

## **CHAPTER I**

### **INTRODUCTION**

Indonesia is a significant country in southeast Asia. The state is still in developing even though it is possessing characteristic that can make Indonesia's the third "rising power" of Asia. The population, size, and location in the strait of Southeast Asia which make Indonesia strategic in trading and economic development. When it decides to become the next rising power, it has to develop systematic plans of economic development and use economic wealth power from such step of Indonesian diplomacy in International meetings. This is very important to Indonesian political action in International relation because Indonesia has a chance for better condition and has great power from many resources they had.

In this occasion by pointing out the first problem Indonesia has still depending with bondage and international dependence, either by the state or corporations. This makes Indonesia's getting impact from global economic crisis. The economic structure we had chosen that is neolibelars with Letter of intent IMF program seems to result in increase economic brittle. However Indonesia is a developing state which still depend on advance country from many importance, such as financial loan, and the relation between core and pheripery state especially in economic side. But, it does not means that Indonesia could not carry out from international problem such global economy crisis. Indonesia is optimist to build their nation eventhough there will be many difficulties in the front. Indonesia has

their power, knowledge, bravery, and distinct guidance to rebuild they state going forward, and prosperous. From several aspects Summit G 20 became the big chance to this country. The big chances are by giving their idea, efforts, respect, and solidarity to struggle for global economic crisis.<sup>1</sup>

### **A. Background**

Financial crisis has attacked the world in 2008-2009. Global economic crisis 2008 was starting from financial crisis in the United States. Financial crisis has already trapped international capitalism system. It is seems that there are no spesific preparations to face this problem, which begins from the collapse of financial industry in the United States which are Lehman Brother's, Freddie Mae, and Fannie Mac. The financial crisis has given several main problems such increasing poverty, increasing unemployment, local or even foreign investors take out their investment. So many industries "slenderize" their labor because it's problem. The real sector in economic system is going down. Market became "weak" and the ability to buy and sell, distribute, and produce is decrease.

Financial crisis is giving bad impact for whole economic sector because the crisis has begin in central or core state which is the United States. The United States is a super power country in the world. The country is a central economy activity. They have a great import production to the other big country. those countries are in the Europian and Asian such as Cina, Rusia, and England working together with the United states in export import commodity. That is why the crisis

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<sup>1</sup> Connie Rahakundini Bakrie, *Defending Indonesia*, Jakarta: PT Gramedia Pustaka Utama, 2009.

has creep into the outer part of the United States. By the time the crisis were hitting the main core system becomes a global economic crisis.

So how about the developing country which still depend on developed country. Developing country has needed the relation in many sector to help them economic, social, defense, and political aspects. May I said developing country has could not growth up if the developed country has a problem such this. So they are needs working together in resolving such problem.

The leader in the world has keep on thinking the international meeting standard so they can share and take a solution together. The leader has agreed to hold the G 20 Summit meeting which becomes the “elite” group of economic leaders. Indonesia as the represented of the developing country has concern to give the brief input and his idea in the summit meeting for them national interest and for developing countries.

In this background of writing I would explain about the cause of financial crisis in the United States which beginning from Subprime Mortgage, them potential global impact, and the impact for developing countries.

#### 1. Subprime Mortgage Crisis

By the time George Walker Bush rescued the plan to save their country from crisis. The United States government has spent just to delay the worst of financial crisis by a few years. Subprime mortgage crisis was begin from real estate problem in the United States. The price of real estate house in the United States has reach the top price in 2006. The price has difficult to reach by the housing borrowers. This was make an impact to the funding fluency. The society which has used

financial loan from bank was trouble to pay their credit. By the time it has become the cause of Lehman Brother's Bankruptcy. Fannie Mae and Freddie Mac are the others financial loan housing enterprise was collapse.

What happens basically is that some event changes the economic outlook. New opportunities for profits are seized, and overdone, in ways so closely resembling irrationality as to constitute a high desire of the costumers and borrowers. Once the excessive character or the upswing is realized. The financial system experiences a sort of "distress", in the course of which the rush to reverse the expansion process may become as precipitous as to resemble panic. In the certain phase people of wealth or credit has switch out of money or borrow to buy real or illiquid financial assets. The reverse movement is takes place, from real or financial assets to money or repayment of debt with a crash in the prices of commodities. The commodities crush has such houses, buildings, land, stocks, and bonds-in short, in whatever has been the subject of the borrowers possessed.<sup>2</sup>

The United States government does some efforts to overcome Subprime Mortgage crisis. They have spending the estimate of fund just to delay the worst of the financial crisis by a few years. The government has assume about US\$700 billion to delay the worst of financial crisis in the United States. In 2008 government would have reach about 1.587 quintillon. The government prepared about US\$15,000 per US household to bail out Fannie Mae and Freddie Mac. The

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<sup>2</sup> Tracy, Noel, *International Financial Crisis*, Yogyakarta. Flinders University Australia, 2006.

effort from the United States government has also to buy a decent used car or fuel-efficient new one.

