

G-20 Research Project:

# **The Role of Indonesia in the G-20: Background, Role and Objectives of Indonesia's Membership**

## **G-20 Research Team**

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**Background, Role and Objectives of**  
**Indonesia's Membership**

Yulius P Hermawan  
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# Preface

The G-20 has commenced its activities since the inception in 1999 in Germany. However the international community only began to recognize its importance after the United States hosted the first G-20 Summit in 2008 in Washington. This first summit signaled the change of the G-20 from ministerial to summit level. The G-20 became a high profiled forum after the group's leaders agreed to hold G-20 Summits twice a year and argued for the need to pursue urgently an agenda for rescuing the world economy from malaise. They accepted that unless they work together in close coordination and cooperation, the world economy would continue to decline.

The profile of G-20 has been rocketing highly since the G-20 leaders agreed that G-20 should become the premier forum for their economic cooperation. Dozens of commitments have since then been made and implemented by G-20 members. Every member is supposed to strive for the strengthening of its domestic financial institutions through firm financial reforms and adjustments according to international principles; these reforms should enable member-states to resolve the liquidity crisis. Every member is also committed to introduce transparent and accountable fiscal policies, an anti-protectionism trade policy, and so forth. The reform of the international financial institutions such as the International Monetary Fund (IMF) and the World Bank is also considered to be essential among the other urgent and crucial initiatives regarding the re-arrangement of the global financial architecture.

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Many countries have by now recognized G-20's important role in dealing with the harsh economic crisis and its status as the premier forum in global financial arrangements. For instance, regional organizations such as ASEAN, the African Union and other exclusive fora such as BRIC (Brazil, Russia, India and China Cooperation) have expressed their hope and have given credit to the forum in their communiqués.

The G-20 is a breakthrough in multilateral cooperation. The cooperation between the twenty members of the G-20 is seen as significant and systemic. The twenty members together hold more than 80 percent of the global economic income. Their importance can be seen from their growth of Gross National Products, foreign direct investments, markets, world trade, and total population. It is believed that if the economic condition in these 20 nations is healthy, so is the rest of the world's economy. Therefore the success of this forum will have a significant systemic impact on all nations including those who are not members of the G-20. Strong, sustainable and balanced economic growth in the G-20 member-states could as well bring stable economic growth to other nations.

The significance of this forum can be seen by comparing it in terms of membership to the G-8. The G-20 reflects the changes in the world's economic power structure, which is demonstrated by the membership of several significant emerging economies. Keeping the number of members small makes this forum far more flexible than other multilateral cooperation systems with massive memberships. The United Nations, for instance, has been applauded as the legitimate organization embracing almost all nations in the world, but it has been criticized for its lack of progress; it has produced dozens of declarations, but only with limited implementation.

With this assumption G-20 appears to keep its exclusivity due to its terms of membership. This comprises two kinds of implications. First, the G-20 has to prove its ability to introduce strongly recommended programs to achieve an economic recovery from the recent financial crisis and to create a stable and fair global economic architecture by strengthening the existing international financial institutions. Second, the G-20 needs to assure that the growth level of its twenty members will bring as well positive benefits for non-member-states. The G-20 obviously is an exclusive forum in terms of membership, but should be able to give inclusive benefits for all nations.

Indonesia is a member of G-20 since this intergovernmental forum was

formed in 1999. For Indonesia this exclusive club is a high-profiled arena where Indonesia can achieve her national interests. However, Indonesia also understands that she has a very unique position and the vital responsibility in representing other developing countries. First, among many developing economies, Indonesia is one of the important emerging ones and therefore holds a special right to be included in the club. Second, Indonesia has the fourth largest population in the world, after China, the United States, and India. From an economic perspective, the large population constitutes many potential consumers for global products. Third, the majority of the Indonesian population is Muslim and accordingly Indonesia has a potential role to bridge the differences between the world's civilizations. The Indonesian membership in the club could help to overcome the image of a divide between the West and Islam. Fourth, Indonesia is a new democracy which is in the process of consolidation. Indonesia's membership in the club can inspire others to promote democracy while pursuing strong economic growth. Fifth, geographically Indonesia has a significant position. Indonesia is the only ASEAN member that is a permanent member of the G-20. It can also be added that Indonesia is one of the developing nations which has almost successfully recovered from a recent horrifying economic crisis.

These special characteristics are believed to be the strong reasons why Indonesia has been chosen to join the G-20. Besides her potential as a big global buyer, having a huge population, the stable economic growth of Indonesia will have a systemic impact on developments in the Southeast Asian region, and furthermore will contribute to the stability of the Asian and the world's economy. The success of Indonesia could become an interesting model for strengthening the liberal-democratic system in the world. This will inspire democratization processes which are supported by stable economic growth. The presence of Indonesia with her Muslim majority will provide a positive image to the G-20, especially in tackling negative perceptions about the "Clash of Civilization" thesis between the West and other parts of the world. The G-20 is created to show that the West is ready to cooperate with Muslim states.

Having these special characteristics, Indonesia has therefore several tasks. Besides promoting its own national interests, Indonesia shall combine the interests of developing countries in general and that of Southeast Asian nations and the Muslim world in specific. If Indonesia is able to play this role, Indonesia could contribute to the addressing of the core problems of the G-20's

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legitimacy and effectiveness. The questions emerges: can Indonesia meet this self-perceived high expectations?

This research has explored various opinions about the existence of G-20 as a premier forum for international economic cooperation among developed and developing nations and the role of Indonesia in this forum. Several interviews have been undertaken and several documents have been studied to answer questions regarding the strengths and weaknesses of the G-20 as well as Indonesian's position and role in this intergovernmental forum.

Several interviews with about 35 respondents have been undertaken in this research in order to answer: 1) Do the respondents agree with the role of G-20 as a premier forum for international economic cooperation? How do they see G-20's competence in dealing with the economic crisis? 2) What are the national interests of Indonesia in the G-20? How has Indonesia attempted to achieve her national interests? How has Indonesia attempted to meet her commitments made in the G-20? What are the implications of those G-20 commitments? 3) How does Indonesia take ASEAN on board? 4) How can Indonesia represent the Muslim world in the G-20? 5) How could the G-20 as an intergovernmental forum engage civil society organizations in the consensus making process?

This research has also studied multiple documents which have been released by the G-20 as well as other official documents and background papers which have been published by the Indonesian government and other member-states, as well as by civil society organizations (CSOs) and research institutions. It read through many analysis made by academics and observers and dozens of information which were available in national and international media. Those documents have been analyzed qualitatively to address the five research questions.

To sharpen the research findings, the research team and Friedrich-Ebert-Stiftung (FES) co-hosted a Focus Group Discussion (FGD) on November 4, 2010 which was attended by about sixty participants. They represented governmental offices, CSOs, foreign embassies and organizations, researchers and academics. This discussion also became a special forum where the government, CSOs and academics shared their views on the G-20 process. The discussion had enriched the major findings of this research. The Indonesian G-20 Sherpa leader briefed the participants on the latest developments in the G-20 process and on the Indonesian government's position. The G-20

coordinator, leading CSO activists, journalist and academics shared their critical but constructive insights on the latest progress in the G-20 process. The audience gave important responses to various aspects.

The research report presents the findings and analysis of the transcripts of interviews and other relevant documents, observers' analysis and various information published in the mass media as well as diverse ideas, comments and proposals that were presented during the FGD on "*G-20 and the Development Agenda*". The report highlights several views from various respondents. It also provides some description about the G-20, Indonesia's foreign policy, ASEAN, the Muslim world and CSOs so that the reader will gather a rather complete picture about the G-20 and the role of Indonesia and the CSOs. This report also presents some recommendations to strengthen the G-20's effectiveness, Indonesia's role in G-20 and some assessments about the potential role of CSOs in the intergovernmental forum.

**Bandung, November 2010**  
**Yulius Purwadi Hermawan**

# Acknowledgment

The idea of this research emerged at an Expert Group Meeting held by Friedrich-Ebert-Stiftung, Indonesian office, in cooperation with the International Relations Department, Faculty of Social and Political Sciences, Parahyangan Catholic University in Bandung, on November 17, 2009. About 40 participants including academics, national and international CSOs, representatives of governmental offices, and foreign representatives to Indonesia recognized that the formation of the G-20 was one of great significance in contemporary international politics and that it was therefore highly necessary to examine the matter deeper to understand the G-20's significant role on the international stage and the role of developing nations in this forum.

This research has undertaken a series of in-depth interviews with 35 resourceful respondents to collect their views as well as valuable information. It has also collected and analyzed information and data through documentary studies. The respondents included representatives from the Indonesian government, Indonesian and International CSOs, researchers, foreign representatives, and international financial institutions. We wish to express our sincere thanks to representatives of the Ministry of Finance, the Ministry of Trade and the Bank of Indonesia for giving us the opportunity to conduct interviews. We wish to express our very special great appreciation to the Head of Indonesia's G-20 Sherpa for his valuable time and views, and to the Directorate General, Multilateral Cooperation in the Indonesian Ministry of Foreign Affairs for giving us the opportunity to present our research findings in a panel discussion. We also wish to express our great gratitude to Ambassadors of foreign embassies to Indonesia and foreign diplomats whose names cannot be mentioned here, as well as to representatives of the World Bank, IMF and European Union whose views have enriched our research findings. We have also found constructive, critical, and analytical views expressed by several international political economy observers and researchers and thus we wish



to thank them all for their valuable contributions to our research. We want to express our high appreciation to national and international CSO activists for providing their time to convey their ideas about G-20 and Indonesia's role along with participants from other developing nations.

