

Analysis Indonesia Economic

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Submission date: 08-Dec-2022 12:49AM (UTC-0800)

Submission ID: 1975174031

File name: PROCEEDING_ANALYSIS_ECONOMIC.pdf (456.25K)

Word count: 3920

Character count: 21795

4 The Analysis of Indonesia's Economic Strategy During Covid-19 In The Study Of Globalization

(Case Study: Indonesia's Economic Policy Response
in The Jakarta Post ed. Sep.-Oct. 2020)

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Abstract. The threat of COVID-19 succeeded to release the idea of de-globalization among state, especially for economic struggling. This study aims to analyze the strategy of Indonesia economic during Covid-19 with the scheme of globalization study. The research method used is descriptive qualitative study method assisted by a simple literature study review in accordance with the material or research discussion. The scope of discussion is based on the data that limited to certain of media; the Jakarta Post, on September-October 2020 edition. By using an analytical tool, the three spectrums of globalization: hyperglobalist, sceptic globalist, and transformationalist are used to analyze the Indonesia economic strategy in the midst of COVID-19. Interestingly, this study explains that Indonesia does not follow the de-globalization agenda, but has its own strategies. The finding shows that transformationalist provides the scheme of globalization in better economic strategy to deal with economic and health problem in the midst of COVID-19. Thus, the transformationalist idea gives optimism in the midst of declining economy resilience during pandemic.

Keywords: de-globalization, Indonesia economy strategy, COVID-19, spectrum of globalization, transformationalist.

1 Introduction

In the end of 2019 became a momentum for a "new" global pattern shift, which in the study of International Relations is known as the moment of 'de-globalization' due to COVID-19 virus infection worldwide. The sudden massive global movement is caused by the limited space for international actors such as states, markets, and individual to interact. In March 2020, WHO officially declared COVID-19 as a global pandemic.² This encourages changes in state behavior, as Stephen M. Walt stated that there will be major changes in the international system which will force states to strengthen their role and implement the ideas of nationalism.³ The increasingly narrow space for the state to move in the international arena, sluggish market activity, and limited individual mobility have made economic phenomena both domestic and international experience a 'shock time'. COVID-19 can be said to be the trigger and drive of the de-globalization phenomenon. "De-globalization", simply define to where there will be a decrease in the movement of goods and services, then follows by the decrease of the movement

of production factors, information, and people.⁴ The state, today, tends to have a pattern of concentrating on things inside the country rather than its role in a multilateral context. The multilateral context is also considered unable to provide the best results that have a major impact on accelerating mitigation of the COVID-19. Even developed countries, such as the United States, are still looking for a balance point to find the most appropriate formulation to control the COVID-19 infection so that it does not have a sustainable economic impact.⁵ Therefore, the economy is a sector that has a major role in influencing every country in issuing the policies.

The economic and health sectors are two things that are considered equally important. Among the two sectors, neither economic nor health sectors can take precedence when the country and society are dealing with pandemic conditions that require less contact with various actors, both domestic and foreign. Government policy formulation is required to be able to save those two sectors (economy and health) which then produces a new pattern in the study of globalization. The period of time before the pandemic, countries were busy with agendas of free trade, multilateralism, joint ventures, and etc. Will this continue in the midst of the COVID-19 resistance? This narrative becomes interesting when we look at it in the context of Indonesia, as a developing country that has not escaped the attack of COVID-19. Indonesia also has had a serious impact on the constellation of economic life. Interestingly, Indonesia as one of the important actors in the global economic should be in [12](#) spotlight about the attitude of the government in formulating economic policies.⁶ The 7th President of the Republic of Indonesia, Mr. [Joko Widodo](#) (Jokowi), has mentioned a lot about the need for balance and prudence in issuing policies as it becomes difficult for a policy to solve two problems in crucial sectors simultaneously in the midst of COVID-19.