The current crisis attack the United States was of the kind which happened once every 100 years. But in the 1931 when the big crisis happen was only in the part financial or economic. The crisis in 2008 in the United States have a global implication to national borders. Private solution have been tried but failed. Financial enterprise was close, bad loan are written off, and lenders can only lend when confidence return. The United States could not tolerate the bail-out culture as the effort to economic better in the United States.<sup>3</sup>

## 2. Potential Global Impact of The Crisis

Subprime Mortgage Crisis has made financial crisis in the United States. This is make a potential global impacts. In December 2006, it was already apparent that the real estate market threatened the United States economy. By March 2007 was became apparent that the housing slump was spreading to the stock markets via hedge fund investments. By August, banks stopped lending to each other because they were afraid of getting caught with bad subprime mortgages. In 2007 this crisis was affect financial sector. HSBC has the world's largest bank wrote it is holding of subprime related by US\$ 10,5 billion. The crisis has caused panic of financial markets. The investors was take their money out of risky mortgage bonds and shaky equities and put it into commodities as "stores of value". Financial speculators seeking quick returns have removed trillions of

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<sup>3</sup> <http://www.doctorhousingbubble.com/crony-capitalism-for-dummies-housing-and-economic-recovery-act-of-2008-how-the-bailout-will-not-help-you-and-cost-you-money-a-deep-look-at-the-694-pages-of-the-bill/>

dollars from equities and mortgage bonds which has been invested into food and raw materials.

In 2008 the financial crisis in the United states has made the firm written down their holdings of subprime related securities by US\$501 billion. When Lehman Brothers and other important financial institutions failed in September 2008, the crisis hit a key point. The money market was subject to a bank run. The money market had been a key source of credit for banks. The credit has brought the global financial system to the brink of collapse. Crisis in 2007-2008 has spread across national borders of the United States.<sup>4</sup> This condition has cause of financial crisis in the United States become the global economic crisis.

This crisis has impact for human development. The effects are around poverty, life expectancy, health, and other development outcomes. The long-term impact on income poverty is particularly significant. When defined as the share of the population living on less than US\$5/day, poverty is likely to worsen markedly across the entire region for at least a few years. From the data At the US\$2.50/day threshold encode that the human development rate in 2007-2008 was decreasing.

The affects of crisis has fel'd by other countries such as developing country. This crisis has make their real sector become a weak eventhough the impact of global crisis does not feel directly. For explanation I will write in the next subject beneath.

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<sup>4</sup> <http://www.slate.com/id/2188982/>

### 3. Potential Global Impacts of The Crisis for Developing Country

Subprime Mortgage crisis was happen 2007-2008 affect to Wall Street and Main Street shattered. This crisis has such sudden storm to sweep the developing country. The impacts of this crisis to developing countries I devided into three aspect:

#### a. Banking failures and reductions in domestic lending.

Financial institutions in developing countries could be negatively affected depending on the extent to which they hold assets contaminated by subprime mortgages. Many banks in developing countries only have weak links with international banks. This is make the condition of banks to reduce lending in order to shore up their capital. Reductions in bank lending will reduce investment, lower growth and increase unemployment.

#### b. Reduction in export earnings

The developing country have their own economy system eventhough they can avoid from significant impact of the global crisis. But this cannot deny that the fact that the advanced economies are entering a recession is likely to hurt them. Actually the impact can be significant because most of developing countries have been raising their economic growth in recent years on exports. The exports demand from developed countries has reduce for developing countries goods and less tourism. This is make the discharge of developing countries export and decrease the economy desire of the country.

c. Reduction in financial flows

The negative impact of this crisis to financial inflows from the rest of the world to developing countries will be bad. Estimates put the decline in financial resources to developing countries from around US\$300 – 400 billion. Financial flows has hold the economy activity in a country. The increasing of financial flows of a country will affect to their growth and development. More money flow in a country will make more economy activity and investation. The changing condition has made another impact.<sup>5</sup>

4. Indonesia as an Important Power in Southeast Asia Wants to play the efforts in Anticipating the Impact of the crisis.

Indonesia is a nation state actually still weak in economic development. An economic matter has become the main problem in almost of developing countries in Southeast Asia. The economic development problem of developing country has almost all construction projects stopped. This means the employment opportunities especially for those who do not have special education getting difficulties to have a work places. These conditions have made the unemployment in developing country. Because they have limited workings places and still developed in many aspects.

