

# Indonesia's Role on G20

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**Submission date:** 05-Jun-2024 12:45PM (UTC+0700)

**Submission ID:** 2395948854

**File name:** AKTIVISME\_VOL\_JULI\_2024\_HAL\_90-100.pdf (940.75K)

**Word count:** 4073

**Character count:** 23846



## Indonesia's Role on G20

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**Abstract.** *Indonesia's role in the G20 has shown increasing significance, especially in fighting for the interests of developing countries and promoting an inclusive development agenda. This journal analyzes Indonesia's contribution to the G20, including policy initiatives, economic diplomacy, as well as efforts on global issues such as climate change, global health, and financial stability. This research found that Indonesia not only acts as an active member but also as a mediator capable of bridging the interests of developed and developing countries. In the context of climate change, Indonesia has actively promoted global commitments to reduce emissions and protect the environment, while in global health issues, Indonesia has contributed to efforts to overcome pandemics and improve the global health system. In the field of financial stability, Indonesia has participated in discussions regarding reform of the global financial architecture to create a fairer and more stable system. This indicates that Indonesia's role in the G20 not only contributes to strengthening Indonesia's position on the global stage, but also enriches the dynamics of multilateral cooperation in the forum.*

**Keywords:** *diplomacy, economy, G20, Indonesia, politics.*

### BACKGROUND

In 1986, the Group of Seven (G-7) was formed which is a group of finance ministers and the G-7 has become very important because of its function as a place for informal and substantive conversations about international economic issues. One of the goals of the G-7 is to improve understanding and coordination between policymakers from countries that are members of the G-7. However, because there is no market representation in the forum, it cannot address issues related to the development of the international economy and financial system. So the G-7 is considered not to have answered the hopes of the countries that formed it and is considered less effective.

The background of G20 that was established on March 25 1999 is the context of increasingly strengthening globalisation. Various literature on globalisation has shared a view that the world is becoming smaller and no country is unaffected by everything that happens in its external environment. The central characteristic of the contemporary globalization trend is

Received: May 1, 2024; Accepted: June 04, 2024; Published: July 31, 2024

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interdependence between countries and in this context, cooperation between countries in the world is something that must be done (Hermawan et al., 2017).

The various economic crises that occurred in the 1990s are proof that the new world requires a new approach to respond to an increasingly smaller world. The value of Mexican currency, named *Peso*, which fell in December 1994 was a sign of the financial crisis in this country and the impact could be felt by other countries located in the South America region. In 1997, Thailand, South Korea and also Indonesia, experienced a severe monetary crisis and the impact also could be felt by the other countries that are located in the Asian region (Hermawan et al., 2017).

The financial crisis that occurred in the 1990s, attracted the attention of finance ministers from various developed countries, and they admitted that they had to invite countries with stronger economic conditions (emerging economics) to take part in discussions regarding structuring the global financial structure. Paul Martin (Finance Minister of Canada) and Lawrence Summer (Finance Minister of United States) then took initiative to start holding G22 and G33 dialogues, in which countries with economically and geographically significant economies were also invited to participate. The G20 dialogue which is regularly held every year from December 1999 until now, is said to be a new breakthrough “to make a smaller world governable and fairer” (Hermawan et al., 2017).

On March 25 1999, countries formed a forum called the Group of 20 (G-20). One of the main goals of the formation of the G-20 was to promote international financial stability through discussion, research, and evaluation of policy issues between industrialized countries and emerging markets. Consisting of developed countries and the largest developing countries in the world, the G-20 members consist of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, England, United States, and European Union (Kirton, 1999).

The G-20 forum meeting, called the G-20 Summit, is held every year. The G-20 Presidency changes on a rotating basis every year. At the G-20 Summit every year, the G-20 President invites several guest countries, depending on the urgency and agenda to be discussed. In addition, every year, the Minister of Finance and the Governor of the Central Bank meet regularly to discuss how to strengthen the global economy, change financial regulations, improve the international financial system, and implement important economic reforms for each member country. (Kirton, 1999).