We do value the open minded views of all respondents. Many have expressed their personal views and claimed that their views do not necessarily represent their institutions. Their personal views have made this research even more valuable. For this research report, the research team is fully responsible and the ideas it contains should have no implications for the respondents interviewed during the fieldwork.

We are honored to have received very warm welcome remarks from the keynote speaker, speakers and participants in the Focus Group Discussion on "*G-20 and the Development Agenda*", held on November 4, 2010. All were very enthusiastic in sharing their critical views on the latest developments of the G-20 process. We are thus very thankful for their contributions towards the enrichment of this research report.

Of course, we are very grateful to Erwin Schweisshelm at Friedrich-Ebert-Stiftung, Indonesian office, for his support and help in making this research possible. Our sincere gratitude is also expressed to Artanti Wardhani, staff of FES Indonesia, who had handled substantive technical- and administrative material during this research.

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**Bandung, November 2010**  
**Yulius Purwadi Hermawan**

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# I.

## G-20: A NEW EXCLUSIVE APPROACH WITH A GLOBAL INCLUSIVE IMPACT

Chapter I will describe the G-20 as a club that carries out a self-claimed global mandate, the background of its formation and institutionalization as the premier forum for international economic cooperation. This chapter will also identify G-20 commitments and will highlight some critiques towards the G-20. It will discuss the effectiveness of the G-20 in dealing with the economic crisis and propose some recommendations so that its existence can give benefits to all nations in the world.

### **a. G-20 an extra-ordinary club**

The G-20 must be seen as a new club, yet already with inclusive responsibilities. As a club, it involves only a few members (19 nation states) and one regional organization (European Union); the members are obliged to attend the G-20 Summits as well ministerial meetings, senior official meetings, working group meetings, Sherpa meetings and other high level conferences. Those who participate in the making of G-20 commitments are then also responsible for implementing these commitments. As a club, G-20 must provide benefits to its members, this in turn will encourage the members to be more active and committed. The success of a club obviously depends on the capability of its members to fulfill their commitments.<sup>1</sup>

The G-20 is not an ordinary club. It is a club with a limited number of

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<sup>1</sup> This issue has been examined by the club theorists who emphasized on what benefits should be acquired by members as a determinant for the continuity of an international organization as a club.

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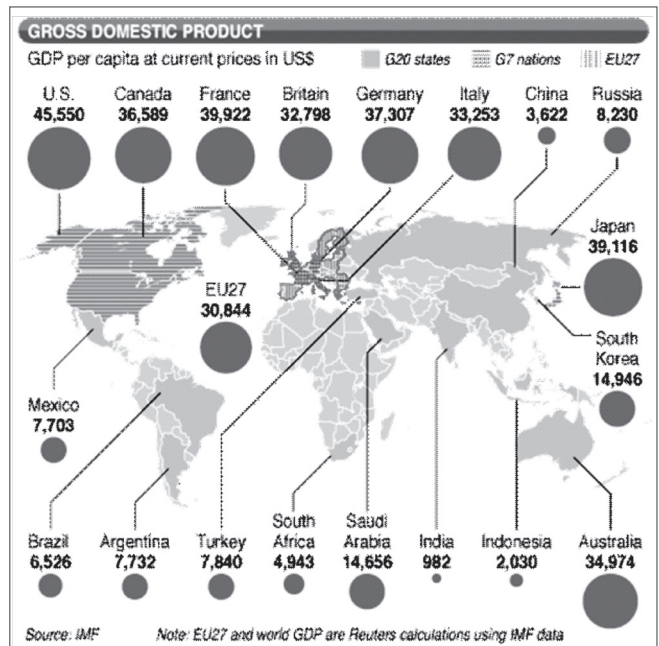
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members, but with the ambitious aim to have a global impact. The G-20 claims that its mandate is *"to contribute to the strengthening of the international financial architecture and to provide opportunities for dialogue on national policies, international cooperation and international financial institutions through which the G-20 would help to support growth and development across the globe."*<sup>2</sup> Considering its exclusive cooperation, the G-20 is confident to provide benefits to its members as well as to the rest of the 170 nations who are not G-20 members. The latter are convinced that if the 19 nations and the European Union in the G-20 are successful in maintaining their strong, sustainable and balanced economic growth, the whole world's economy will also be robust, sustainable and stable.

To achieve the self-claimed global mandate, the G-20 has adopted two approaches: (1) First, the group has included those nations which run a strong economy; the member-nations collectively control most of the world's economy. (2) Second, the group also involves representatives of World Bank,

**Figure 1.**

GDP of G-20 member-states



**Source:**

<http://blogs.reuters.com/macroscope/2009/09/22/graphic-gdp-of-the-g20-nations>

<sup>2</sup> <http://www.g20.org>

IMF, and other global financial institutions. The first approach will prove that the benefits enjoyed by the G-20 members will bring a significant systemic impact on the global economy. It has been emphasized by a representative of a G-20 member-state: *“if the Indonesian economic growth is stable and healthy, also her neighbors in Southeast Asia will benefit.”*<sup>3</sup> The purchasing power of Indonesian citizens will increase and they will be the ‘buyers’ for importing goods from neighboring countries.

The second approach will ensure that the G-20 commitments towards reforming the global financial architecture is more conducive. World Bank and IMF are Bretton Woods institutions which have been formed to attain financial stability and world's development. These institutions are key players in helping nations to maintain domestic economic stability both in normal and crises situations. They are playing a crucial role because they have the funds to support the funding of domestic development projects in member-states.

Members of the G-20 are committed to coordinate their national fiscal and monetary policies in order to ensure a balanced economic growth amongst them. These policies have been formulated in the “Framework for the Strong, Sustainable and Balanced Economic Growth” which became a referential blueprint for every member-state to be introduced in its coordinated national policies.

To ensure maximum results, the G-20 has invited non-G-20 members (both states and regional organizations) which are considered to be capable to contribute to maintaining a balanced global economic growth. In this case, the forum has to be seen as a “G-20 plus”<sup>4</sup>. In most Summits, the G-20 had welcomed the participation of the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), the Financial Stability Board (FSB), the United Nations, the New Partnership for African Development (NEPAD) and the Association of South-East Asian Nations (ASEAN) as observers. In the London Summit, the International Labor Organization (ILO) was also invited to observe.<sup>5</sup>

Yet the G-20 leaders are aware that they cannot force non-member nations to implement the commitments made at their exclusive summits. *“Leading by*

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3 Interview with a representative of G-20 member state from South Asia on May 27, 2010.

4 Interview with the IMF representative for Indonesia on August 12, 2010.

5 Fact Sheet 3: the G-20, <http://download.ei-ie.org/Docs/WebDepot/FactSheet3TheG20EN> accessed on August 23, 2010.

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*example*" is therefore adopted by G-20 leaders as a principle that emphasizes the importance of a consistent implementation of commitments, first of all by the G-20 members themselves.<sup>6</sup> The G-20 members must demonstrate that they are fully committed to implement their decisions and prove that the decisions are significantly effective in accomplishing the G-20's self-claimed global mandate. If proved successful, other nations will voluntarily follow the G-20 members' initiatives.

## **b. The background of the formation of G-20**

The G-20 was formed in the context of a growing globalization. Numerous literature about globalization has shared the common view that the world is shrinking and no nations can escape from the negative impacts of the condensing globalization unless they collaborate. Complex interdependence evidently becomes a central characteristic of contemporary globalization and in this context cooperation amongst nations is highly necessary.<sup>7</sup>

The series of economic crises in the 1990s has proven that the world needs a new approach in responding to this shrinking world. The value of the Mexican Peso fell in December 1994, indicating the financial crisis in the country; the impact of this crisis hit the neighboring nations in South America. Indonesia, Thailand, and South Korea had experienced a very hard monetary crisis in 1997 and its impact were felt across the Asian region.<sup>8</sup> Other series of economic crises occurred in Russia in 1998, Brazil in 1998-2002, Turkey in 1999-2002, and Argentina in 2000-2001. Various nations like China and India responded to the crisis in different ways; and those ways brought their own risks including huge and massive unemployment and the weakening of the purchasing power parity, and contributed to a further worsening of world trade transactions.

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6 As highlighted by Herfan Brillianto, Indonesian G-20 Coordinator, Ministry of Finance, in his presentation at the Focus Group Discussion on November 4, 2010.

7 See for instances, Keohane, Robert .O (2002) *Power and Governance in A Partially Globalized World*. London: Routledge; Karns, Margaret P and Mingst, Karen A (2004) *International Organizations: The Politics and Processes of Global Governance*. Boulder, Co: Lynne Rienner Publisher; Cable, Vincent (1999). *Globalization and Global Governance*. London: Pinter ; Scholte, Jan Art (2000) *Globalization: A Critical Introduction*. New York: St. Martin's Press. Frank J. Lechner and John Boli (eds.) (2000). *The Globalization, Reader*. Massachusetts, MA dan Oxford: Blackwell.