Global financial crisis in the United States was starting from the collapse of Lehman Brothers. There was change in the financial global markets. Financial crisis in the United States finally brings down the people conviction. The conviction is about capitalism economic future in the United State style. However

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<sup>5</sup> [http://www.oxfamblogs.org/fp2p/wp-content/uploads/GEC\\_research\\_report\\_consultation\\_draft\\_27Jan2010.pdf](http://www.oxfamblogs.org/fp2p/wp-content/uploads/GEC_research_report_consultation_draft_27Jan2010.pdf)



the bankrupt of Lehman formerly is marked by the seekness amount of the United States financial enterprises. One of them are collapse of two enterprise funding US, Fannie Mae and Freddie Mac. There was an one of them is the collapse and the bankrupt of cooperation in the United states. These conditions do not only influence the economic of the United States, but affects in the international society as well, especially for developing countries that still depend on international fund.

This condition cannot be able occur for the next level. There should be optimism to the better economic world condition in the future. The first thing to do is how to make counter cyclical and fix the society trust and market agent. Actually international society cannot deny such complicated problem. There are so many problematic impacts such as unemployment and poverty in the world which has significant condition to enhance. It has predicted economic matters in 2010 are complicated pressure and unemployment will increase. The leaders in Group 20 is keep thinking hard about this global condition. They are affraid if those problems cannot be solved if there is no international meeting to search the solution and its operation.

Because of that reason the leaders of industrial countries in the world make an agreement to arrange summit G 20. Since summit on Financial Markets and World Economic was held before in Washington DC, November14-15, 2008, the leadears of G 20 agree to return the market trust and concerning international financial system.

Group 20 are Argentina, Australia, Brasil, England, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Rusia, Unite Emirate Arab

(UAE), South Africa, South Korea, Turkey, and United States, also European Union. They have optimism to improve world society trust and market agent. This is the basic thing to activate economic activity, which has collapsed because of global economic crisis. That was the fact of global economic crisis impact of economic world activity as I told before. These summit G 20 meeting is searching an efforts to decrease unemployment and this international meeting will focus on repair structural policy.<sup>6</sup>

These summit meeting G 20 has a prominent purpose. The purpose is to search the good ways to solve global financial crisis that has occurred in 2008. This international meeting has another purpose for economic and international relation better condition. The economic and international relation for better condition includes unity the developed and developing country, and making the developing country get 5% vote right in International Monetary Fund (IMF). These G 20 will make the coordination to have a good time in searching and decreasing stimulation steps as a part of an effort for making higher economic world growth, continuity, and balanced.

There is still over compensation gift in banking sector. In this summit they will make a new step to face this in March. The government should make a new role about tax havens or they should get the consequences. This summit started to begin the great research or an investigation system for an economic thinker in

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<sup>6</sup> <http://www.fordham.edu/halsall/mod/wallerstein.html>

each country. This effort are useful for them ability in giving a point of view in the meeting.

Indonesia takes part in this meeting as a member of G 20 Summit. The state can take a part as a member 20 because the requisite for a member of each country should offer 90% of them Gross Domestic Product (GDP). Indonesia has fulfilled the requisite eventhough Indonesia has to sit in the last forth by total 468 billion US Dollars. This state has still confidence because in Southeast Asia Indonesia is the state which can be included to the first rank in the world economic group or Group 20.

Indonesia as the representative of developing country is not just as the actor on this summit. Actually the nation state has a power in “elite” group meeting. Indonesia has many natural resources and human resources. These is proof that Indonesia as a big nation state. So Indonesia should be able to “hold the game” in international diplomacy for this appportunity.

In this forum, certainly Indonesia has not just represented their national interest, remembering that Indonesia is the only country in Southeast Asia that is united in G 20. ASEAN Forum hoped Indonesia could an active role in the meeting in order to avoid protectionism in world trading. So many ASEAN countries hope to Indonesia as a developing country in Southeast Asia in that forum and Indonesia government is concern to think about it. Indonesia’s Minister of Foreign Affairs gives the rising priority to Indonesian role until quicks identification and clever knowing play the role of game in the meeting.

From data was taken from many resources Indonesia and their Neighboring countries in Southeast Asia have also experienced negative economic growth in the first quarter-2009 in the middle of a global recession that is happening now.<sup>7</sup> Indonesia has own purpose such as how to make the stabilization of the world financing, how to stimulate real sector in the world, and also active in stabilization of world financial system reconstruction.