The economic policies of the Indonesian government which are documented in the online newspaper *The Jakarta Post ed. September-October 2020* (by the category of business and opinion) can be used as an initial mapping of how Indonesia will behave in dealing with the COVID-19. On the behavior of the state, it can be categorized into the context on the spectrum of globalization. The categorization will show the economic strategy of Indonesia in the midst of COVID-19 based on the spectrum of globalization. The Indonesian government has tried to mitigate the economic impact quite comprehensively in dealing with this pandemic. We are familiar with what is called social assistance to ensure microeconomic life continues. That is also shown in the macroeconomic in which policies from the Ministry of Trade manage to keep the surplus stable, asserting the state to be flexible in viewing the global economic situation. The purpose of this research is to analyze the strategy and position of Indonesia economic during Covid-19 with the framework of globalization study.

2 Theoretical Framework

In analyzing Indonesia's economy strategies during the COVID-19, researchers applied the framework of globalization studies to map it out. Narrative policy and the government's response were used in this study is only limited to the media: *The Jakarta Post ed. September-October 2020* for news in the economic field, with the category of business and opinion. The study of globalization is considered capable of providing a clear analytical framework in the global economic competition for the economic rebooting efforts that have been carried out by

the Indonesian government. The idea of globalization campaigns for the connection of people around the world more quickly through technological developments, and the increase in production and large flows of capital due to open investment opportunities and a comprehensive network of markets in the world. It immediately becomes an inappropriate discourse for secured at the beginning of 2020 until now.⁷ These proposals began to shift into de-globalization ideas, where the state-market-society connection in the world was getting weaker. On the other hand, the micro or domestic state-market-society linkages in a country become stronger. This is very relevant to the nationalism and economic protectionism, which occurred as a result of the reaction of economic liberalization which suddenly experienced restrictions.⁸

Generally, the mapping in the study of globalization is written in three spectrums, which are *First, hyperglobalist* with the key thinker Kenichi Ohmae. Hyperglobalist is seeing that globalization provides an open space for all actors to take advantage of the phenomenon of globalization, with the active involvement of the state in global trade. Globalization perspective provides framing against a country with a policy pattern that tends to open to the global economy. The emergence of interdependence is a logical consequence of this perspective offer.⁹ *Second, sceptic-globalist*, Paul Hirst and Grahame Thompson stated that globalization is just a jargon, where the liveliness of a country in the global economy will only exacerbate inequalities and deepen poverty that exist in the country especially the developing country. Protectionism is the main offer and agenda from a sceptic-globalist perspective. According to Paul Hirst and Grahame Thompson, capital traffic that moves from one country to another is not really happening or a myth. On the other hand, capital traffic is only centered in developed countries, where developing countries will remain peripheral countries in terms of investment and trade. The input from the skeptic globalists is that countries need to de-link the supply chains of the world economy and global trade chains.¹⁰ This view is quite critical and requires caution if it becomes a subject of debate to describe the current condition. Some of us believe that protectionism which is too long and rigid creates worries in the future in the context of global economic relations.

Third, transformationalist, Giddens' point of view shows that globalization has a major impact on changing the role of the state, but does not completely eliminate the role of the state. The transformationalists have a narrative that globalization will be able to redefine the role of the state as a result of the emergence of a new hierarchy in international relations.¹¹ However, we cannot clearly map the global hierarchy in the midst of COVID-19, whether to issue new powers in the world or the world will remain in a bipolar condition (US-China). Although China is regarded as the center of COVID-19, but they do not fail in keeping their existence as the primary holder of the world's economic chain. Likewise, with the US amid their anxiety, this country still plays an important role in the world political power arena even though it is also busy in finding formulations for economic mitigation due to COVID-19 to this day.

2.1 Operationalization of the Concept in the Portrait of Economic Policy

In mapping the economic strategy of Indonesian government in the midst of the COVID-19, we need to look at offers from each spectrum to identify how the pattern of government economic

policy is. The Indonesian government's policies below are not necessarily easy to generalize Indonesia's position in global, but at least it helps to illustrate the action taken by the government both internally and externally until the second semester of 2020.

