermediate goods, particularly from China. Trade restrictions and logistical bottlenecks have increased input prices and reduced supply reliability, leading to higher production costs and thinner profit margins (OECD, 2020).

From a political economy perspective, MSMEs occupy a weak bargaining position within global value chains, lacking the scale and leverage to absorb external shocks (Gereffi et al., 2019). This asymmetry reinforces structural vulnerability and constrains MSME resilience.

Table 1. Key Transmission Channels of the US–China Trade War Affecting Indonesian MSMEs

Transmission Channel	Global Driver	MSME-Level Impact	Socio-Economic Implication
Supply chain disruption	Tariff escalation and	Rising input	Increased production

	trade restrictions between the US and China	prices; irregular supply of raw materials; reduced production efficiency	costs weaken MSME competitiveness and reduce income stability at the household level
Trade diversion and import penetration	Redirection of Chinese exports to emerging markets	Intensified competition with cheaper imported goods	Marginalization of local MSMEs and erosion of community-based production systems
Currency volatility	Global financial uncertainty and capital flow fluctuations	Higher costs for imported inputs; pricing instability	Heightened economic insecurity for MSME owners and workers
Declining export demand	Reduced global trade volume and market uncertainty	Loss of export-oriented MSME orders and revenue	Job losses and reduced employment absorption in local economies
Financial tightening	Global monetary tightening and risk-averse lending	Limited access to credit; higher borrowing costs	Exclusion of MSMEs from formal financial systems, reinforcing structural inequality
Policy asymmetry	State focus on macroeconomic stability and large industries	Insufficient targeted support for MSMEs	Unequal distribution of policy benefits and weakened social resilience

*Declining Domestic Purchasing Power and Market Uncertainty*

Global economic instability has also translated into declining domestic purchasing power. Inflationary pressures, employment insecurity, and reduced household income have dampened consumer demand, particularly for MSME-produced goods and services (World Bank, 2021). As MSMEs are closely embedded in local consumption patterns, reduced demand directly affects their revenue sustainability.

This finding supports sociological arguments that MSMEs are deeply embedded in social reproduction processes at the community level. When household livelihoods are disrupted, MSMEs experience secondary shocks that extend beyond market dynamics into social relations and local economic stability.

The US–China trade war has reshaped global production networks in ways that extend beyond national trade balances and investment flows. Instead, its consequences are transmitted through supply-chain realignment, import substitution dynamics, and financial tightening mechanisms that directly affect localized economic ecosystems in developing-country cities (Evenett, 2019; Gereffi, 2020).

In Indonesia, these transformations influence urban economies through indirect yet persistent transmission channels. MSMEs that depend on imported intermediate goods particularly in electronics repair services, garment production, and small-scale manufacturing experience increased production costs as tariff escalation alters supplier availability and logistics reliability. Such disruptions are especially visible in metropolitan environments like Jakarta, where platform-based commerce systems rely heavily on cross-border procurement networks.

At the same time, redirected exports from China toward Southeast Asian markets intensify competition in domestic retail sectors. Traditional market traders and neighborhood-based retail MSMEs face increasing price pressure from imported consumer goods that enter local circulation through wholesale distribution channels. These shifts illustrate how global trade rivalry restructures everyday economic interactions within urban consumption systems rather than merely affecting national export performance indicators.

In Surabaya, however, the effects of global trade restructuring appear in more indirect forms. Household-based food-processing enterprises and neighborhood retail clusters rely less on imported intermediate goods and more on locally sourced materials. This localized production structure provides a degree of insulation from supply-chain volatility while simultaneously increasing dependence on neighborhood purchasing power. As a result, global trade rivalry influences Surabaya's MSMEs primarily through demand-side adjustments rather than production-side disruptions.

These differences demonstrate that global economic restructuring produces spatially differentiated outcomes across Indonesian cities.

Understanding MSME resilience therefore requires attention to urban institutional contexts rather than relying solely on macroeconomic indicators.

### *Financial Constraints and Unequal Access to Credit*

Financial vulnerability represents another critical dimension of MSME exposure. Global monetary tightening in response to economic uncertainty has constrained domestic credit availability, disproportionately affecting MSMEs with limited collateral and weak formal banking access (OECD, 2020). Rising interest rates and stricter lending requirements further marginalize small producers.