From the explanation background so many nation states in Southeast Asia is fragile from global economy crisis, moreover in the states of Southeast Asia has their economy weaknesses. From data economic growth in Southeast Asia state experienced negative economic growth in the first quarter-2009 in the middle of a global recession. There still has many obstacles towards developing countries. From those things too many homework for the government has to be fixing. Political action will be one of many ways should be done, because the issues of international political economy has increase strongly in relations between nations and even between continents.

Indonesia has political action in international relations called diplomacy. From the meeting summit G 20, Indonesia can take action on this meeting to think about better condition. Summit G 20 is the arena of international meeting would be ready to become the main global economic forum. This is the arena for Indonesia to fight and speak in the international community.

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<sup>7</sup> [http://c.idcolo.com/index.php?option=com\\_content&view=article&id=40036:ekonomi-indonesia-terbaik-di-asia-tenggara&catid=18:bisnis&Itemid=95](http://c.idcolo.com/index.php?option=com_content&view=article&id=40036:ekonomi-indonesia-terbaik-di-asia-tenggara&catid=18:bisnis&Itemid=95)

## **B. Writing Objective**

The first objective of this research is to analyze what is actually the main purpose and significance of summit G 20 to struggle from global economic crisis. The Global economic crisis has not just given the bad impact for developing countries but also has given for developing countries even though the impact was not in direct time. But the developing country has needed the fast solution because they are still dependent from developed states in this case. Secondly the research seeks to understand why Indonesia took a part in this meeting and what are Indonesia's effort to this meeting for their own national interest, and also for developing countries in southeast Asia region.

Indonesia has become a significant country in southeast Asia. This is proven that Indonesia is united in summit G 20. Even though Indonesia has possessed characteristic as the third "rising power" of Asia, that ambition can be made through diplomacy ways. The step of foreign affairs in Summit G 20 Pittsburgh is one of the diplomatic way for our country, because this is a change of Indonesia's to place himself as a "representative" of developing countries. The factors of our human resources are abundant, as the fourth most populated country in the world. Therefore, we should play the diplomatic card wisely.

Third the research seeks to find of Indonesia's efforts in solving Global economic crisis through diplomacy way. To answer the question I am using the methodology, research, and analysis with concept and the theory that relates to the topic of this thesis. From many resources that can be proved and data that can be proved we can collaborate to answer the questions.

### **C. Research Question**

According to the problem background, this research is going to answer the question on:

what are the efforts of Indonesia to overcome the impacts of global economic crisis that has given a bad effect for developing countries in Southeast Asia through summit G 20 forum?

### **D. Theoretical Framework**

#### *Neo-liberal Institutionalism Theory*

To collaboration research question and the answer of descriptive hypothesis I use the theory which is related to the efforts of Indonesia to overcome the impacts global economic crisis through G 20 Summit. The theory is Neo-liberal Institutionalism theory.

The former type of neo-liberal institutionalism theory is liberal institutionalism theory. Liberal institutionalism is the argument about the positive benefits from transnational co-operation is one which lies at the core of liberal institutionalism and remains central to neo-liberal institutionalists.

By the late 1960s and early 1970s, a new generation of scholars, particularly in the United States influenced by the European integration literature. The European integration literature was began to examine in greater analytical depth the impact of modernization on the states system.

Although the phenomenon of transnationalism was an important addition to the International Relations theorists' vocabulary, it remained underdeveloped as a

theoretical concept. Perhaps the most important contribution of pluralism was its elaboration of interdependence.

The key point of liberal institutionalism is the third figure in the pattern of Liberalism. In the 1940s, liberal institutionalists turned to international institutions to carry out a number of functions the state could not perform. This was the catalyst for integration theory in Europe and pluralism in the United States. By the early 1970s, pluralism had mounted a significant challenge to realism. It focused on new actors such as transnational corporations, non-governmental organizations and new patterns of interaction such as interdependence and integration.

Neo-liberal institutionalism is one of the 'big ideas' in the theory and practice of international relations. In the 1990s it is known as 'the democratic peace thesis'. The kernel of this argument, which can be traced back to Kant's philosophical sketch on *Perpetual Peace*. The Kant's philosophical is that liberal states do not go to war with other liberal states.

Although the empirical evidence seems to support the democratic peace thesis, it is important to bear in mind the limitations of the argument. In the first instance for the theory to be compelling, supporters of the democratic peace thesis must provide an explanation as to *why* war has become unthinkable between liberal states.

Liberal states tend to be in relations of amity with other liberal states. War between Canada and the United States is unthinkable. Perhaps this unthinkable war has not because of their liberal democratic constitutions, but because they are

friends. Indeed, war between states with *contrasting* political and economic systems may also be unthinkable because they have a history of friendly relations. An example here is Mexico and Cuba, who although claim being a common revolutionary tradition nevertheless embrace antithetical economic ideologies.

