

# CHAPTER I

## I. Introduction

This study is academically significant as it provides insights into the role of international cooperation, particularly between Indonesia and the G-20, in the economic recovery of developing nations post-pandemic. It contributes to the discourse on neoliberal theory in international relations by exploring Indonesia's strategic use of multilateral platforms to foster economic growth and stability. The G-20 operates as a multilateral platform, addressing global economic challenges through collective action and cooperation among its member states, which include some of the world's largest economies.

This work provides a comprehensive assessment of the impact of the COVID-19 pandemic on the global economy with a focus on developing countries including Indonesia. Furthermore, the study is conducted to explore the process of economic recovery and strategies for national growth in developing countries after the COVID-19 pandemic, using Indonesia as a case study.

### I.I Background

The COVID-19 pandemic has resulted in negative impacts on the global economy and has hampered on the economic development and growth of most nations with significant decline in the quality of life of people and a drop in income generation of most firms. the pandemic lunged the global economy into recession more than previous world crisis ever (Ibn Mohammed et al. 2021; Sawicka et al. 2022). Its impact is likened to an almost irrecoverable natural disaster as it spread more widely and faster than the world had expected. The global economy was put on hold, causing immense

losses in large economies, industries and the trade sector. Negative shifts in the global economy had severe impacts on economic activities, causing a drastic fall, a 3.4 percent drop in the world's gross domestic product in 2020 (Dyvik, 2024). Other challenges such as the global food and energy crisis as well as the ongoing war in Ukraine poses a huge challenge and is an impediment to the growth of global economies, leaving the world at a critical stage with the rise in instability of developing economies.

Against this backdrop, the current global economic difficulties that are caused by the pandemic is happening across both developed and developing countries as several nations are confronted with the risk of recession ("World Economic Situation and Prospects," 2023). As a result, smaller nations are grappling with the effect of such changes due to the fact that advanced nations are withdrawing monetary and humanitarian support on which most developing countries have relied on for decades. The consequences of the global economic crisis has affected emerging economies like Indonesia causing increased economic fragility. Nonetheless, the global economy began to achieve positive growth in 2021 as a result of collective and respective efforts of various governments ("The Global Economy," 2021). To this end, it is important to examine the effect of the Covid-19 pandemic both on the global economy and on the impact felt domestically by Indonesia as an emerging economy. Furthermore, this work will consider the Multilateral practice of the G20 as a system of cooperation to promote economic recovery within the context of developing nations like Indonesia. As we analyse the multilateral cooperation of the G20, it is important to present a basic understanding of multilateralism. From a historic point of view, Multilateralism can be traced to the era of the League of Nations, and the establishment of the United Nations, following the second (2<sup>nd</sup>) world war ("Multilateralism: About History of

Multilateralism,” 2024). It is recognized as the process of organizing relations between a group of three or more states/nations, or the involvement of regional military alliances, pacts or groupings. Similarly, multilateralism fosters the alliance or cooperation of many states in pursuit of a common objective/goal. The process of multilateralism that is practiced within international organizations or institutions such as the United Nations, serves to bind powerful nations such as the permanent five (P5) in the UN Security Council and also enables smaller nations to have a voice and influence on global issues. Multilateralism is considered to be a very significant method of interaction among nations as it provides a platform for stronger collaboration, particularly global issues. However, it is not binding for nations to be members of multilateral institutions but states have the freedom to participate in order to strengthen their ability to promote their own interests through the coordination of policies.

The idea of multilateralism is designed to promote relations among countries of the world, for the furtherance of global peace, security and a just world order. Over the decades, the concept of Multilateralism has evolved to include bilateral agreements between countries on issues such as trade, security, health and even infrastructure, all with a view to promote individual national interests of countries, while strengthening cooperation with other nations. The G20 forum is an intergovernmental organization established in 1999 after the Asian financial crisis, and serves as a multilateral platform for financial and economic cooperation among its member nations under the framework known as the Bali Leaders’ Declaration (White House, 2022), and they also collaborate together to curb the effect of economic challenges resulting from the impact of the Covid-19 pandemic. Its members are comprised of nineteen of the world’s largest economies, with Indonesia and the European Union as members. The forum

provides for discussions on the global economy, financial issues, investment policies and the way forward in strengthening the world's largest economies to contribute to the larger global economy.

The G20 has the capacity to function at a multilateral level with its inclusion of global financial institutions such as the International Monetary Fund (IMF) and the World Bank in its activities with a view to develop common solutions to complex global issues. The participation of these financial institutions in G20 activities paves the way for the G20 to operate as a strong force in driving international and domestic policies and reforms within the international system. The G20 is also a veritable vehicle for driving the realization of the United Nations Sustainable Development Goals (SDGs), and within the chapters of this research we will examine how this is being driven, with emphasis on Indonesia.