Political economy studies emphasize that access to finance is not neutral but shaped by institutional power relations. MSMEs, particularly those operating informally or semi-formally, face systemic exclusion from financial protection mechanisms, reinforcing cycles of vulnerability during periods of global instability.

Urban economies are characterized by uneven spatial development that shapes access to infrastructure, financial services, and market opportunities (Storper, 2013). Within Indonesian cities, MSMEs located in central commercial corridors benefit from higher levels of logistics connectivity and consumer concentration compared to enterprises operating in peripheral settlements and neighborhood-based production clusters.

The US-China trade war interacts with these spatial inequalities by reinforcing existing asymmetries in market exposure. MSMEs operating in traditional markets experience stronger competition from redirected imported goods, while enterprises located within digitally connected commercial districts are better positioned to adjust through online distribution channels. This uneven exposure demonstrates that global trade rivalry does not affect urban economies uniformly but instead amplifies preexisting spatial hierarchies.

In Jakarta, MSMEs integrated into metropolitan retail ecosystems rely heavily on wholesale import distribution networks that are sensitive to tariff fluctuations and exchange-rate volatility. As logistics costs increase, small-scale traders face declining profit margins that

limit their capacity to maintain stable employment relationships. Meanwhile, enterprises located in peri-urban districts depend more heavily on localized consumption systems that fluctuate according to neighborhood-level income stability.

Surabaya presents a different spatial configuration. Many MSMEs operate within kampung-based production clusters where cooperative procurement practices and shared labor arrangements reduce dependence on external supply networks. These localized institutional arrangements enable enterprises to maintain production continuity despite fluctuations in global market conditions. However, reliance on neighborhood consumption systems also increases vulnerability to declining household purchasing power during periods of economic uncertainty.

Such spatial differentiation demonstrates that MSME resilience cannot be understood as a uniform national phenomenon but must instead be interpreted as a relational process shaped by intra-urban inequality

**MSMEs as Social and Economic Buffers**

Despite their vulnerability, MSMEs continue to function as critical social and economic buffers within Indonesian society. During periods of economic downturn, MSMEs absorb displaced labor, sustain household incomes, and prevent deeper social dislocation (WORD BANK GROUP, 2023). This dual role as vulnerable actors and stabilizing agents reveals a central paradox in MSME resilience.

Drawing on political economy perspectives, this study argues that MSME resilience should be understood as a socially embedded process rather than an individual entrepreneurial attribute. Resilience emerges from collective practices, informal networks, and adaptive strategies shaped by local social structures.

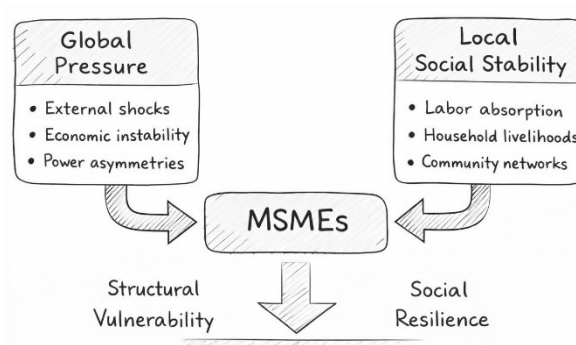


Figure 2. Dual Position of MSMEs: Structural Vulnerability and Social Resilience

**The Role of the State in Mediating Global Pressures**

State policies play a decisive role in shaping MSME outcomes under global economic stress. Trade policy, industrial protection, financial regulation, and social welfare programs mediate the distribution of global shocks across economic actors. However, existing policy frameworks in Indonesia often prioritize macroeconomic stability and large-scale industries, with limited targeted support for MSMEs (Alia, 2024).

Alia’s analysis of trade liberalization impacts in Indonesia demonstrates that insufficient institutional protection can accelerate local industrial decline when exposed to external competition. This insight is particularly relevant in the context of the US–China trade war, where imported goods redirected to domestic markets intensify competitive pressures on MSMEs.