Important to note the political consequences of this theory explanation. In 1989 Francis Fukuyama wrote an article entitled “The End of History” which celebrated the triumph of liberalism over all other ideologies, contending that liberal states were more stable internally and more peace full in their international relations. The explanation has served the political purpose of underlining the superiority of American values, thereby providing legitimacy to those who sought to ‘export’ liberalism. It was no longer a case of liberalism in one country, as it had appeared to some realists during the cold war, but rather liberalism for all countries.

What instruments are available to states to spread liberal values and widen the zone of peace? There are a wide range of options open to Western states in their attempt to globalize liberalism. Intervention even for liberal reasons often leads to more chaos. Since the question of humanitarian intervention is deal with in detail, the paragraphs below will focus on the non-military instruments at the disposal of state-leaders and international institutions for promoting liberal values in global politics.

At the political level the powerful states in the international system are able to use institutional leverage as a means of embedding formerly non-liberal states into the liberal world order. In other words, in order for Russia to be accepted as



one of the G7 (Group of Seven most powerful industrial economies), it must demonstrate its liberal credentials first. The same process has been at work in the relations between the former communist states of Central and Eastern Europe and the European Union.<sup>8</sup>

Neoliberal institutionalism as the theoretical framework of this thesis to answer the research question or being the hypothesis. Indonesia is using the institution of neoliberals to leverage the efforts to overcome or anticipates the global economic crisis. The Neoliberal institutionalism theory has argued that the powerful states in the international system are able to use institutional leverage as a means of embedding formerly non-liberal states into the liberal world order. For example is Russia in G7, Russia has kept trying to use their institutional leverage to embedding their nation states became G8 in United Charter. There are so many institutional in the world for example WTO, G7, G8, United Nation, AFTA, and many others. In this case Indonesia has used the G 20 Summit in his institutional leverage to liberalized. It has hoped that the action in institutional leverage, Indonesia can achieve his national interest. Indonesia's national interest has seen in Indonesia's efforts in G 20 Summit. But it is marked that Indonesia was not just do the efforts for Indonesia themselves but also for developing countries interest. Because in this Summit meeting Indonesia has represented the developing countries from the requirements of G 20 Summit Pittsburgh.

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<sup>8</sup> Timothy Dunne, "Liberalism", John Baylis and Steve Smith, *the Globalization of World Politics*. (NY: Oxford University Press, 1997), pages 153-156.

On the other side the brief explanation has come from Robert O. Keohane. In this theory Robert O. Keohane has developed the concept of "complex interdependence" countries deal with multiple issue areas of economics, environment, migration, and culture, to name but a few. In each of these areas there may be more than one dimension oil, cars, finance each with its specific patterns of power and influence. The definition of country interests is the influences on countries from actors within them, and the way countries interact flows through a network of relationships only some of which pass through the formal institutions of the nation-state. Some of these networks are embodied in formal institutions at the international level, like IMF or IATA.<sup>9</sup>

Robert O. Keohane said "Neoliberal Institutionalism has rooted in functional integration and complex interdependence literatures. Sees institutions as the mediator and the means to achieve cooperation in the international system. Regimes and institutions help govern a competitive and anarchic international system need multilateralism and cooperation to secure national interests. Recognizes that cooperation may be harder to achieve in areas where leaders perceive no mutual interest. States cooperate to achieve absolute gains greatest obstacle to cooperation is cheating or non-compliance. Cooperation is essential in a world of economic interdependence, and shared economic interests create a demand for international institutions and rules."<sup>10</sup>

This theory has related to the multinational cooperation with three aspect perspectives. The three perspectives are Indivisibility which mean collective arrangement whereby an attack on one is an attack on all, nondiscrimination means all parties will be treated and the diffuse reciprocity has mean quid-pro-quo arrangements. In this theory formal organization has needed to monitor and

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<sup>9</sup> <http://www.highbeam.com/doc/1G1-59520529.html>

<sup>10</sup> Keohane, Robert O., Jr., Joseph S. Nye, *Power and Interdependence*. Pearson Education, Limited. restricted from <http://hei.unige.ch/sections/sp/courses/0304/reiner/doc/IR-Lecture4.pdf>

increase the 'shadow of the future'. Neoliberal institutionalism has sought the world as significant asymmetry of interests among states. Smaller states have a strong incentive to free ride since public goods will be provided in any case by larger states. Larger states will need to persuade or coerce others to cooperate. Possible strategy has related to "tactical issue linkage".