8 More about the series of economic crisis can be found in Chapter 1. *Genesis of L-20 Projec*



The financial crisis which occurred in the 1990s led to serious concerns among the finance ministries of developed nations and to the recognition of the role of the newly emerging economies in building a new arrangement for the global financial structure. It was Paul Martin, the Finance Minister of Canada, and Lawrence Summers, the Finance Minister of the United States, who took the initiative for communication and dialogues within the G-22 and G-33, where significant nations, both geographically and economically, joined the discussions. The first dialogue of the G-20 took place in December 1999 and it has been held regularly until today. Its pioneers called the G-20 a new breakthrough *“to make a smaller world governable and fairer”*.<sup>9</sup>

The G-20 can be seen as a new committee to manage global economic issues. At the early stages, the committee consisted of finance ministers and governors of central banks, representing the G-8 member-states plus Australia along with 10 emerging economies and the European Union. The G-20 can be identified as a newer and better compromise for multilateral cooperation. In terms of its membership, the G-20 has more members and thus is more powerful compared to the G-7. Its membership gave G-20 the opportunity to have a smoother dialogue and to fasten the realization of commitments. If being compared to the United Nations, the G-20 has a much smaller membership. The United Nations as the largest organization of states, has been criticized for being very slow in progress. Having a limited number of members, G-20 is more flexible and thus capable to prove its effectiveness in making more progressive achievements.

After its first meeting in Berlin, Germany, the G-20 member-states agreed to hold regular meetings annually. The G-20 had first focused on the economic crisis, and its members were committed to coordinate their policies to be conducive in promoting economic growth, in strengthening the financial system and in freezing the funding of terrorism as a response to the terrorist attack on the New York's World Trade Centre. The dialogue has raised a discussion about the importance of reforming the Bretton Woods institutions: the IMF, and the World Bank. Reforming the financial institutions was considered a prerequisite for strengthening the global financial structure in making it more resilient in case of future economic crises.

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9 Ibid.

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There have been convincing arguments for the G-20 to institutionalize its forum after the financial crisis hit the United States severely in 2007. The proponents of the institutionalization of G-20 considered it necessary to increase the level of the G-20's dialogues from the ministerial level to summits. They argued that only political leaders are able to make strategic commitments; the decisions may not be legally binding, but the presents of the leaders imply their fulfillment. The agreements in the highest intergovernmental forum will be followed by the necessary policy adjustments in the G-20's member-states, including technical decisions. The upgrade of the G-20 to summit level hence generates implementable commitments.<sup>10</sup>

The first summit was held in Washington in 2008, and was followed by the London Summit (2009), the Pittsburgh Summit (2009), the Toronto Summit (2010) and the Seoul Summit (November 2010). The first three summits focused on immediate responses towards the financial crisis. Macro coordination has been introduced to manage toxic assets and the banks recapitalization; a fiscal stimulus policy of up to 2 percent of the Gross Domestic Product was introduced by each member.

In the Washington Summit, the G-20 leaders agreed on certain immediate responses and actions such as the stabilization of the financial system, accurate and necessary monetary policies for domestic conditions, fiscal policies to stimulate the stagnant domestic economies as a direct response to the crisis and a policy framework for sustainable development. The leaders were committed in helping developing nations to get access to financial aid in difficult financial situations through liquidity facilitations and supporting programs. The leaders also agreed to add more funds to the World Bank and other Multilateral Development Banks so that they would be capable to endorse development programs.<sup>11</sup>

In the Washington Summit five principles had been agreed upon for reforming the financial markets and to avoid similar crises in the future. Those principles were: (1) Strengthening Transparency and Accountability; (2) Enhancing Sound Regulation; (3) Promoting Integrity in Financial Markets; (4)

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10 As expressed by Miranda Goeltom, former deputy Governor of Bank of Indonesia, in her presentation at the Focus Group Discussion held by BPPK, Indonesian Foreign Ministry on August 3, 2010.

11 Summit Declaration on the Financial Markets and the World Economy, November 15, 2008.

Reinforcing International Cooperation; (5) Reforming International Financial Institutions.<sup>12</sup>

Four working groups were formed, to handle specific issues. Working Group 1 dealt with hedge funds and OTC derivatives, accountancy standards, and credit rating agencies. Working Group 2 dealt with the formation of a Financial Stability Board, the sanctions against tax havens and the creation of a Supervisory College; Working Group 3 handled flexible credit lines and the increase of IMF's credits up to US\$ 750 billion; Working Group 4 handled the Budget Support amounting to about US\$ 100 billion, the increase of the General Expenditure Support Fund by ADB by about 200 percent and the Trade Financing to about US\$ 250 billion. The formation of the working groups was G-20's approach to make a follow-up of the leaders' commitments in the Washington Summit more effective.

In the London and Pittsburgh Summits, and in the following senior official and ministerial meetings, the progress of the implementation and the immediate responses to the commitments were evaluated.<sup>13</sup> Special tasks forces were established to draft up particular agendas and plans of actions.

To avoid disagreements which are common in other summits, G-20 focuses on commonalities rather than differences; meaning that G-20 focuses on the common interests of member-states. Regardless of the agreements made in the dialogues, the summits adopt essential principles, which are not only shaping the image and symbolic value, but also enhance the G-20's politically significant profile. Otherwise, G-20 would not be able to start a discussion on how to develop the stability and the capability to manage economic crises, issues for which the authority is in the hands of finance ministers and central bank governors.

Besides having summits, senior official meetings, finance ministers and governors of central banks meetings, the G-20 holds Sherpa meetings prior to every summit. The Sherpa meetings aim to synchronize the specific issues that

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12 Ibid.

13 See Progress Report on the Immediate Actions of the Washington Action Plan prepared by the UK Chair of the G-20, March 14, 2009; Progress Report on the Actions of the Washington Action Plan, April 2, 2009; The Global Plan for Recovery and Reform, April 2, 2009; Progress Report on the Actions of the London and Washington G-20 Summits, September 6, 2009; Progress report on the Actions to promote Financial Regulatory Reform issued by the US Chair of the Pittsburgh G-20 Summit – September 25, 2009.

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will be discussed further in the following summit.<sup>14</sup> Therefore it is expected that the leaders' meetings will be more effective and the focus will be on specific common problems, particular common interests and aimed at finding common approaches. This mechanism guides the summits and helps to avoid unnecessary debates between leaders. The Sherpa meetings ensure that the forthcoming summits will focus on commonalities and thus be productive. Sherpa leaders are responsible for setting up the main agenda of the summit by selecting particular issues from the many concerns which were discussed in previous ministerial , senior officials and working group meetings.

### **c. G-20 the premier forum for international economic cooperation**

The G-20 Summit in Pittsburgh reached several crucial agreements especially on the future role of the G-20. The final declaration stressed that the G-20 leaders will from now on regularly meet and will ensure that their delegations are making every effort to participate actively in all meetings. The G-20 was originally considered to be an ad hoc meeting. The leaders' statement at Pittsburgh stressed two essential characteristics: First, the G-20 is 'permanent', and second, the G-20 recognizes the important role of emerging economies and designates the G-20 to be the premier forum for international economic cooperation, globally and regionally.

#### **From an ad hoc committee to a permanent institution**

The Pittsburgh Declaration emphasized that the leaders of the G-20 are committed to maintain the group as a permanent institution. The leaders realized that solving economic crises demands permanent solutions, not simply ad hoc solutions. Therefore it was necessary to create a permanent institution with the primary task to build a firm global financial architecture.<sup>15</sup>

The G-20 believes that the solutions to the crisis require collective actions and that global cooperation is therefore a prerequisite. Only through such a cooperation solutions to handle the crisis can be formulated, and it can be agreed what member-states have to apply and what reforms are necessary to strengthen the international financial institutions.

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<sup>14</sup> Interview with the Head of the Indonesian G-20 Sherpas on June 2, 2010.

<sup>15</sup> Ibid.

Every nation must undertake greatest efforts to respond to the crisis by enforcing a number of policies such as fiscal stimulus, stimulating the economic growth in crises areas, and by striving after more economic stability which would be able to face similar crises in the future by strengthening the domestic financial sector.

The major agendas for the reform of the international financial institutions include bailout policies to stimulate the production sector in specific areas of the domestic economies. The reforms of the financial institutions through international standard regulations are conceived as an important step to maintain global financial stability.

### **The role of emerging economies in the global economic architecture**

Besides the strong will to maintain the G-20 as a permanent forum, the G-20's Declaration in Pittsburgh, making the group the premier forum for economic cooperation, implies that from now on the G-7/G-8 leaders will consider the G-20 is the only forum to discuss economic cooperation issues amongst them and that G-7/G-8 would no longer include an economic agenda in their own summits.

The leaders of G-7/G-8 recognized that the G-7/G-8 forum was no longer sufficient to encourage an economic cooperation which will give a systemic impact to global financial architecture and that accordingly the forum has to include emerging economies.<sup>16</sup> With the evolvement of the emerging economies, whose influence on global economy is increasingly evident, the G-20 is thus special. Certainly, the emerging economies contribute tremendously to the global economy. These nations are the producers of dozens of goods that are now entering the global market and they are also potential consumers, and thus become global buyers for the products on the global market, including products of developed and developing nations.

Having themselves committed, leaders attended the summits in Washington (2008), London (2009), Pittsburgh (2009), Toronto (2010) and South Korea (2010); and will attend the next meetings in France (2011), and Mexico (2012). Economic recovery is now underway which is a proof for the effectiveness of the G-20 in responding to the crisis (see the next part of this report). This development lead to the confidence that it is right to institutionalize the G-20

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16 As stated by most respondents from foreign embassies to Indonesia.