Table 1. The Concept Operationalization

No	Spectrum	Indicator	The Direction of State Economic Policy
1	Hyperglobalist	Open market Multilateralism Borderless economy - Government as managerial to connect domestic power and international structure	States with hyperglobalist tendencies will give freedom to the market to find the market equilibrium by them self.
2	Sceptic-globalist	De-linking Nationalism; Protectionism. - Empower the economic domestic - Government plays a role in regulating country's economy	The state closes the possibility of a global market and tends to be skeptical of free trade. The policies tend to lead to protectionism.
3	Transformationalist	Redefine globalization - Engage with global economy but carries out the government role	The state plays a more flexible role, searches for balance point in dealing with global challenge. Government role still exists as a balance guard but remains trying to engage with global trade opportunities.

Source: Ohmae (1995), Hirst & Thompson (2001), Giddens (2008).

This research was conducted to map the source of the behavior pattern of the Indonesian based on what was written in The Jakarta Post ed. September-October 2021. What is described and narrated in these sources can connect with the Indonesia's economic strategy in the spectrums of globalization.

3 Result and Analysis

3.1 **11** direction of the Indonesian Government's Economic Mitigation Policy due to the COVID-19 Pandemic

The COVID-19 pandemic that threatens all the countries in the world, as well as Indonesia, has had a significant impact on economic and health aspects. Therefore, Loayza and Pennings (2020) in an article published by the World Bank wrote that policies to manage the impact of COVID-19 need to harmonize macroeconomic policies and social protection policies, urban management, public communications, money and goods markets, and health protection.¹² In general, macroeconomic policies can be divided into two, micro and

macro policies towards the economic landscape. Economic problems in various regions have an impact on a scale that was never imagined before. This is evidenced by the sharp increase in the poverty rate in accordance with the World Bank's predictions from 8.1% in 2019 to 8.6% in 2020. It means that more than 50 million people will experience poverty due to the COVID-19 pandemic, which Indonesia continues to experience, struggling to deal with an economic fallout which also leads in investment and trade valuation dropping to 32%.¹³

In general, the Indonesian government tries to find a balance point in carrying out its policies. A good and careful strategy is carried out to show a clear direction and impact on this global pandemic which currently under the concern of the 'de- globalization' agenda. Policy synergies can be analyzed in the response of the Indonesian government which researchers took a portrait of in the scope of news coverage in the September-October 2020 edition of The Jakarta Post (see Table 2).

Tabel 2. The Mapping and Analysis of Economy News in The Jakarta Post ed. September-October 2020

No	News	Edition	Article Category	Point	Analysis
1	Indonesia's 2021 economic recovery will not be at "full power": Sri Mulyani	2 nd Sept 2020	Business	a. Government has allocated Rp 692,5 trillion in 2020 to save the economy. b. The number of poverty highly increased from 8,5% to 10,2%, it is caused by the percentage of unemployment that has increased significantly. Employee salary cuts are also a contributor to rising poverty rate.	<ul style="list-style-type: none"> • The state is present in the economic vulnerability of society. • The state tries to make formulations to recover economy and market.
2	Stimulus programs will need to continue into 2023 if economy remains weak: Experts	9 th Sept 2020	Business	a. Government needs to take decision carefully. If the demand is still weak and private sectors have not started working in 2021, fiscal stimulus should be continued until 2022 or possibly until 2023. (Former Minister of Finance, Chatib Basri). b. Government needs to focus on giving cash assistance for societies.	<ul style="list-style-type: none"> • Fiscal stimulus as a form of government presence for the market. • Cash assistance is (<i>maybe</i>) the best and most rational policy to date.
3	Govt spends 44% of recovery budget up to	2 nd Oct 2020	Business	a. Government has spent Rp 304,5 billion to recover national economy (PEN).	<ul style="list-style-type: none"> • Indonesian government securitizes economic