The theory has viewed if the states are rational and completed information the only outcome is mutual cooperation. Governments may need assurances that they understand the intentions or preferences of the other side and that they are behaving rationally. Most efficient solution lies in transparent domestic political arrangements.

Robert O. Keohane argues instead that a mutually cooperative outcome can occur in equilibrium in an infinitely repeated prisoner's dilemma if the actors do not discount the future too much. neoliberal institutionalists is that neoliberal institutionalists see cooperation as essential in a world of economic interdependence and the belief that shared economic interests create a demand for international institutions and rules. Neoliberal institutionalism further recognizes that hegemonic actors must "search for mutual interests with their partners" and must "make some adjustments themselves in addition to demanding that others conform to their design".<sup>11</sup>

This theory in the perspective if there is an problem such as international problem. It might be the problem has from the developed states which spread to international problem. The other countries or states in the world has to give the

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<sup>11</sup> <http://www.lotsofessays.com/viewpaper/1694386.html>

efforts for their national interest and the global important. The countries or states in the world cannot stand alone without cooperation with the other states. Especially if there is an international problem which is needed integrates of all countries. As Neoliberal institution have explained international institutions play an important role in coordinating international cooperation. G 20 Summit in this situation has same with international institution by Neoliberals Institutionalism perspectives. The neoliberal institutionalists assume that states concentrate on absolute gains and the prospects for cooperation.

The global economic crisis as the world problem. Developed and developing countries has getting the impact indirect or even indirectly. As Neoliberal Institutionalism perspective has said this world has a global network and interdependent the formal institution such G 20 summit as the good way for problem solving. In this factor the countries in the world which are involved on this can be able to share or voices their ideas for their national interest. Indonesia as one of the member actor in G 20 Summit as represented developing countries could prevent their effort as one of the problem solving for the global problem and also for developing countries in Southeast Asia region.

This has aimed the problem finding the good solution. So the states was involved in such international organization, meeting or conference can be able to give their ideas and share for Indonesia and developing countries interest. This theory operates towards global crisis phenomenon, where the globalization has a role in spreading financial crisis. As I said this crisis from the beginning happens in

the United State, then creeps into almost a whole state in the world. This phenomenon is called global economic crisis.

The stuck of housing credit in the United States was the first problem of this global economic crisis, because the owner of housing could not pay the housing credit installment. That was why the stuck of that housing credit is named by subprime mortgage. The stuck of payment installment obstructed to every parts. It was not just for the enterprise which involved in credit giving, but also the enterprise which was working in giving guarantee and insurance. Actually Lehman Brothers and Bear Stern was an investment banking enterprises. Global Financial crisis has decreased the imports ability of developed countries, especially because they are core state in the world, so the developing states get the difficulties to defend and obtain market.

The effect of global economic crisis in the United States nowadays creeps into an Asia and European state, Japan, as well as Singapore. There is not just for developed countries but the developing states that get a bad impact. This attacks the real sector in the world economic point of view. In this global problem the real sector has needed solution step such as efforts to stimulate. This global economic crisis need a quick solution. If the crisis has the difficulties to fixed and the United States is still in crisis the real sector and import ability of core state will decrease.

This concept or theory of Neoliberals Institutionalism has toward global economic crisis phenomenon. The global economic crisis has impact to developing country in Southeast Asia region. The impact has from the recession of developed countries. The United States as a core states which has global

network and big influenced in international relations of many sectors including for developing countries. The concept of Neoliberal Institutionalism has given the spirit for developing countries to be confident in international politics. In globalization era each of states has a power to prevent their own countries from international problem. The solution can be in diplomacy way. G 20 Summit as the international conference which being a good opportunity for developing represented to share their ideas, argumentation, and voices for their national interest. Indonesia in this forum wants to give the effort on his diplomatic deliberation to his national interest and developing countries through Summit G 20 Pittsburgh.

Indonesia's really hopes that his efforts can be a solution for developed and developing countries to enhance the global economic recession. The basic important of that point is how Indonesia could prevent the developed countries which most of them in semiperiphery and the periphery states has not going to lower level of states. I meant the country which is developed and developing countries could prevent from the biggest impact the collapse of periphery states.

Summit G 20 is the concept of world organization to the world purpose. There is no boundaries, structures, members groups, rules of legitimation, and coherence anymore. The states that has united in 20 members are Argentina, Australia, Brasil, United Kingdom, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Emirate Arab, South Africa, South Korea, Turkish, United States, and European Union. The states are not just at the random

has to be group of 20, but they have to fulfill the requisite to be the members the country that have offer 90% of their Domestic Gross Product.