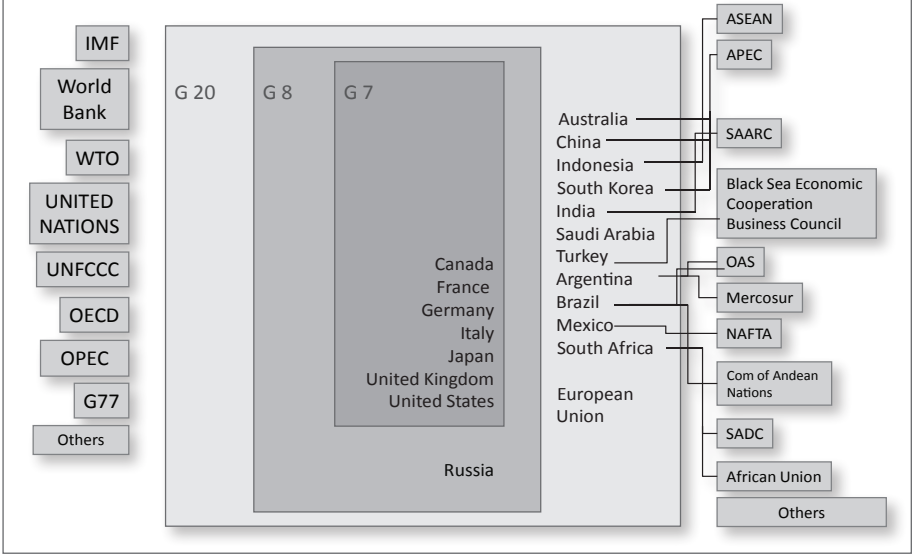
as the premier forum for international economic cooperation.

**Core reference for other economic cooperation**

The G-20 declaration sees the G-20 as a 'core reference' for other global and regional economic cooperation, especially for those which involve members of the G-20. Considering the economic power of each member-state, all G-20 members are bound to refer to G-20 commitments whenever they are making agreements in other economic fora. It has to be certain that all decisions are in accordance with commitments previously made at G-20 Summits.

Therefore, every member of G-20 must adhere to its commitments in the G-20 by accomplishing them at domestic level. Furthermore every member of the G-20 is responsible for ensuring that there are no decisions made at other fora which could be contradictory to G-20 commitments.

**Figure 2.** G-20 as the Premier Forum for Economic Cooperation



## **d. G-20 commitments**

There are about 93 commitments that have been made by G-20 leaders in the London, Washington, and Pittsburgh Summits.<sup>17</sup> The Toronto Summit reaffirmed those commitments based on the progress evaluation and the most recent developments in the world economy. G-20 member-states have made serious efforts to accomplish all commitments. The cooperation with World Bank and IMF has been promoted in order to facilitate the accomplishments. The following section describes the commitments that have been made from the first summit in Washington in 2008 until the Pittsburgh Summit.

### **The 93 Commitments made in the three G-20 Summits (Washington, London, Pittsburgh)**

The ninety three commitments that have been adopted in the first three summits can be categorized into fifteen sectors: (1) Macro Economy; (2) Restoring Lending; (3) Trade Finance; (4) Reformation of International Financial Institutions; (5) Energy and Climate Change; (6) Financial Regulation; (7) The Establishment of Financial Stability Board (FSB); (8) International Cooperation; (9) Prudential Regulation; (10) Scope of Regulation; (11) Transparent Assessment of Regulatory Regimes; (12) Compensation; (13) Tax Havens and Non-Cooperative Jurisdictions; (14) Accounting Standards; (15) Credit Rating Agencies.

In the sector of Macro Economy, the G-20 had agreed on nine commitments which consisted of (1) the commitment to deliver a scale of sustained fiscal efforts necessary to restore growth, (2) the Central Banks' pledges to maintain expansionary policies for as long as needed and to use the full range of monetary policy instruments, including unconventional instruments, consistent with price stability, (3) the resolution to ensure fiscal sustainability, long term price stability and responsible strategies to end the crisis, (4) the commitment to create strong, sustainable and balanced growth, (5) the commitment to coordinate economic policies and refrain from currency devaluation; (6) the commitment to empower a resilient, sustainable and green recovery and (7) the commitment to take collective responsibilities in minimizing social

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17 Progress report on the Economic and Financial Actions of the London, Washington and Pittsburgh G-20 Summits, prepared by the UK Chair of the G-20, St. Andrews, November 7, 2009.

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impacts of the crisis on poorest nations.

In the “Restoring Lending” sector, G-20 leaders were committed to take necessary actions in restoring credit lending through financial institution reforms and in ensuring a positive impact through the introduction of policies according to the agreed framework of the G-20.

In the “Trade Finance” sector, the G-20 agreed to provide at least US\$ 250 billion within two years to support the trade finance through export credit agents, investments and MDBs within three years. In this sector a certain flexibility in meeting the requirements of capital conditionality for trade finance had also been agreed upon.

Twenty-six commitments are related to the “International Financial Institutions Reforms”. Six of these commitments refer to funding resources of the IMF, including the advancement of funding. Ten commitments are in regard to funding resources of the World Bank, including the advancement of loan capital. One commitment refers to the flexibility of the “Debt Sustainability Framework” and 10 commitments are related to IMF and World Bank governance, including the reformation of both institutions.

Concerning the sector on “Energy and Climate Change”, the G-20 leaders were committed to take immediate actions in dealing with the threat of climate change and to take into account the initiatives and agreements in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. The G-20 committed itself also to eliminate and rationalize fossil fuel subsidy and to provide help for poor nations.

In the “Financial Regulation” sector, G-20 leaders had been committed to take actions on national and international levels to increase the standards for national governments in applying global standards consistently in order to avoid market fragmentation and protectionism, and regulatory arbitrage.

In creating the “Financial Stability Board” (FSB), the G-20 agreed to replace the Financial Stability Forum (FSF). The FSB members are committed to maintain financial stability, increase the transparency of the financial sector, implement international financial standards, and evaluate the progress periodically. The FSB must cooperate with IMF to identify risks to the macro economy and the financial markets, and to take immediate actions to handle such risks. FSB members must immediately implement FSF principles in regard to the management of border crises and national governments should create a specific group for managing the crises of giant companies which



operate in several nations, and apply a legal framework to make interventions possible in times of crises.

In the sector of “Prudential Regulation”, the G-20 emphasized the importance of regulation standards to increase the quantity and quality of bank capital and reduce excessive banking competition. These regulations were considered as crucial in order to improve the financial conditions and to sustain the economic recovery. An outline for policy harmonization has been made in regard to this regulation. Authoritative institutions are obliged to cooperate and to codify their operational technical policies in order to apply the regulation standards.

Regarding to the “Scope of Regulation”, the G-20 has itself committed to recuperate the regulation system to ensure that the governments are able to identify and consider the macro-prudential risks, including the surveillance of banks to edge the systemic impact. The G-20 attempts to ensure that authoritative bodies have the power to collect relevant information related to financial institutions, markets, and have the necessary instruments. Having the information, the institutions can tackle the possibility of a systemic impact. However, it has been emphasized that these efforts should be coordinated on an international level. The G-20 leaders agreed to increase and strengthen the regulation, function, and transparency of the financial markets and to observe the commodities to contend the fluctuation of excessive commodity prices.

In the “Transparent Assessment of the Regulatory Regimes”, all G-20 members were committed to report their Financial Sector Assessment Programs (FSAP). They also agreed on the transparent assessment of their national regulation system.

Regarding to “Compensation”, the G-20 leaders in London supported payment and compensation principles to be adopted in important financial institutions, as recommended by FSF. In Pittsburgh, the G-20 agreed on the standard of implementation of these principles as proposed by FSB and urged each member to introduce the adjustment policies immediately. The compensation should anticipate risks and lead to an exit strategy and to a sustainable performance in the long term.

Considering “Tax Havens and Non-Cooperative Jurisdictions”, the G-20 called on all nations to adopt international standards in the prudential areas, taxes, anti money laundering measures and treatments of terrorism funding (AML/CFT); the G-20 also asked to accept international standards

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on information exchange which had been decided in 2004 and included in the UN Model Tax Convention. The G-20 welcomed the enlargement of the Global Forum on Transparency and the Exchange of Information, including the participation of developing nations, and supported the implementation of evaluation programs. With these commitments the G-20 assists in increasing the transparency and information exchange amongst nations, an important step to fight against tax havens.

Regarding the issue of "Accountancy Standards", the G-20 agreed to increase the standard for the assessment of financial instruments based on the liquidity and the investor's perception. It had also been agreed to strengthen the framework for a fair value of accountancy. The objective of using accounting standards is to reduce the complexity of accountancy standards as a financial instrument. Furthermore, the G-20 agreed on technical-operational support to determine transparent accounting standards.

Related to "Credit Rating Agencies", the G-20 agreed that these agencies must obey to the surveillance regime, including a consistent registration and appliance with the fundamental principles of the IOSCO Code of Conduct for Credit Rating Agencies. The national governments must ensure that those credit rating agencies act upon the rules, and if there is a need, the governments may introduce new regulations to solve conflicts of interest with regard to transparency and the quality of the assessment process.

**Old and New Commitments in the Toronto Summit Declaration**

At the Toronto Summit held on June 26 – 27, 2010, the G-20 leaders reaffirmed the G-20's role as the premier forum for international economic cooperation. They agreed to continue their policy coordination to sustain the recovery, create quality jobs, reform and strengthen the financial system and achieve a stronger, more sustainable and balanced growth.

To accomplish the goal, the G-20 re-emphasized their commitments on (1) the Framework for Strong, Sustainable and Balanced Growth, (2) the Financial Sector Reform, (3) the International Financial Institutions and Development, (4) the Fighting Protectionism and Promotion of Trade and Investment.<sup>18</sup> The G-20 further agreed on several other issues such as corruption, green and sustainable global growth, energy subsidy, environmental protection, and

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18 The G-20 Toronto Summit Declaration, June 26-27, 2010.

poverty gap alleviation. Numerous agendas were adopted to follow up the commitments.