<sup>1</sup>  
Since this intergovernmental forum was founded in 1999, Indonesia has been a member of the G20. For Indonesia, this exclusive forum is a very prestigious place where Indonesia can compete to achieve national goals. During Jokowi's administration, the Indonesian government was committed to increasing the country's role in international cooperation. The G-20 can provide strategic opportunities and potential to achieve Indonesia's economic interests at the international level, because this organization provides many benefits for the international economy.

Indonesia plays an important role in the world economy and influences the global economic policy framework. The indicator underlying the assessment is that Indonesia, as the only ASEAN country that is part of the G-20, can strengthen its position as a driving force for ASEAN and function as a representative and transmitter of the interests of other ASEAN countries. Indonesia can gain many benefits as a member of the G20.

In 2008, there was a financial crisis which was a subprime mortgage crisis which started in the United States and spread globally, especially in the European Union and various other developed countries. Subprime mortgage loans are loans given to borrowers with less stringent conditions. Subprime mortgage credit is a risky loan for both the borrower and the lender. This crisis has an impact on the global economy because the country affected by this crisis is the country with the largest economic power in the world, namely the United States. This crisis spread rapidly because almost all countries in the world have economic and trade relations with the United States.

The G20 is a forum between developed and developing countries. This makes the commitments made by the G20, which has many members and each member has their own interests, difficult to realize. In dealing with the 2008 financial crisis, the G20's efforts to deal with the crisis also faced similar challenges. Handling a crisis which is a malignant problem that is difficult to resolve. Various collective action efforts carried out by the G20 in dealing with the financial crisis have resulted from various meetings which were held specifically to discuss handling the 2008 crisis. However, this collective action actually gave rise to new problems, namely the existence of free riders caused by the enthusiasm to resolve the financial crisis. Which is not matched by the enthusiasm of each of its members. This is because each G20 member country has its own national interests which conflict with the agenda that will be carried out by the G20.

## **THEORITICAL REVIEW**

Indonesia's role in the G20 shows that Indonesia's participation can be analyzed through various theoretical perspectives, including international relations theory, international economics, and political economy. Through the lens of realism, Indonesia appears to be trying to maximize its national interests and strengthen its position in the international system, utilizing the G20 forum to secure its economic and political influence. From a liberalism perspective, Indonesia encourages multilateral cooperation, emphasizing the importance of global institutions and international collaboration to address global issues such as climate change, health and sustainable development. From a constructivist perspective, Indonesia seeks to build an identity as a leader of developing countries and a bridge between developed and developing countries, as well as establishing new norms in global economic governance that are more inclusive and sustainable.

Dependency theory and world systems theory show how Indonesia advocates for the interests of developing countries, seeks to reduce economic dependence on developed countries, and promotes a fairer international trade and financial system. By using a global governance approach, Indonesia is actively involved in strengthening international institutions and reforming organizations such as the IMF and World Bank to create a system that is more representative and responsive to the needs of developing countries. Through the theory of national interests in international economics, it is clear that Indonesia prioritizes policies that support domestic economic growth, financial stability and infrastructure development, as well as trying to attract foreign investment and increase the competitiveness of the national economy.

## **RESEARCH METHODS**

<sup>11</sup> This research uses a qualitative approach with literature study methods and secondary data analysis to examine how Indonesia uses its position in the G20 to promote an inclusive and sustainable development agenda. The research results show that Indonesia has succeeded in becoming an important voice for developing countries by emphasizing the importance of economic justice and sustainable development. Apart from that, Indonesia also acts as an effective mediator, bridging the interests of developed and developing countries in various international negotiations.

This research shows that Indonesia not only uses its position in the G20 to advance its national interests, but also to fight for the collective interests of developing countries. By

combining smart diplomatic strategies and a commitment to the values of justice and sustainability, Indonesia has succeeded in strengthening its role as a reliable leader in the international community. This role not only brings direct benefits to Indonesia, but also helps create a more inclusive and sustainable global economic order, which ultimately benefits the entire world.