	September, health spending lags				<p>b. Specifically, for health sector, Government has spent 21,79 trillion.</p> <p>c. Government spends the largest amount of money on the Family Hope Program, which is IDR 36.3 trillion for 10 million recipients (40% are poor citizens in Indonesia).</p>	<p>security with allocated state fund to the more crucial sector (economy and health).</p>
4	Trade data show 'encouraging sign' of economic recovery	16 th Oct 2020	Business	<p>a. The government continues to open up export opportunities and there is an increase in shipments of agricultural and manufactured goods in September.</p> <p>b. Exports increased by 6.97% in September (during the pandemic), as they remained 0.5% lower compared to September 2019.</p> <p>c. Imports of raw materials and capital goods also increased in September 2020 (although in general they fell by 20% per year).</p> <p>d. The increase in the export-import aggregate was due to the easing of the global lockdown.</p>	<ul style="list-style-type: none"> • Global <i>lock-down</i> easing rules that encourage good aggregate of economic collaboration activities. • Based on the data (4.d), the condition tell if the argument of de-globalization will no longer as the focus debate when the world has completely recovered after pandemic. 	
5	Rebooting Indonesia's economy in post-pandemic world	21 st Oct 2020	Opinion	<p>a. COVID-19 global pandemic has strongly impacted the global trade network and goods delivery route.</p> <p>b. Government tries to make Indonesia as the main manufacturing location: the transfer of products from manufacture to consumers. (Minister of the Economy, Airlangga Hartarto).</p> <p>c. Jokowi and the government are carrying</p>	<ul style="list-style-type: none"> • <i>Reshaping globalization.</i> • Indonesia plays a role in global investment. • Restructuration global supply chain mapping. 	

out a multifaceted policy,
with the aim of further
strengthening the
country's competitive
advantage.

From the narrative given by the five-selected news in The Jakarta Post ed. September-October 2020, it can be mapped if the Indonesian Government Policy maintains domestic economic stability while taking advantage of opportunities to seize the international market in the midst of the COVID-19. Although the global economic chain has so far been dominated by two major actors, the impact of post-pandemic, de-globalization has the possibility of undergoing a restructuring of the pattern of its economic chain or mapping the world economy.

3.2 Transformationalists: Indonesia's Economic Position in the Globalization Spectrum

The COVID-19 pandemic has prompted international relations actors to redefine globalization. When de-globalization provides a narrative that there are multidimensional changes in the international economic order. These changes have forced countries to be more resilient and make efforts to address domestic economic issues that have a direct impact on society. In line with that, countries can make adjustments slowly to the global market. Concerns over protectionism which are too large have created concerns over the unfavorable constellation of the global economy. So, it is natural when there are opinions that point to Indonesia's efforts to take the opportunity to seize the "market" during this pandemic. If examined further, Indonesia's efforts can be categorized as a country that does not believe in protectionism in the economic sector during the COVID-19 pandemic. The handling of economic recovery both at home and abroad by Indonesia is carried out with the presence of a fairly strong "state". It is evidenced by policies that have been formulated by the government to boost the economy strategy both domestically and globally.

The government's approach to stimulate a response to tackling the spread of the transmission mechanism COVID-19 can have an impact on the incidence of indigence. Through a combination of supply and demand shocks, the outbreak of COVID-19 causes a decline in economic activities, which leads to a decline in economic growth. This macroeconomic shock causes a decline in average per capita expenditure at household level. Then depending on its distributional impact, the decline in per capita household expenditure may lead to an increase in the incidence of poverty. If liberal thinking as a hyperglobalist spirit is used in this formula, where the market is left to deal with the complexities of the problem of the collapse of the economy and trade, it will be deemed incapable. Because economic activities from the elements of demand and supply are both experiencing fatigue.

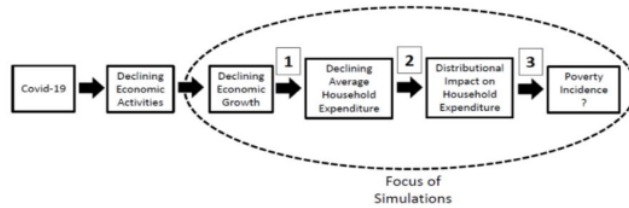


Fig. 1. Transmission mechanism from COVID-19 to poverty incidence¹⁴

Before entering the phase of declining economic growth, the country comes as the best way to provide to mitigate the economic impact of the spread of COVID-19: (according to The Jakarta Post ed. Sept-11 2020). The government has allocated Rp 692.5 trillion in 2020 to save the economy. The government has disbursed Rp 304.5 trillion for the national economic recovery (PEN) The government spends the largest amount of money for the Family Hope Program, which is IDR 36.3 trillion for 10 million recipients. Although, we do not avoid that the increase in the poverty rate in Indonesia will continue to increase in the second semester of 2020 (see Fig. 2). If we compare it with September 2019, the percentage of Indonesia's population has increased by 0.97% or an increase of 2.76 million people.¹³ This is assumed as the best form that the government can do not to exacerbate the increase in the number of poverty in Indonesia.