The Multilateralism practiced through G20 is important to showcase the importance of Indonesian Foreign policy to the world. With Indonesia's recent leadership role in the G20, and as a founding member of the organization, Indonesia played a significant role in its leadership in 2022 through significant contributions, particularly in efforts designed to mitigate the impact of the Covid-19 pandemic on economies of G20 member countries with a view to facilitate economic recovery. Indonesia's foreign policy has evolved in line with modern trends as the country has sought to create mutually beneficial bilateral relations through its foreign relations with other countries both in terms of bilateral and multilateral relations. Indonesia's global influence improved with its participation under several platforms such as its recently concluded chairmanship of the G20.

Under the theme of its Presidency: **“Recover Together, Recover Stronger,”** Indonesia had been committed to achieving inclusive and sustainable growth” by contributing to digital transformation, global health architecture and sustainable energy transition to support the global economic recovery plan (Ao, 2023). Furthermore, Indonesia championed the first Digital Economy Working Group (DEWG) during its Presidency of the G20 in 2022 to create a more comprehensive platform to promote recovery and connectivity after the pandemic, enhance digital skills and literacy as well as to enable free flow of data. In addition, Indonesia held the Energy Transition Forum in order to achieve a sustainable global energy transition.

Several other efforts have been made by Indonesia in addressing the situation and to support the process of economic recovery by encouraging global manufacturing for consumer needs and the establishment of knowledge sharing centers for pandemic prevention, preparedness and response. Indonesia has also played an active role in the G20 by supporting smaller nations that were vulnerable to the pandemic.

However, despite the efforts made by the G20 and Indonesia, it is evident to note that disparities in the economic prosperity of nations will continue to exist. Although, leading World economies such as the United States of America, China, United Kingdom, Japan, South Korea are facing increasing difficulty in recovering from these obstacles, they are however vigourously engaging in mutually beneficial bilateral and multilateral cooperation to succeed. Indonesia’s efforts towards economic recovery are equally quite commendable.

The success of Indonesia's leadership can be attributed to the resilience demonstrated by President Joko Widodo who has received international commendations for his active and successful participation in international politics both in his regional and global engagements as well as the remarkable appointment by the United Nations as a Champion for Global Crisis Response Group. Similarly, Indonesia has been able to project and symbolize its independent, active and non-aligned foreign policy to the world through President Joko Widodo's successful engagements to encourage dialogue and cease fire regarding the ongoing crisis between Russia and Ukraine. Indonesia gained global commendation for its role in peace making and mediator between the warring parties. This action proves that the country is capable of implementing a foreign policy that is beneficial to both domestic and global interests.

From the interaction between Indonesia and other G20 stakeholders, it could be noted that Indonesia pursues its diplomacy by strengthening its foreign policy objectives through mutually beneficial cooperation. This is accomplished through Business forums and other multilateral/bilateral engagements. Indonesia pursues such approach essentially to promote its national interests, to assert its influence in the region and achieve regional stability. Indonesia's G20 Presidency served as an international recognition platform concerning Indonesia's position as one of the world biggest economies, and provided Indonesia with the opportunity to represent the interest of other developing economies. It also added to Indonesia's recovery in terms of economic activity as well as domestic and international public trust. The period of leadership provided an opportunity for Indonesia to demonstrate efficient leadership in contributing to the global economic recovery.

## **I.2 Research Questions**

1. How does the Covid-19 pandemic affect the global economy and the Indonesian economy, including international trade within the context of Indonesia?
2. How has Indonesia used key elements of the G20 Bali Declaration 2022 cooperation as a platform to achieve economic recovery as a member of the G20?

## **I.3 Research Objectives**

- Evaluation/assessment and identification of challenges of the weak global economy due to the impact of the Covid-19 pandemic on both developed and developing countries, using Indonesia's case;
- Reiterating concrete efforts of Indonesia's cooperation with G20 to curb the negative effect of the COVID-19 pandemic and to achieve sustainable economic recovery and development.

## **I.4 Research Significance**

It is important to consider that the Covid-19 pandemic affected the global economy to a large extent thereby limiting the growth of international trade to the detriment of developing nations such as Indonesia, who have experienced the diminishing effects of rising inflation rates, food crisis, high cost of goods and services as well as weak economic growth in all sectors. To this end, it is pertinent to acknowledge that economic growth, particularly in Indonesia and other Southeast Asia countries has

deteriorated and the economic outlook remains challenged due to unfavourable external conditions, since the Covid-19 pandemic occurred from 2019 till date. Therefore, concerted efforts such as strengthening multilateral and international cooperation have become necessary to alleviate the current global uncertainties which have emanated from the pandemic. In addition, Indonesia's cooperation with the G20 whose membership spans across other developed nations, has supported the mitigation of the difficulties encountered by smaller nations.

Suffice to note that some of the impact caused by the Covid-19 are the decline in global trade, increased unemployment due to loss of jobs and rise in cost of goods and services. Even though the G20 was established as a forum for economic cooperation between member countries, the prevailing global challenges such as the Covid-19 pandemic has necessitated it to participate in contributing efforts towards policy-making responses to the global economic recovery plan.