Regarding the reforms of the financial sector, the G-20 agreed on four pillars for the reform agenda. The first pillar is a strong regulatory framework through the Basel Committee on Banking Supervision which has decided on a new global regime for bank capital and liquidity. The second pillar is effective supervision. The FSB should consult with the IMF on recommendations to strengthen the oversight and supervision, specially relating to the mandate, capacity and the authority of surveillance institutions. The third pillar is resolution and management of systemic institutions which have the power and the tools to restructure and resolve financial institutions in crises. The fourth pillar is transparent international assessment and peer review through the FSB.

Concerning the fight against protectionism and the promotion of trade and investment, the G-20 members have committed themselves to keep their domestic markets open for trade and foreign investment. Therefore, G-20 leaders would not create any barriers for investment, goods and services, but to comply with export regulations and WTO rules consistently, particularly to stimulate export. In this context, the G-20 called on WTO, OCED, and UNCTAD to monitor the implementation of their mandates and to report on these implementations regularly to the public. It is believed that open markets play an essential role in supporting growth and creating job opportunities.

The other decision which is considerable important was a commitment to pursue the development agenda through the formation of a “Working Group on Development”:

“Narrowing the development gap and reducing poverty are integral to our broader objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient global economy for all. In this regard, we agree to establish a Working Group on Development and mandate it to elaborate, consistent with the G-20’s focus on measures to promote economic growth and resilience, a development agenda and multi-year action plans to be adopted at the Seoul Summit.”<sup>19</sup>

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19 The G-20 Toronto Summit Declaration, June 26-27, 2010, point no. 47, p. 9.

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The new commitment on a development agenda demonstrates that the G-20 leaders put serious attention to help the developing countries in promoting their national development.

**The Seoul Action Plan**

At the Seoul Summit the leaders launched a so-called "Seoul Action Plan" which sets commitments on five policy areas: (1) Monetary and Exchange Rate Policies; (2) Trade and Development Policies; (3) Fiscal Policies; (4) Financial Reforms; and (5) Structural Reforms.

In regard to the monetary and exchange rate policies, the G-20 reaffirmed the importance of central banks' commitments to price stability and to the importance of a move towards more market-determined exchange rate systems, while enhancing exchange rate flexibility and refraining from competitive devaluation of currencies.

The G-20 leaders reaffirmed their commitments to free trade and investment and declared their commitments against protectionist trade actions in all forms as well as against financial protectionism. They decided to make efforts to "resolve the most significant bottlenecks to inclusive, sustainable and resilient growth in developing countries, low-income countries (LICs) in particular: infrastructure, human resources development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing." The G-20 also declared their commitment to take concrete actions to "increase their financial and technical support" including fulfilling ODA commitments made by advanced countries.

In regard to Fiscal Policies, the G-20's advanced countries promised to formulate and implement clear, credible, ambitious and growth-friendly medium-term fiscal consolidation plans. The G-20 is mindful of the risk of synchronized adjustments on the global recovery and of the risks that failure to implement consolidations would undermine confidence and growth.

The G-20 leaders were committed to take actions at the national and international level to raise standards, and ensure that their national authorities implement global standards developed to date consistently and avoid fragmentation of markets, protectionism and regulatory arbitrage. The leaders agreed to implement fully the new bank capital and liquidity standards as well as to address too-big-to-fail problems, and to work further on financial

regulatory reforms.

Structural reforms are aimed to boost and sustain global demand, foster job creation and rebalance the global economy and promote growth. To achieve these objectives, the G-20 defined several actions to be undertaken including product market reforms, labor market and human resource development reforms, tax reforms, green growth and innovation oriented policy measures, reforms to reduce the member-states' dependence on external demand, reforms to strengthen social safety nets and the investment in infrastructure.

The Seoul Summit also enhanced a Multi-year Action Plan (MAP) to promote external sustainability by strengthening multilateral cooperation and pursuing the full range of policies conducive to reduce excessive imbalance and maintain current account imbalances at sustainable levels. Leaders agreed to expand and refine the country-led, consultative MAP including monitoring of the commitments and the assessment of the progress towards achieving the common objectives.

Leaders endorsed a "Seoul Development Consensus for Shared Growth" and the "Multi-Year Action Plan on Development". They adopted six core principles which became the basis of the consensus and plan. The Consensus identified nine key pillars of actions to resolve the most significant bottlenecks to inclusive, sustainable and resilient growth in developing countries, LICs in particular. The Multi-Year Action Plan outlines the specific, detailed actions to address these bottlenecks. The leaders gave a mandate to the Development Working Group to monitor the implementation of the Multi-Year Action Plan. Development based on the Consensus will be an enduring part of future G-20 Summits.

The G-20 commitments clearly show that G-20 members believe in the importance of an open economic system for sustaining strong and balanced economic growth. The coordination between the member-states in the sectors of finance, domestic banking to stimulate national economic growth, and the international regulation standards for domestic financial institutions, is an integral agenda for making the world economy resilient against crises.

### **e. Effectiveness of G-20 in mitigating the global financial crisis**

As it has been explained in the previous sections of this Chapter, the G-20

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has worked hard to implement the policy coordination to solve the economic crisis which emerged in the 1990s and then occurred again in 2007. The primary focus is how to recover economic growth through fiscal and monetary stimulus and other instruments. Does G-20 succeed in solving the global financial crisis? Is G-20 able to prove its effectiveness?

Looking at the evaluation and progress reports provided at the Toronto Summit in June 2010, the G-20 leaders confidently stated:

“Our efforts to date have borne good results. Unprecedented and globally coordinated fiscal and monetary stimulus is playing a major role in helping to restore private demand and lending. We are taking strong steps towards increasing the stability and strength of our financial systems. Significantly increased resources for international financial institutions are helping stabilize and address the impact of the crisis on the world's most vulnerable. Ongoing governance and management reforms, which must be completed, will also enhance the effectiveness and relevance of these institutions. We have successfully maintained our strong commitment to resist protectionism.”<sup>20</sup>

Numerous pieces of evidences have shown that in general there is a relatively stable economic growth in the G-20 member-states as well as in non-member-states. The World Bank Report has noted several essential progresses in the world economy. The world's GDP which had fallen by 2.2 percent in 2009, has grown 2.7 percent in 2010; the projection suggests that it will continue to grow up to 3.2 percent in 2011. The world trade volume which had fallen 14.4 percent in 2009, began to increase by 4.3 percent in 2010; it is estimated that it will continue to grow up to 6.2 percent in 2011.<sup>21</sup>

The Bank also projected that the economic growth in developing nations will reach 5.2 percent in 2010 and 5.8 percent in 2011, up from 1.2 percent in 2009. The rich nations will also grow between 1.8 to 2.3 percent in 2010 and 2011.<sup>22</sup>

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20 See the G-20 Toronto Summit Declaration, June 26-27, 2010.

21 Updated World Bank Analysis: Crisis, Finance and Growth. <http://econ.worldbank.org/> accessed on August 8, 2010.

22 Ibid.

**Table 1.** Outlook of Real GDP Growth  
(percentage change from previous year)

	<b>2008</b>	<b>2009e</b>	<b>2010f</b>	<b>2011f</b>	<b>2012f</b>
World	1,7	-2,1	3,3	3,3	3,5
High Income	0,4	-3,3	2,3	2,4	2,7
OECD Nations	0,3	-3,4	2,2	2,3	2,6
Euro Area	0,4	-4,1	0,7	1,3	1,8
Japan	-1,2	-5,2	2,5	2,1	2,2
United States	0,4	-2,4	3,3	2,9	3,0
Non-OECD Nations	3,0	-1,7	4,2	4,2	4,5
Developing Nations	5,7	1,7	6,2	6,0	6,0
East Asia and Pacific	8,5	7,1	8,7	7,8	7,7
China	9,6	8,7	9,5	8,5	8,2
Indonesia	6,0	4,5	5,9	6,2	6,3
Thailand	4,8	1,7	3,0	3,7	4,0
Europe and Central Asia	4,2	-5,3	4,1	4,2	4,5
Russia	5,6	-7,9	4,5	4,8	4,7
Turkey	0,7	-4,7	6,3	4,2	4,7
Poland	4,8	1,7	3,0	3,7	4,0
Latin America and Caribbean	4,1	-2,3	4,5	4,8	4,7
Brazil	5,1	-0,2	4,5	4,1	4,2
Mexico	1,8	-6,5	4,3	4,0	4,2
Argentina	7,0	-1,2	4,8	3,4	4,4
Middle East and N Africa	4,2	3,2	4,0	4,3	4,5
Egypt	7,2	4,7	5,0	5,5	5,7
Iran	2,3	1,8	3,0	3,2	3,2
Algeria	2,4	2,1	4,6	4,1	4,3
South Asia	4,9	7,1	7,5	8,0	7,7
India	5,1	7,7	8,2	8,7	8,2
Pakistan	2,0	3,7	3,0	4,0	4,5
Bangladesh	6,2	5,7	5,5	5,8	6,1

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Sub-Saharan Africa	5,0	1,6	4,5	5,1	5,4
South Africa	3,7	-1,8	3,1	3,4	3,9
Nigeria	5,3	5,6	6,1	5,7	6,4
Kenya	1,7	2,6	4,0	4,9	5,4

**Source:** World Bank, the Global Outlook in Summary, 2010.

As shown in Table 1, among the developing nations, the East Asian and Pacific region demonstrates a relatively strong growth compared to Europe and Central Asia; the economies of the Middle East and North Africa were able to avoid the impact of the crisis. Nations in Latin America and the Caribbean are also experiencing sufficient growth. The only nations which are still strongly affected by the global financial crisis are in Sub Saharan Africa.<sup>23</sup>

Many respondents of this research recognized the competence of the G-20 to mitigate the global crisis, but reminded that the tasks for the G-20 are far from over. One respondent suggested:

“I think they (the G-20 leaders) have managed to overcome the biggest challenges – the 1998 crisis in the world economy. Some of the issues of the crisis were resolved, thanks to the consultations and measures taken jointly. During the process the G-20 developed further and became even more significant due to the crisis. Important is now, how relevant it will be once the economy has fully recovered. But then, there will be other challenges for the economic organization to deal with.”<sup>24</sup>

It also has to be recognized that the crisis is still threatening the world economy. The finance ministers in East Asian nations are still seriously concerned about the escalation of asset values and the high inflation. The monetary crisis in Greece is a warning that sovereign debt risks could have fatal consequences. Such risks on a global level can destabilize the international capital flow also in East Asian Nations. The economy has started to recover from the global financial crisis and this recovery happens thanks to the economic cooperation between G-20 member-states. But the economic crisis in Greece, which has affected the European nations, raises again the question to what extent the global economy will finally recover. One respondent of the

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<sup>23</sup> Ibid.