## DISCUSSION

Indonesia was among the countries that recognized the need for a new forum to address global economic issues, leading to the establishment of the G20 in 1999. The creation of the G20 was a response to the financial crises of the late 1990s, highlighting the importance of including major emerging economies in global economic discussions. The Asian financial crisis of 1997-1998 had a profound impact on Indonesia, leading to significant economic and social challenges.

As a result, Indonesia actively engaged in G20 discussions aimed at enhancing the global financial architecture to prevent future crises. The country advocated for stronger regulatory frameworks, improved financial supervision, and greater transparency in the global financial system. Indonesia was among the countries that recognized the need for a new forum to address global economic issues, leading to the establishment of the G20 in 1999. The creation of the G20 was a response to the financial crises of the late 1990s, highlighting the importance of including major emerging economies in global economic discussions.

Indonesia supported initiatives aimed at enhancing economic policy coordination among G20 members. The country emphasized the importance of macroeconomic stability, sustainable growth, and the need for coordinated policy responses to address global economic challenges. Indonesia's contributions were instrumental in shaping G20 efforts to promote a more stable and resilient global economy.

Indonesia's role in the G20 was characterized by active engagement and significant contributions to global economic governance. As a founding member, Indonesia played a crucial role in advocating for the interests of emerging markets and shaping G20 policies on financial stability, economic policy coordination, development, and environmental sustainability. Through its participation, Indonesia not only advanced its national interests but also contributed to the collective efforts of the international community to address shared economic and environmental challenges. The foundations laid during this period paved the way for Indonesia's continued leadership and influence within the G20 in subsequent years.



During Jokowi's leadership, Indonesia planned to build a "more effective and transparent" government. Jokowi's foreign policy focuses more on domestic affairs and is less prominent. Jokowi's international political policy has four main focuses. First, encouraging the perception that Indonesia is an archipelagic country. Second, increasing the role of middle power diplomacy throughout the world, and third, expanding the reach of agreements in the Indo-Pacific region. And fourth, improve the Foreign Ministry of Indonesia to increase the focus on economic diplomacy. Jokowi also used Indonesia's involvement in the G-20 to share experiences in managing digital transformation. This effort is in line with the government's efforts to increase people's incomes, which will narrow economic inequality, promote equality, increase digital literacy, and integrate micro, small and medium enterprises (UMKM).

In dealing with crises, the G-20 has the main responsibility to handle short-term crises and build a global structure that is resilient to future crises, both medium and long term. Indonesia can benefit from this approach by identifying the source of the crisis and making improvements throughout the country. Apart from that, Indonesia can use its position as a member of the G-20 to handle its domestic crisis. <sup>23</sup> In response to the global financial crisis, the G-20 passed trillions of dollars in fiscal stimulus to save and recreate millions of threatened jobs. In addition, the forum formulates strategies to reduce the impact of the global financial market crash and maintain consumers, investors, and business confidence.

Joko Widodo considers the G-20 to have special strategic importance. Jokowi's goal of recording economic growth of 7% in Indonesia is in line with the priorities set by this forum for the fields of trade, investment and infrastructure. The G-20 perspective on how important infrastructure is for economic growth gives Jokowi's government a strong reason to accelerate national infrastructure development as part of the domestic agenda. The G-20 itself is a strategic means for Indonesia to extrapolate national interests through economic diplomacy and showcase various domestic achievements that have been achieved so far. Membership of the G-20 could provide significant assistance and recommendations to improve the national economy for Jokowi who is focusing his government more on domestic issues. The G-20 can also strengthen the government's budget posture and encourage the optimization of state revenues.

Indonesia, as a member of the G-20, can take advantage of this forum to improve investment and investment strategies. For example, Indonesia was involved in several bilateral meetings with Norway at the G-20 Summit in Hamburg, Germany. Jokowi used the positive growth in trade and investment in 2016 to encourage further cooperation between Indonesia and Norway. Investment increased by 772 percent in 2016, including an increase in portfolio

investment from Norway's Pension Global Fund, while trade value increased 40.5 percent from 2015.