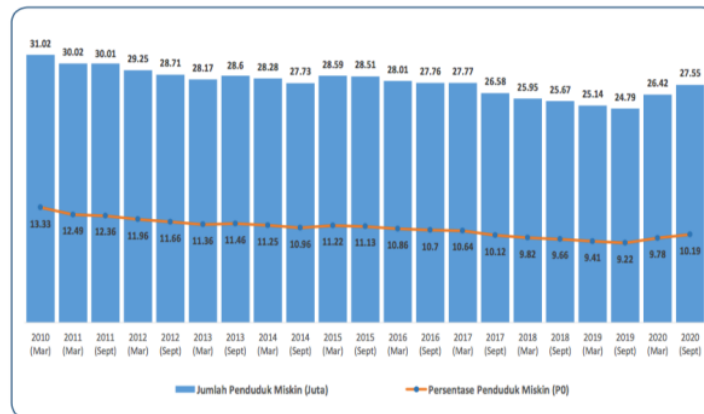


Fig. 2. Number and Percentage of Poor Population, 2010 –September 2020¹⁵

Defining the role of this state is also seen in strategies for mitigating Indonesia's trade economy at the global level. Researchers see that what the Indonesian state is trying to do in the midst of this pandemic is not fully implementing protectionism, this is based on several reasons and evidence that is in accordance with the results of the news narrative in The Jakarta Post ed. 16th of October 2020 in the business sector which explains that exports have increased up to 6.97%

in September. To further emphasize that Indonesia's position is included in the transformationalist spectrum, look at the narrative in the Jakarta Post ed. 21st October 2020 with the opinion category written by Francois de Maricout, with the following mapping:

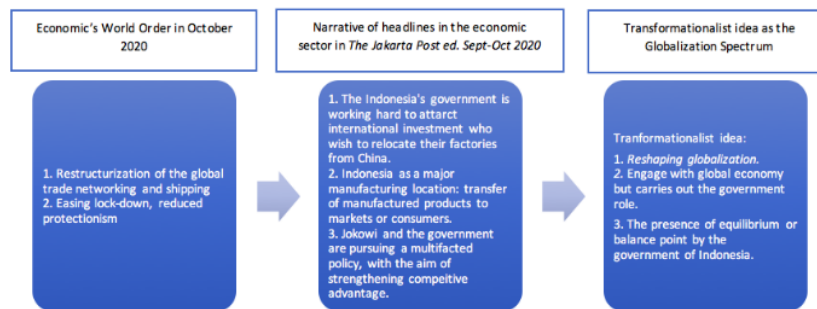


Fig. 3 The Globalization Spectrum in the Framework of the Indonesia Economic Policy Mitigation

4. Conclusion

The balanced and prudent economic policy is defined as the state's ability to overcome economic resistance both internally and externally. The government of Indonesia is trying their best to handle the economic and health sectors together even though it requires a long process and evaluation. Therefore, Indonesia economic strategy remains present in the global agenda with a new definition and power, where the Indonesia's position is stronger as a managerial and flexible as an economic partner. Transformationalism, one of the options for the spectrum of globalization, is suitable to be used as a recent study of Indonesia's economy strategy in the global arena in the midst of COVID-19. In general, reshaping globalization in Indonesia economic strategy is not for protectionism spirit. The government tries to strengthen the economy inward with an injection of aid funds and in the same time they try, too, to seize global opportunities by opening the new supply chains. Transformationalist provides a choice of globalization schemes for this choice.

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