<sup>24</sup> Interview with a respondent from foreign embassy to Indonesia on June 2, 2010.



research conveyed:

“However, the G-20’s work is not over. While we have seen some encouraging signs of economic recovery, the recent Greek debt crisis has highlighted the fragility of Europe’s economic recovery and the risk of an ongoing financial market instability. In 2010, the main challenge for the G-20 is to sustain the recovery. We must agree on measures to boost and rebalance global growth while achieving fiscal consolidation in nations with high debt levels. This is a difficult task that will require strong cooperation.”<sup>25</sup>

The finance ministers of the G-20 realized this situation during their meeting in Busan, Korea, in June 2010: *“The recent volatility in financial markets reminds us that significant challenges remain and underscores the importance of international cooperation.”*<sup>26</sup> The G-20 leaders explicitly expressed their concern in the Seoul Summit document: *“Since we last met, the global recovery continues to advance, but downside risks remain.”*<sup>27</sup>

Beside the questions regarding the stability of the national and global economic recovery, the other question is: whether the social impact of the economic crisis is really solved. The World Bank reported that the financial crisis has created a serious cumulative impact on poverty. More than 64 million people are living in extreme poverty at the end of 2010.<sup>28</sup> In addition the crisis brought a heavy burden for poor nations to feed thousands of undernourished children.

The G-20 has put serious attention to the economic agenda by introducing fiscal and monetary policies and by bringing back economic growth, especially during the last three years. It is believed that by focusing directly on the resolution of the crisis, the G-20 will help to create job opportunities especially in the production sector. The purchasing power parity will as well increase along with the revival of the production sector.

Unfortunately the trickle-down effects do not always necessarily proceed

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25 E-mail correspondence with a foreign embassy representative to Indonesia, G-20 member.

26 G-20 communiqué, Meeting of Finance Ministers and Central Bank Governors, Busan, Republic of Korea, June 5, 2010.

27 Seoul Summit document.

28 Updated World Bank Analysis: Crisis, Finance and Growth. <http://econ.worldbank.org/> accessed on August 8, 2010.

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as expected. Huge unemployment and poverty are still haunting the poorest nations in this world. In the Toronto Summit, the G-20 leaders realized that: *"While growth is returning, the recovery is uneven and fragile, unemployment in many nations remains at unacceptable levels, and the social impact of the crisis is still widely felt."*<sup>29</sup>

This awareness led to the recognition that the G-20's mission is not completed yet and there are thus strong reasons to pursue the international economic cooperation, to strengthen economic recovery and to help the most vulnerable nations to overcome the social impacts of the economic crisis. The G-20 argued:

*"To sustain recovery, we need to follow through on delivering existing stimulus plans, while working to create the conditions for robust private demand. At the same time, recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly plans to deliver fiscal sustainability, differentiated for and tailored to national circumstances."*<sup>30</sup>

The G-20 has put serious attention to narrow the gap between developed and developing nations, as well as to deal with the poverty alleviation through its development agenda. During the crisis this issue has become sensitive, particularly because the gap is widening due to the financial crisis in developed countries. In the Toronto Summit, the G-20 leaders have agreed to form a "Working Group on Development" and assigned this working group with the mandate to elaborate on a development agenda and formulate a concrete action plan, which is in harmony with the focus of G-20 to promote economic cooperation and economic resilience. The Seoul Summit followed up the development agenda by identifying major problems that hamper development in the developing countries and set up an agenda to address these problems.

29 The G-20 Toronto Summit Declaration, June 26-27, 2010.

30 Ibid.

## **f. Critiques regarding the G-20's status as the premier forum for international economic cooperation**

Although the G-20 has reached to some extent important achievements in bringing the economic growth back, there remain a number of critiques, specially from non-member-states and CSOs. Some vocal critics argued that a wider participation from various other nations is necessary to create a global economic governance. This critique emerged in regard to the selection of developing countries which had the privilege to become a member of the G-20, arguing that these nations are not capable to actively participate in the formation of a new global financial architecture and global governance. Besides, critiques are addressed in regard to the focus of the G-20 which is more on a rational economic approach but gives less attention to manage the social impact of the financial crisis. More harsh critiques see the G-20 just as a continuation and an instrument of the G-7 which in the last three decades had dominated global economic arrangements.

### **1. Effectiveness versus Legitimacy**

The proponents of the G-20 who emphasized on the effectiveness of the group in order to achieve maximum results through an exclusive cooperation meet serious challenges from the critics who believe in the importance of legitimacy through a wider participation of more nations to create a kind of global economic governance. The question, who decides on the global arrangements, is a crucial issue that has to be accommodated to legitimate the decisions.

Various analyses have mentioned that the world economy has recovered; the relatively fast recovery can be seen as a result of the G-20 members' efforts to coordinate their effective national policies, to provide funding to the international financial institutions and to make them accessible for nations in crisis. However some respondents in this research are doubtful of the effectiveness of the G-20 in addressing the major obstacles in the promotion of a balanced growth and in the reform of the Bretton Woods institutions. The Seoul Summit demonstrated how the G-20 leaders cannot settle disputes on the currency system between member-states. The currency value is understood as a major issue because leaders differ in the way how to maintain their national currency system. The absence of a international monetary regime constitutes

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a major problem which affects the stability of the global economy and thus may cause another crisis in the future.<sup>31</sup>

The seriousness to effectively reform the Bretton Woods institutions is also of critical concern. Commitments to reform the international financial institutions through a fairer vote-sharing are colliding with the national interests of developed nations. These nations have been very influential in directing the IMF and the World Bank because they are the largest donors to these institutions. Will they voluntarily allow their vote-share to be reduced in order to give the developing countries more votes in the IMF and World Bank? The Seoul Summit reaffirmed the commitments and further defined the concrete process for following up the commitments. However the question remains: is the slight change of voting-shares sufficient to create a new and strong IMF and World Bank?

The full willingness to realize the commitments in helping the developing countries to accelerate their development programs is also still questionable. A respondent stated: *"It is true that the leaders made commitments at the forum. But once the summit is over and the leaders went home, the leaders would look back at their national interests and do business as usual."*<sup>32</sup> The Seoul Summit has certainly followed up the commitments but more concrete actions are definitely needed.

## **2. More focus to find structural solution to the financial crisis, less attention to solve the social impacts in poor nations**

It was explained briefly in the previous section, that proponents of the G-20 hold the conviction that there will be a trickledown effect providing more quality job opportunities from stimulating the economic growth with rational economic instruments, macro-economic, fiscal and monetary policies as well as regulations and reformations of the financial institutions.

However, the fact is that the economic recovery did not necessarily provide more quality work opportunities for those who lost their jobs due to the global financial crisis. The economic instruments are not automatically recovering the capability of poor citizens to meet their basic needs and to get proper

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31 As intensively discussed in the Focus Group Discussion on G-20 and Development Agenda, on November 4, 2010.

32 Interview with a senior adviser from an international financial institution to Indonesia on August 12, 2010.

access to education and health facility. There is no adequate structural reform to address the crisis of food, particularly in rural areas.<sup>33</sup>

Poor nations are now facing two problems: they have not sufficient funds for sustaining their economic development, but at the same time are supposed to allocate funds for dealing with unemployment issues and the social impact of the crisis such as the malnutrition of poor citizens. Even though the global economic growth has shown recovery, poor nations are still in a very vulnerable situation.

The G-20 is seen as a *'fashionable play'* by advanced economies to show their dominance in the world economy, rather than to seriously address the major developmental issues that hamper poor nations.<sup>34</sup> The poor countries thus cannot rely much on the G-20 leaders' commitments, but should find other ways to build up national strength to promote welfare for their people.

CSO leaders criticized the Seoul Summit for failing to demonstrate serious commitments to deal with non-financial issues including poverty alleviation and to help the world's poor children and workers. Even though the previous Toronto Summit had put development issues on the G-20 agenda, the G-20 leaders are still struggling for adopting serious commitments on poverty alleviation including the introduction of the innovative financial transaction tax.<sup>35</sup> The financial transaction tax has been widely recognized as a possible measure *"to help ensure the funding needed for moving forward on poverty reduction and achieving the Millennium Development Goals and helping low income countries cope with the impacts of climate change, at a time when fiscal deficits are beginning to threaten aid flows."*<sup>36</sup> The IMF has demonstrated the technical feasibility of the mechanism, and a Committee of Experts has written a report on the feasibility in 2009.