As a top priority, the G20 in its summit in Rome, Italy, in 2021, put health on the top of its agenda and as one of its important discussions with a view to achieve economic recovery for all. Also, in collaboration with the World Health Organization (WHO), the G20 has implemented global health governance policies through vaccine distribution, capacity building programs, training of medical professionals and funding.

It is therefore evident to explore the importance of closer cooperation among G20 nations, of which Indonesia is a member, as it is necessary and will be in the interest of both developing and developed economies to mobilize resources to address the alarming challenges that are overwhelming the entire globe. Importantly, the



promotion of cooperative efforts are required to ensure a successful global economic recovery plan, amidst the global recession.

In this regard, this research work will focus on Indonesia's efforts in establishing "concrete strategies as a pathway to improve national growth and development to achieve economic recovery from the pandemic and to attain the targets of the Sustainable Development Goals (SDGs).

After the introduction, this paper provides the arguments and theoretical concepts that is used as the foundation for the analysis, regarding the issues of Indonesia's cooperation with the G20 towards the economic recovery plan for the nation, how these cooperation serves as a veritable pathway for the implementation of the SDGs, and the mechanisms in place, within Indonesia and the G20, to attain these sustainable development goals.

## **I.5 Structure of Thesis – Summary of Key Elements from Each Chapter**

### **Chapter 1**

Chapter 1 serves as the foundational introduction to the thesis, providing an overview of the research context, objectives and methodology. Key elements include:

**Historical Context of Global Economic Governance:** Examines the evolution and significance of global economic governance structures, leading up to the establishment of the G20.

Rationale for G20 Formation: Discusses the factors that prompted the creation of the G20 and its role in addressing global economic challenges.

Objectives of the Thesis: Outlines the specific aims and research questions guiding the study, focusing on the G20's impact on Indonesia's economic recovery and sustainable development.

## **Chapter 2: Indonesia's Economic Landscape and the G20**

Chapter 2 provides a detailed analysis of Indonesia's economic context and the G20's influence. Key elements include: Economic challenges pre-COVID-19: Describes Indonesia's economic vulnerabilities and challenges before the COVID-19 pandemic. Impact of COVID-19 on Indonesia: Analyzes how the pandemic affected Indonesia's economy and the role of G20 initiatives in supporting recovery.

G20 Policies and Indonesian Response: Examines specific G20 policies and recommendations that influenced Indonesia's economic policies post-COVID 19.

## **Chapter 3: Research Methodology**

Chapter 3 explores the methodologies used in the research work and how these methods aided the research exploration of G20's contributions to sustainable development goals and

Indonesia's alignment with global sustainability agendas. Key elements include:

Case Study Research Method: Adopting a case study methodology which involves a detailed examination of a specific phenomenon within its real-life context.

Qualitative research approach: Discusses how this approach is employed to explore the role of G20 multilateral cooperation in supporting economic recovery in developing countries, with Indonesia as the primary focus.

Data Collection and Analysis Method: Which deploys deductive approach to draw conclusions based on analyzed data.

Ethical Consideration and Potential Limitations: which addresses the various limitations encountered during the research.

#### **Chapter 4: Indonesia's Role To Support Global Economic Recovery and Achieve Sustainable Development in Cooperation with the G20**

Chapter 4 examines how Indonesia has used its role in the G20 in aiding economic recovery in the country post-COVID-19, highlighting the pivotal contributions of the G20 Bali

Leaders' 2022. By applying an in-depth analysis of strategic economic policies, infrastructure development, social and economic impacts and local implementation of Sustainable Development Goals (SDGs), chapter 4 illustrates how G20-backed initiatives have significantly influenced Indonesia's trajectory towards economic stability and growth.

The analysis presented in chapter 4 supports the argument that Indonesia's economy has shown substantial signs of recovery, largely due to the implementation of G20 supported neoliberal policies by examining economic indicators such as GDP growth,

investment inflows and trade volumes. The G20's support through the Global Infrastructure Facility enabled Indonesia to undertake key infrastructure projects such as the expansion of Jakarta's Mass Rapid Transit system, which have been instrumental in driving economic growth and reducing carbon emissions. G20 initiatives such as the Access to COVID-19 Tools (ACT)

Accelerator, played a crucial role in enhancing Indonesia's healthcare infrastructure. Education and skills development programs supported by the G20 have contributed to workforce resilience and human capital development.

Chapter 4 provides a comprehensive overview of Indonesia's leadership during its presidency of the G20 and its impact in implementing economic policies and initiatives as well as integrating SDGs into G20 agendas to strengthen economic governance frameworks, thereby contributing to global economic governance and fostering international cooperation. The chapter also analyzes the challenges and opportunities for achieving SDGs through G20-led initiatives.