The government has kept looking to face global economic problem with many resolving efforts. Since the collapse of the United States economy the matter was hit to other enterprise which also has the same experience. These condition makes the decreasing of the world market trust. World economy automatically goes down drastically. It could happen because capitalism has growth in many countries in the world. The sosialist state like China is also hit by capitalism system. This condition cannot be ignored. So that is why the leader of its state work together to make an summit meting of group 20 countries.

This group 20 has the purpose to search an effort to decrease unemployment, and this problem will focus on repairing structural policy. They also have other purposes to the world economy to be better condition. In this point of view we can see how the concept of integration works on this world organization. While there is no boundaries anymore and all of states are integrated together to one vision and mission. They have different ideology, structure, culture, political action, and different perspective, eventhough they have one vision and mission and work together in economy and politics. This is the fact that integration system theory or world system theory is used nowadays. This theory is used without changing it's ideology, system, and point of view of each state. The core, semiperiphery, and periphery states are still in the role and they still have their own ideology. But of course they want to have better classifications. The better classification is the transformation from periphery and from semiperiphery

to be core/central state. This classification has been used for core/central state to increase their power especially economic power. They will be more powerful and become the “ rising power” in every aspects in the world.

Indonesia’s involvement in summit G 20 is in the level of state leaders. There was a certain kind of pride of their nation in political and diplomacy sector. Definitely this change is not just as meeting arena but Indonesia has a responsibility as a developing state. Indonesia should finish their homework well. Indonesia seems struggle on that condition and do some effort to fight many problems although there are still so many difficulties in economic even political aspect. This shows that Indonesia’s efforts in summit G 20 is to overcome the impact of global economic crisis for Indonesian state nation themselves and also for Southeast Asia region.

The answer of research questions In the summit G 20 is Indonesia has an efforts to convey the proposal crisis solution in the short term. The proposal is about the guarantee of available fund liquidity. The meeting suggested the importance of basic steps to push the economic growth through fiscal and monetary policy. In the long term policy Indonesia proposed to do the global fund architecture system, as this system would involve much more the role of developed state (emerging market) to the world fund institution. This idea would work for Indonesia to do some fundamental change in economic system.

In this meeting Indonesia also asked for expectation of much more involvement of developing states in the world fund institutions, so developed states can provide the importance of developing state. Actually Indonesia did not



expect that the developing and developed state become colonialized by westernization and all things that makes developing state go down again in their economic sector first. Indonesia has focused on three aspects of the efforts in Summit G 20 :

1. The effort in stabilizing the world fund system.
2. The effort to stimulate the real sector.
3. The effort in reconstruction of the world fund system.<sup>12</sup>

Summit of the leaders of member countries of Group 20 becomes a global crisis management to evaluate and formulate a new package to trigger a positive growth. Here is how the existence and businesses as well as the steps of Indonesian foreign policy that we can see. Indonesia has seen their representatives as a strong country, and authoritative, proven to be a leading speaker.

G 20 summit continuous and professional program. As new results of this summit the United States agreed to Pittsburgh developing countries to unite and develop. Developing countries will accept or take at least five percent of the voting rights at the International Monetary Fund (IMF), a guarantee against a multi-year bonus, which urges larger transparency and Financial Stability Council called for the G 20 to propose new measures in March 2010. This is not independent from Indonesia in its representative efforts in this summit. Indonesia would stand in the strategic place to determine the direction of global economy. This forum has not only to think about global economic but also has to think

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<sup>12</sup> [http://www.madina-sk.com/index.php?option=com\\_content&task=view&id=4740&Itemid=2](http://www.madina-sk.com/index.php?option=com_content&task=view&id=4740&Itemid=2)

about peace of the world, conflict reduction, war elimination, and civilization growth.

According to DR. Aviliani the effort of Indonesia in this summit has obtain the results. This forum summit G 20 will do 5 plans. The plans are strengthening transparency, accountability, and regulation, pushing integrity in finances process, strengthening the international cooperation. Indonesian ideas are accepted in this summit. One of them is making *Global Expenditure support fund (GESF)*. So nowadays the existence of developing countries is considered. So now they become a state or country that can defend their character as economic growth device.<sup>13</sup>

Indonesia has done their effort to developing states importance. According to World system theory, the developing states customarily become the semiperiphery and the periphery state. They are still under core or central of state power. Wallerstein said that actually the semiperiphery finds it hard to think how one day they become core state and periphery thinks to go to next level class that is semiperiphery state. In the different class by separation had a different system among them. Periphery and semiperiphery depend on the core state whereas core state has enough big power to control the others. In this summit G 20 Indonesia proposes many of their importance to the better condition of the world economy, without changing the system between developed and developing state.