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33 Henry Thomas Simarmata, Senior Advisor, Indonesian Human Rights Committee for Social Justice (IHCS), A note to the event of Focus Group Discussion and Workshop, "G-20 and Development Agenda: Formulating Recommendations for G-20 Summit in Seoul, Korea"-Friedrich-Ebert-Stiftung (FES) Indonesian Office & Department of International Relations, Catholic Parahyangan University (UNPAR) / -Gran Melia, November 4, 2010.

34 As intensively discussed in the Focus Group Discussion on G20 and Development Agenda on November 4, 2010.

35 <http://www.korea.net>. Accessed on November 19, 2010.

36 Dennis Howlett, Please keep pushing on the Financial Transaction Tax G20 Sherpa tells civil society, <http://www.makepovertyhistory.ca>, accessed on November 19, 2010.

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### **3. The G-20 as the G-7 members' sword**

Another critic sees the G-20 is an instrument used by G-7 member-states to maintain their hegemony in the contemporary global economic governance. G-7 nations command the decision making process in the G-20. The dominance can be seen in the mechanism adopted by G-20; the mechanism is the conventional system that has been developed by the G-7 nations. All G-20 members, including non-G-7 members are bound to follow the conventional mechanism. This system has proved to bring benefits for G-7 member-states. The critics suggest that G-20 commitments are made particularly to enable G-7 member-states to reduce their budget deficits.<sup>37</sup>

Other critiques suggest that the G-20 is a new means used by G-7 leaders to pass initiatives which have already failed to collect approval from a majority in other multilateral fora. Leaders of the developed nations use the G-20 to gain support for initiatives to reach certain goals. The campaign against protectionist policies within the G-20 process is an obvious proof that demonstrates the G-7 members' ambitions. Being encountered with the deadlock in the Doha Round (WTO), the G-7 leaders asked the G-20 to speak with one voice on the issue of anti-protectionist trade policies. This can be seen within G-20 communiqués which repeatedly show the demand to complete the Doha Round successfully.<sup>38</sup>

This critique was for instance expressed by one of the respondents from a national CSO:

“... G-20 is somehow a sword of WTO. When they could not reach an agreement on some policies multilaterally in the WTO meetings, they will bring the issue on the G-20 agenda, where it has to be authoritatively implemented. If G-20 member-states implement those policies, then the other nations with low GDP cannot do anything. They cannot trade with G-20 member-states, if they do not possess laws which adopt WTO principles and regimes. This is just a small issue, but continuing and used like a hammer to introduce these policies. If we put attention to WTO agreements that have not been agreed multilaterally by its

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37 See critics by Director of Institute of Development Studies, <http://www.ids.ac.uk/go/news/g8-and-g20-growth-will-improve-life-of-the-poorest> accessed on August 2, 2010.

38 Noted in the Washington, London, Pittsburgh, and Toronto Summit Declarations.

members, we may look to G-20, those agreements might be there, and slowly....”<sup>39</sup>

#### **4. G-20 as the rival of a legitimate multilateral cooperation**

Another critique is addressed to the presence of G-20 as a rival of existing organizations which clearly possess a stronger legitimacy. The declaration of the G-20 as the premier forum for international economic cooperation places the G-20 as the most important forum above the other existing intergovernmental organizations.

Through its letter to the United Nations, the Singaporean government reminded that the position of the G-20 should be complementary to global organizations like the United Nations. Thus G-20 needs to emphasize its recognition by the United Nations.<sup>40</sup>

“The United Nations is the only global body with universal participation and unquestioned legitimacy. The G-20 process should recognize and reflect this reality. The G-20 process and its actions and decisions should complement and strengthen the United Nations.”

One leading activist of a CSO in Indonesia expressed a similar concern:

“... actually, the NGO's global position is to oppose the existence of the G-20, because they tend to become a rival organization of existing international organizations such as the United Nations which hold a clear mandate to make internationally binding decisions. And, the existence of the G-20, which holds 3/4 of the world's GDP will make the United Nations to become insignificant; moreover the G-20 only puts attention on economic issues, and less or even none on others.”<sup>41</sup>

The expansion of issues in the G-20 process raised even more serious concerns on the G-20's legitimacy. Many multilateral organizations have been

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39 Interview with representative of International Forum of Indonesian NGOs on May 27, 2010.

40 See letter dated March 11, 2010 from the Permanent Representative of Singapore to the United Nations Addressed to the Secretary-General, Sixty-Fourth session, agenda item 51 (b), Macroeconomic policy questions: international financial system and development.

41 Interview with representative of International Forum of Indonesian NGOs on May 27, 2010

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handling serious agendas even before the G-20 was inceptioned in 1999. Critics argued that the G-20 seems to take over most global issues and pledges to handle them more effectively than other multilateral organizations. Critics further mentioned that the G-20 has undermined the role of membership within longer existing organizations such as the IMF and the World Bank. How could 19 states decide to reform the IMF and World Bank, ignoring the determinant role of the other hundreds of members of these financial institutions?

### **5. The Rhetoric on the IMF and the World Bank Reform**

Skepticism appeared following the G-20's pledge to reform the Bretton Woods institutions as an integral part of the agenda to build a strong and resilient global financial architecture. There is doubt on whether the main donors of the financial institutions really have the strong will to change the voting-share. There is also the question about the preconditions for determining the new countries which will have an increased vote-share in the institutions. Giving more voice to developing countries will enable them to express their voices in these institutions. However the question remains: which of the developed nations are prepared to give up some of their vote-share to developing countries.<sup>42</sup>

The next question is related to those nations which will get the special right to accept an increased vote-share. It could trigger a tough competition amongst developing nations to get this privilege by which they can exercise more influence in the IMF and the World Bank. It is therefore necessary to set up specific criteria for selecting these countries.

Until now, the vote-share depended on the financial contributions to the IMF and the World Bank. Other conditions included the national economic openness and the size of the population. There is a question of how to measure the degree of economic openness. Small nations that can demonstrate their strong commitment to national economic openness and stable economic growth should have an equal opportunity to enter the competition.<sup>43</sup>

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42 The critique was expressed by some respondents from a leading Indonesian research institution and a senior adviser of an international financial institution in separate interviews in on May 19, 2010 and August 12, 2010.

43 This was expressed by a senior researcher of a Indonesian financial institution in an interview on August 20, 2010.



## **g. Agenda for formalizing an outreach consultative mechanism and for strengthening the commitment on development**

The G-20 cannot ignore the critiques mentioned before. G-20 member-states must set up an agenda including the outreaching to non-members of the G-20, the making of more substantive commitments to help developing nations in their very hard struggle to recover their economy, and the forming of regional contact groups.

### **1. Consulting non-member-states and CSOs through a formalized mechanism**

An important agenda that should be implemented is the regular consultation of G-20 members with non-member-states and with CSOs through formal mechanisms. Thus far, the host of a G-20 Summit has the task to hold outreach-consultative meetings with non-members of the G-20.

What has been suggested by Singapore and 23 other nations which have formed an informal coalition known as the Global Governance Group (3G), is highly necessary to be considered.<sup>44</sup>

“It is important that the G-20 engages with the United Nations and its Member States through predictable and regular channels, including consultations with the wider membership before G-20 Summits. This will allow all States, especially smaller States, which constitute the majority of United Nations Members, to raise issues of concern to them and have their voices heard. In addition, the hosts of the G-20 Summits should provide the rest of the United Nations membership with an update after the meetings.”

One non-G-20 member responded similar, by emphasizing the importance of an outreach mechanism:

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44 See letter dated on March 11, 2010 from the Permanent Representative of Singapore to the United Nations Addressed to the Secretary-General, Sixty-Fourth session, agenda item 51(b), Macroeconomic policy questions: international Financial system and development.

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“Whether we like it or not, the G-20 was made the premier forum for economic cooperation by the decision of its members that are producers of 90 % of the world’s GDP and home to 2/3 of the world population. The more important issue the world should deliberate on is how to ensure its effectiveness and relevance and not let it be another exclusive talk show. In this regard, we view that inclusive consultation and coordination between G-20 and non-G-20 members and also international organizations, especially the UN, international financial institutions and multilateral development banks are indispensable. This process needs to be institutionalized by the G-20 in order to bridge the existing missing gaps in international cooperation to ensure a sustainable and early global economic recovery and an inclusive and balanced growth.”<sup>45</sup>

It is clearly necessary that an institutionalization and a further substantiation of the outreach meetings be implemented.<sup>46</sup> How could G-20 establish more formal mechanisms for consultative meetings where non-members can express their views and thus contribute to the G-20 process?

A first step to formalize the outreach is of course that the G-20 leaders deliberate and arrive at a consensus on formal mechanisms, this should include the substantive issues as well as criteria for the selection of non-G-20 members to be invited.

There are several feasible formal mechanisms to outreach to non-members:

The first possible mechanism is to formalize a regional and interregional approach through the establishment of regional contact groups. The G-20 should strive for a consensus on its formal contacts with existing prominent regional and interregional organizations. The G-20 Chair should take the initiative to facilitate the formation of regional contact groups, but it is also highly desirable that each member-state be given a formal mandate to play a role in undertaking consultations with their regional organizations through such contact groups.

The formation of the ASEAN-Indonesia-G-20 contact group could be one

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<sup>45</sup> Interview with a representative from Thailand Embassy to Indonesia on June 16, 2010.