Table 2. State Policy Responses and Their Implications for MSME Resilience

Policy Area	Intended Objective	MSME Impact	Structural Limitation
Trade policy and liberalization	Maintaining export competitiveness and market openness	Increased exposure of MSMEs to imported goods and price competition	Limited protection mechanisms for MSMEs against import surges and trade diversion
Industrial policy	Promoting industrial upgrading and large-scale investment	Indirect benefits for MSMEs through supply chains	MSMEs often excluded from core industrial value chains dominated by large firms
Financial and credit policy	Ensuring financial stability and controlling inflation	Restricted access to formal credit for MSMEs; higher	Risk-averse banking systems prioritize large enterprises over MSMEs

		borrowing costs	
MSME support programs	Enhancing productivity and business formalization	Short-term assistance and capacity building	Fragmented implementation and uneven regional coverage
Social protection policy	Reducing social vulnerability and unemployment	MSMEs absorb displaced workers informally	Limited integration between social protection schemes and MSME development
Crisis response measures	Stabilizing the economy during global shocks	Temporary relief for MSMEs during downturns	Reactive and short-term orientation without structural reform

State policy plays a decisive role in shaping how global trade rivalry affects MSMEs across urban environments (Rodrik, 2018). Trade liberalization regimes, industrial upgrading strategies, and financial regulation frameworks influence the distribution of economic risks across different categories of enterprises. In Indonesia, policy responses to global economic restructuring have historically prioritized macroeconomic stability and large-scale industrial investment. While such strategies support national export competitiveness, they often provide limited direct protection for neighborhood-based MSMEs operating within localized consumption systems. As a result, many small enterprises rely primarily on informal institutional arrangements rather than formal policy support mechanisms.

Urban economic governance therefore becomes a critical dimension of MSME resilience. Municipal-level infrastructure development, market revitalization programs, and digital training initiatives shape the capacity of small enterprises to adapt to global economic pressures. In cities such as Surabaya, local government initiatives supporting cooperative production clusters contribute to strengthening neighborhood-based economic networks. In Jakarta, platform integration programs and digital entrepreneurship initiatives enhance the capacity of MSMEs to participate in metropolitan-scale distribution systems.

These policy variations demonstrate that urban governance institutions play an important mediating role between global economic restructuring and localized adaptation strategies.

Strengthening MSME resilience therefore requires policy frameworks that recognize spatial diversity within urban economic systems rather than relying solely on national-level interventions.

### **Discussion: Reframing MSME Resilience in Political Economy Terms**

The findings suggest that MSME resilience cannot be reduced to managerial efficiency, innovation capacity, or entrepreneurial skills alone. Instead, resilience is conditioned by structural factors embedded in the global political economy, national policy regimes, and social relations. This challenges dominant development narratives that individualize MSME success while obscuring systemic constraints.

By situating MSMEs within global trade rivalries and state-mediated economic structures, this study contributes to sociological debates on inequality, vulnerability, and resilience. It highlights the need to reconceptualize MSMEs as collective social actors whose survival is intertwined with broader political and economic transformations.

### **Conclusion**

This study has examined how the US–China trade war reshapes the resilience of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia by situating them within the intersecting dynamics of global economic rivalry, national policy regimes, and urban socio-economic structures. Rather than treating MSME resilience as an individual entrepreneurial capacity or firm-level managerial outcome, this research demonstrates that resilience is produced through structurally mediated processes operating across global, national, and urban-local scales. From an urban sociology perspective, MSMEs emerge not merely as economic actors but as embedded institutions that sustain everyday urban livelihoods, stabilize informal labor absorption, and maintain social reproduction within city-based communities.

The findings indicate that the US–China trade war generates indirect yet persistent structural pressures that are transmitted into Indonesian urban economies through

disruptions in global supply chains, increased production costs, currency volatility, declining domestic purchasing power, and tightening financial access. These pressures are experienced unevenly across spatial contexts and disproportionately affect MSMEs operating within urban informal and semi-formal sectors. In many Indonesian cities, MSMEs function as intermediary economic actors linking global market shifts with neighborhood-level survival strategies. As such, their vulnerability reflects broader transformations in the organization of urban economic space under conditions of global trade fragmentation.

Importantly, the study highlights that MSMEs in urban Indonesia operate not only within market structures but also within dense networks of kinship relations, neighborhood solidarity, and community-based production systems. These networks enable adaptive responses to economic shocks by redistributing risk across households and informal labor arrangements. In this sense, MSME resilience should be understood as a socially embedded urban process rather than a purely technical adjustment to market uncertainty. Their persistence during periods of global instability demonstrates how urban economies rely on flexible and relational forms of livelihood organization that extend beyond formal industrial structures.