Between 2016 and 2021, Indonesia played a crucial role in the G20, leveraging its position as the largest economy in Southeast Asia and a prominent emerging market. Throughout this period, Indonesia was actively engaged in various G20 initiatives, focusing on inclusive growth, sustainable development, and addressing global challenges such as economic inequality, climate change, and the COVID-19 pandemic. Indonesia's contributions were pivotal in shaping discussions and policies that reflect the perspectives and needs of developing countries.

With Indonesia being elected as the holder of the G-20 Presidency, this shows the strategic value for economic recovery and the achievement of advanced Indonesia if Indonesia is able to capitalize on opportunities and challenges through maximum utilization for the interests of the Indonesian state. Thus, this momentum must be utilized for economic recovery in order to achieve advanced Indonesia, by playing a strategic role for the Indonesian people in encouraging joint efforts for global economic recovery. By taking the theme of the 2022 G-20 forum, namely "Recover Together, Recover Stronger", it means that economic growth can be created that is inclusive, people centred, environmentally friendly and sustainable. The G-20 presidency will be able to make Indonesia a focus of world attention, especially for economic and financial players. This opportunity must be utilized to showcase the various progress that Indonesia has achieved to the world, and become a starting point for restoring the confidence of post-pandemic economic actors, both domestically and abroad. The 17th High Level Conference (KTT) of the G-20 forum was held in Bali on 15-16 November 2022. This summit will be the culmination of intensive processes and efforts from all G-20 work streams, namely: "Ministerial Level Meeting, Working Group, and Engagement Groups during Indonesia's year as chairman of the G-20".

Indonesia's presidency of the Group of Twenty (G20) in 2022 marked a significant milestone in the country's diplomatic history. As the largest economy in Southeast Asia and a key emerging market, Indonesia's leadership provided an opportunity to influence global economic policies and address pressing international issues. The presidency was characterized by a focus on inclusive growth, sustainable development, and resilience in the face of global challenges such as the COVID-19 pandemic and climate change.

Under Indonesia's presidency, the G20 agenda was centered around three main pillars: global health architecture, digital transformation, and sustainable energy transition. These



priorities reflected Indonesia's commitment to fostering a more resilient and inclusive global economy.

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The COVID-19 pandemic highlighted significant gaps in the global health infrastructure. Indonesia advocated for stronger international cooperation to ensure equitable access to vaccines, treatments, and healthcare resources. The G20, under Indonesia's leadership, emphasized the importance of strengthening the World Health Organization (WHO) and enhancing global pandemic preparedness.

Recognizing the transformative potential of digital technologies, Indonesia pushed for policies that promote digital inclusion. The G20 discussions under Indonesia's presidency focused on bridging the digital divide, enhancing cybersecurity, and fostering innovation. These efforts aimed to ensure that the benefits of digitalization are shared widely across all segments of society.

Climate change and environmental sustainability were central themes during Indonesia's presidency. The country emphasized the need for a just transition to sustainable energy sources, balancing economic growth with environmental protection. The G20 endorsed initiatives to accelerate the adoption of renewable energy, improve energy efficiency, and support developing countries in their transition efforts.

### **Advantages**

Since the G-20 was established in 1999, Indonesia has joined the G-20 membership since the intergovernmental forum was established. In pursuing its national interests, this forum is a highly prestigious arena and Indonesia is contesting in it. Under the Joko Widodo administration, Indonesia is committed to increasing its influence in international cooperation. The G-20, which provides many benefits to the international economy, can be a strategic opportunity and potential advantage to achieve Indonesia's economic interests at the international level.