Indonesia has an efforts and its implementation for the future generalization. The impact of global economic crisis for Indonesia and developing countries in

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<sup>13</sup> <http://www.thejakartapost.com/news/2009/09/19/indonesia-make-most-g20-summit.html>

Southeast Asia has been negative. The other states in the world can feel this global economy crisis more than developing countries such as European countries and Japan. Indonesia's efforts in summit G 20 has a positive influencing in economic growth side. The comparing of Indonesia economics growth in 2008, when the export construction was about 14%, changing value decline to 13.000 rupiahs per US\$. Indonesia foreign exchange decreased to 10 billion US\$. The achievement of summit G 20 helps to give the trust toward world economic prospect and market finance stabilization for Indonesia and developing states in southeast Asia. The capital current started to return Indonesia since in the middle of 2009 through SUN, SBI, and capital market. Our foreign exchange decreases up to 60 billion US\$. Our economic prospect growth estimation in this year has raised into 4,3% until 4,5%. In 2010 our national budget next year project will grow into 5,5%.<sup>14</sup>

The better environment in economical condition after effort in G 20 is not just felt by Indonesia but also by the states in Southeast Asia, because there are so many states in Southeast Asia that wants to be the core state. They have a dream and ambition but this becomes imposible if there is no ability to improving all of world economic problem. This is because the core, semiperiphery, and periphery are world systems that are dependent each other. One system or group of system in "ill" of the other will get the impact.

The Indonesia and the other world nations effort in summit G 20 are to think and search solution so that the core states will be free from world crisis. It is not

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[http://www.indonesia.go.id/en/index.php/index.php?option=com\\_content&task=view&id=8071&Itemid=709](http://www.indonesia.go.id/en/index.php/index.php?option=com_content&task=view&id=8071&Itemid=709)

meant that all of policy that has been made in summit is for United States and the other developing countries. The policy is to repair the core first then semiperiphery, moreover periphery will follow to improved condition.

#### **E. The Focus of Research**

The research focused on Indonesian efforts in the summit for developing country, what it would be done, what the temporary result's are, and how Indonesia makes their effort toward global economic crisis. All of the efforts are also for solving the problem of economic environment in Southeast Asia Region. This issue is important to be discussed because Summit G 20 Pittsburg was the change of Indonesia to show and keep aware in international relations. Indonesia's state has been buried in all aspect, political, social, education, even economy aspect, to face another state in the world. Actually Indonesia has a great power. Indonesia had the great power from natural recourses and human recourses. International community nowadays should know that Indonesia have a change to be "Asian Tiger". So Indonesia has felt that needed a brief voice in Summit Meeting to help the developing country in diplomacy deliberation.

#### **F. The Method of Research**

The research uses deductive method. It means that framework of this theories and approach are explored first, then the answer of hypothesis can be followed. The answer of hypothesis which is using "what" form of question will be proved through data and analysis.

The method of collecting the data is library research in which the data are secondary sources. all of the data has taken from scientific books, papers,

journals, newspapers, websites, and others. All of the data are analyzed with the determined theories. It is proof that the theoretical framework is accurate and can answer the core problem. In Theoretical framework I was explain about the Theory that I use to explain the phenomenon. The answer of research question I also put on theory explanation. So there were collerate theory, explanation of theory, and answer the research question that were using “what” question type. I also check the reliability of the data to accomplish the trustworthy of this research. Problem research focuses on the diplomatic situation in summit G 20. The action research is aimed at a specific recognizable problem, and of which the explanation is immediately applicable in this paper.

### **G. The Structure of Writing**

In chapter one I should describe brief explanation of the paper. It is starting from background, and also the main problem as issue that need to be figured out. After that I continue to write objectives that show analyzing the main core problem. Besides it also shows the theoritical framework that answer the question in the research question with the concepts in international relation studies. This writing is use a research question with “what” type of question so the answer I put after theoretical framework as the answer of hypothesis. Furthermore, it also explains the objectives, range, method, and system of the research.

In the chapter two I will analyze global economic crisis 2008-2009. In this chapter I will give a brief explanation why this crisis happens, where, and also how is the impact of global economic crisis to the world at time and for developing country.

In chapter three I explain about Summit G 20 Pittsburg and it's relevance to enhance global economic crisis. In this chapter I will give more explanation of why this summit form, Anything about Pittsburg as the host of Summit G 20 countries, and this summit has become problem solving and diplomacy deliberation ways. In the chapter four I will explain about Indonesia's role in G 20 summit. What has Indonesia done and "represent" the importance of developing country in this summit. Chapter five is the conclusion all studies above.