At the same time, the research identifies a structural paradox: MSMEs remain among the most vulnerable actors within global production hierarchies while simultaneously functioning as essential stabilizers of urban social order. During periods of economic downturn, MSMEs absorb displaced workers from formal sectors, sustain neighborhood-level circulation of goods and services, and prevent deeper social dislocation in cities. This dual position underscores the sociological importance of MSMEs as institutions of urban resilience and social continuity. Consequently, weakening MSME capacity does not only threaten economic performance but also risks intensifying urban inequality, spatial marginalization, and livelihood insecurity across low-income communities.

From a political economy perspective, the role of the state becomes central in shaping how global economic pressures are translated into

urban socio-economic outcomes. National policies related to trade liberalization, industrial upgrading, financial regulation, and social protection significantly influence the distribution of vulnerability across urban economic actors. However, the findings suggest that existing policy responses in Indonesia continue to prioritize macroeconomic stability and large-scale industrial competitiveness, often overlooking the spatially grounded needs of MSMEs operating in urban neighborhoods. This policy asymmetry contributes to uneven urban development patterns and limits the adaptive capacity of local economic actors facing global uncertainty.

Theoretically, this study contributes to urban sociology by reconceptualizing MSME resilience as a relational phenomenon shaped by interactions between global economic restructuring and localized social organization. By linking international trade rivalry with everyday economic practices in cities, the research expands sociological understandings of how global conflicts are experienced at the level of urban livelihoods. MSMEs are therefore better understood as collective actors embedded within urban social infrastructures rather than isolated market entities responding individually to external shocks.

Practically, the findings suggest that strengthening MSME resilience requires policy interventions that recognize their spatial and social embeddedness within urban environments. Effective responses should include strengthening domestic supply-chain linkages within cities, expanding inclusive access to urban financial systems, protecting neighborhood-based production clusters from excessive import penetration, and integrating MSME support programs with urban social protection strategies. Policies that connect economic development planning with community-level resilience initiatives can help ensure that MSMEs continue to function as stabilizing pillars of urban society during periods of global economic uncertainty.

This study is not without limitations. Its reliance on secondary data restricts the ability to capture lived experiences of MSME actors across different urban regions. Future research could incorporate city-level case studies, ethnographic observations, and interviews with

MSME operators in metropolitan and secondary cities to better understand how global trade rivalry reshapes everyday economic practices in diverse urban contexts. Comparative urban analyses across regions in Indonesia would further illuminate spatial variations in MSME vulnerability and resilience.

In conclusion, the US–China trade war should be understood not only as a geopolitical economic confrontation but also as a structural process that reorganizes urban socio-economic relations in developing countries such as Indonesia. MSMEs occupy a strategic position at the intersection of global market pressures and local livelihood systems, making them key actors in sustaining urban resilience. Understanding their role through an urban sociology lens reveals that strengthening MSME resilience is essential not only for economic stability but also for maintaining social cohesion, reducing spatial inequality, and supporting inclusive urban development in an increasingly fragmented global economy.

A concrete illustration of these dynamics can be observed in cities such as Surabaya and Jakarta, where MSMEs operate as integral components of neighborhood-based economic ecosystems shaped by both global market pressures and localized social networks. In Surabaya, MSMEs clustered in footwear production, food processing, and informal service sectors have experienced rising input costs linked to imported materials and intensified competition from redirected Chinese manufactured goods following trade diversion effects. At the same time, these enterprises continue to absorb urban informal labor displaced from formal employment sectors, particularly in peri-urban settlements and dense residential corridors. Similarly, in Jakarta, MSMEs embedded in urban consumption circuits—such as street-based retail, home industries, and digital micro-enterprises—demonstrate adaptive strategies through family labor mobilization, platform-based marketing, and community-level cooperation networks. These patterns illustrate how global trade rivalry is translated into everyday livelihood adjustments within urban spaces, reinforcing the argument that MSME resilience is fundamentally shaped by spatially embedded

social relations rather than by firm-level capacities alone.

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