Under the leadership of Joko Widodo, Indonesia has created blueprints as the main reference for Indonesia to participate in various G-20 meetings. The blueprints can realize Indonesia's national goals, priorities, and interests for the G-20. The blueprints also inform Indonesia's strategy to implement its commitment to the G-20 at the national level. Joko Widodo utilized Indonesia's participation in the G-20 to share experiences in managing digital transformation. This is in line with the Indonesian government's efforts to increase people's income which will narrow economic disparities, encourage equity, accelerate micro, small and medium enterprises (MSMEs), and increase digital literacy.

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One of the impacts of G-20 cooperation is that it provides a response to the global financial crisis. The G-20 introduced trillions of dollars in fiscal stimulus packages around the world that created millions of jobs that would otherwise have been destroyed. The G-20 also formulated measures to address or mitigate the impact of the global financial market crash and helped maintain business and consumer confidence. As a crisis committee, the G-20 has the primary responsibility of addressing short-term crisis issues and building a global structure that is resilient to future crises, both long-term and medium-term. Indonesia can benefit by looking at the root causes of the crisis and conducting evaluations throughout Indonesia. Indonesia can also utilize its position in this intergovernmental forum in dealing with its national crisis.

For Joko Widodo, the G-20 has its own interests. The G-20 has prioritized investment, trade, and infrastructure in an agenda that is in line with Widodo's goal of recording Indonesia's economic growth rate of 7 percent. Joko Widodo also focuses more on domestic issues, and G-20 membership can provide advice and contributions in revamping the domestic economy. In addition to contributing to the improvement of the domestic economy, the G-20 can also optimize state revenues and strengthen the government's budget posture.

Indonesia can accelerate the process of infrastructure development, inclusive finance, human resource development, domestic resource mobilization, food security and nutrition, and inclusive business. Indonesia can increase its economic achievements through the trade and investment sectors, by increasing the value of its exports through G-20 cooperation, encouraging trade and investment contributions to global growth, strengthening the multilateral trading system, evaluating the implementation of free trade, and utilizing global networks. Indonesia can monitor labor absorption, improve labor quality, and encourage young workers to be active.

### Challenges

Apart from the benefits that Indonesia will get, there are several challenges for Indonesia in the G-20 which, if not properly addressed, will be detrimental to Indonesia. Establishing cohesiveness in the current world situation that has been dragged by polarization, tug of interests and conflicts that occur between G-20 member countries, such as the United States and China, is a major challenge for Indonesia in its membership in the G-20. Indonesia wants to invite all countries in the world to support and cooperate with each other, with the aim of recovering together as well as growing stronger and more sustainable.

Next, the rapid development process of the G-20 forces other G-20 member countries to follow the flow and dynamics of the process. If Indonesia is unable to keep up with the rapid

development process of the G-20, it will have a negative impact on Indonesia, such as being left behind in various fields, especially the economy. Indonesia is the only G-20 member country from ASEAN, so Indonesia has a heavy responsibility in addition to prioritizing its national interests, Indonesia also has the responsibility to bring economic interests in ASEAN to the G-20 forum.

## CONCLUSION AND RECOMMENDATION

Indonesia's engagement in the Group of Twenty (G20) has been pivotal in shaping its trajectory as a key player in global economic governance. Throughout its involvement in the G20, Indonesia has demonstrated a steadfast commitment to multilateralism and international collaboration. Indonesia's contributions have significantly influenced G20 policies, particularly in areas such as economic stability, development, climate action, and digital inclusion. By continuously advocating for the needs and perspectives of developing countries, Indonesia has helped shape a more inclusive and resilient global economic order. Indonesia's journey within the G20 framework illustrates a consistent commitment to advocating for the interests of emerging markets and developing countries, ensuring that their perspectives are integral to global economic discussions and policymaking. As a founding member of the G20, Indonesia played a crucial role in establishing the group and advocating for stronger global financial regulation and economic policy coordination, especially in response to the Asian financial crisis. Under Indonesia's presidency, the G20 agenda centered around inclusive growth, sustainable development, and resilience to global challenges. The focus was on global health architecture, digital transformation, and a just energy transition, highlighting Indonesia's role in fostering international cooperation and addressing critical global issues.

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