<sup>46</sup> The discussion about the formalization of the outreach mechanism has been published in Thomas Fues and Peter Wolff (eds). 2010. G-20 and Global Development. Bonn: DIE.

model of how the G-20 could initiate the formalization of regional outreach mechanisms. Through the contact group, Indonesia holds regular consultations with the ASEAN Chair and the Secretary-General in coordinating Indonesian and ASEAN positions in the G-20 process. This contact group organizes a regional meeting of finance ministers prior to each G-20 finance ministers' meeting and G-20 Summit. The ASEAN finance ministers' meeting intends to arrive at a consensus on strategic issues being deliberated within the G-20. Indonesia is then responsible for ensuring that the G-20 commitments are not contradictory to the ASEAN members' interests.

South Africa and the African Union are encouraged to form a similar G-20 contact group by which regular consultations between South Africa and the African Union members could be held in a formal way. It has been acknowledged that African nations are still underrepresented in the G-20. The recent consensus on the participation of an African Union representative and one selected African nation as permanent observers at the G-20 Summits will encourage African nations to emphasize the importance of an African Union-South Africa and G-20 contact group. This group could identify the interests of African nations, particularly in support of their efforts to promote economic development and articulate the interests to the G-20 through their representatives.

Brazil, Argentina and the G-20 could as well initiate the formation of a regional contact group together with the Mercosur (Mercado Común del Sur). The G-20's recent consensus, not to include the Mercosur as a permanent observer at G-20 Summits, provides a strong reason to endorse the formation of a Mercosur-G-20 contact group. The contact group in South America should embrace Mercosur's permanent and associated members and may further include nations that are not members of the Mercosur.

The second feasible approach is the formalized consultation with global organizations such as United Nations. The G-20 Chair should play a formal role in this mechanism. It could be facilitated through a formal participation of the UN Secretary-General at G-20 Summits or a special meeting of UN member-states with the G-20 Chair to address particular issues. Yet the presence of the UN Secretary-General should not be merely ceremonial or symbolic, but rather must be substantiated by focusing on relevant global issues that would be addressed at the summit. The UN representatives should have more scope to express their views on the issues being deliberated by G-20 members; and

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their views should be considered as key points of reference in arriving at G-20 commitments.

Best practices in inviting non-G-20 members to participate in the G-20's working groups should also be formalized by the G-20. The Working Group Chair in consultation with the G-20 Chair could select non-members who would like to participate at working group meetings. To make it substantive and effective, the selection of participants from non-G-20 members should be based on the invited nations' competence to contribute to the working groups and on the relevance of the agenda to the invited nations. The nations that would be most affected by decisions made by the working groups should also be invited to participate actively.

Following the formation of the "Working Group on Development" at the Toronto Summit, it is now very important for the G-20 to welcome civil society organizations, which have been seriously concerned with the development agenda within the G-20 process. The Korean initiative to facilitate discussions with CSOs through a so-called "Civil G-20", a special outreach meeting between the Korean government and CSOs prior to the Seoul Summit should be considered as a first significant step to formalize the participation of CSOs. The "Civil G-20" can be seen as an important G-20 partner to assist in accomplishing the G-20's global mission.

The French and Mexican governments which will host the next G-20 Summits in 2011 and 2012 respectively, should continue the Korean initiative of welcoming the "Civil G-20". The formalization of a dialogue between the intergovernmental forum and the CSO's leaders could provide opportunities for substantive contributions to the G-20.

To make the consultative outreach meetings effective, the G-20 Summits should design a general framework for these consultations; the G-20 Summit hosts and Sherpas should then further discuss the details. Following the commitment to upgrade the relevance of development issues, non-members could then express their views on possible approaches to tackle serious developmental problems in many developing nations. The already set-up Working Group on Development could play an important role in collecting various perspectives of key issues to be addressed at upcoming summits. Similar to this, the recently set-up Working Group on Anti-Corruption should as far as possible welcome non-G-20 members to discuss strategic approaches and an action plan to combat corruption.

Besides having an increased legitimacy and effectiveness, the institutionalized and substantiated outreach mechanisms will effectively strengthen the role of the G-20 as a new approach to global governance which can deliver benefits for all nations.

## **2. Commitments for promoting development in poor nations vulnerable to the economic crisis**

Various research institutions found that poor nations evidently experienced the worst impacts of the economic crisis. Many people lost their jobs, got less access to proper food, and are confronted with high costs of living to support their families, specially the children. They are hardly able to meet the basic needs including the access to quality health services and food. This condition is often even worsened by political instability and the widespread corruption of the political elites.

Therefore, the G-20 must give proper attention to help these nations in dealing with the social impact of the crisis. The G-20 Toronto Summit indicated the willingness of the leaders to give more serious attention to the poor and the most vulnerable people whose living conditions got worse in recent years due to the economic crisis. It was agreed to create a Working Group on Development to draft plans of actions to help the developing countries. The Seoul Summit has shown progress in addressing the development issue and has set up an action plan. However, G-20 leaders should prove their commitment through concrete actions. The next summit in France in 2011 will show to what extent the commitments on the development agenda had been seriously followed up by G-20 leaders.

## **3. Strengthening the partnership between emerging economies**

Strengthening the partnership between emerging economies is an important agenda to respond to the critics who see the G-20 as an instrument of the G-7 nations to maintain their domination in the world economy. Developed nations should understand the difficulties that developing countries are facing in meeting international standards and regulations such as the banking regime of the so-called Basle III. The developed nations should welcome new initiatives about alternative financial systems which have been developed by developing nations.

The Korean Summit in November 2010 was significant because it was the

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first summit to be organized by a non-G-7 member. In 2012, Mexico will host the G-20 Summit and this could further strengthen the role and the contributions of emerging economies to the institutionalization process of the G-20.

Of course this should not be merely a symbolic role. The emerging economies have to create concrete steps to formulate their shared interests in the G-20. Regional caucus can be developed as a first step to deliberate their common positions in the G-20. This could counter the impression that developing nations are incapable to stand equal vis-à-vis the developed nations in the G-20.

# II.

## INDONESIA AND THE G-20

"As a member of the G-20, we can help reform the world economic architecture and contribute to a strong, balanced and sustained global economic growth"<sup>47</sup>

Indonesia's position towards the G-20 as the premier forum for international economic cooperation is very clear. Indonesia fully supports the G-20 as a new architecture for a fair and just global governance. In his annual speech delivered to Members of Parliament in August 2010, President Susilo Bambang Yudhoyono showed - as reflected in the statement above - his enthusiasm for the possibility to contribute to the reshaping of the global financial structure. Indonesia acknowledges that her opportunities to play a bigger role in the dynamic international political system has grown tremendously, especially after the Cold War.

Indonesia understands that her participation in the G-20 has created an enormous chance to have her voice heard in this transforming world: *"This is the time for the achievements, products, culture and ideas of Indonesia to become part of the dynamics at a global level"*<sup>48</sup> The improvement of Indonesia's diplomacy is therefore a must. It should become more free, active and transformative so it could create opportunities for meeting Indonesia's national interests.

This chapter will describe Indonesia's position and interests in the G-20 and the extent to which Indonesia has so far played a leading role in the G-20 process. This Chapter will also describe Indonesia's attempts to meet her

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47 State speech delivered by the President of the Republic of Indonesia to a joint session of the House of Representatives and Council of Regional Representatives in commemoration of Indonesia's 65 years of independence on August 16, 2010.

48 Ibid.

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commitments to the G-20 and the challenges for Indonesia to enhance her performance in the G-20 process.

### **a. Indonesia's standpoint: The G-20 as both, an economic and a civilization powerhouse**

The Indonesian government acknowledges that the G-20 is an important forum and that Indonesia should fully participate in it. This gives Indonesia the strong will to play a serious role in G-20 meetings. For Indonesia, the G-20 is first of all very important as an economic forum where Indonesia can promote her national economic interests and contribute to the establishment of global economic governance.<sup>49</sup> The G-20 was inceptioned in 1999 when the world was encountered by an economic crisis which occurred in some Asian countries. At that time the G-20 discussed economic measures to deal with that crisis. The G-20 played an even bigger role since 2007 when another financial crisis hit the global economy.

Particularly since the G-20 held its first summit in Washington, the G-20 leaders began to introduce implementable economic measures to overcome the economic crisis in a coordinated way. The leaders saw the importance of a framework of a strong, sustainable and balanced growth to build a global economy resilient from similar economic crises in the future. The G-20 leaders also saw the importance of reforms to the international financial institutions and the establishment of a resilient global economic architecture.

Yet Indonesia's leaders recognized that the G-20 is not just an economic forum, but also a forum that serves as a meeting point for different cultures and civilizations. President Yudhoyono stated that the G-20 was not only an economic powerhouse, but also as a civilization powerhouse. And he said this for the following reasons:<sup>50</sup>

“The G-20 for the first time accommodates all the major civilizations - not just Western nations, but also China, South Korea, India, South Africa,

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49 Interview with the Head of the Indonesian G-20 Sherpas on June 2, 2010, and G-20 Coordinator on Financial Issue, Indonesian Ministry of Finance on September 30, 2010.

50 Speech delivered by H.E. Dr. Susilo Bambang Yudhoyono “Towards Harmony Among Civilizations” in Harvard University, <http://embassyofindonesia.it/towards-harmony-among-civilizations-speech-by-sby-at-the-john-f-kennedy-school-of-government-harvard-university/>, accessed on August 5, 2010, 14.30 WIB



and others, including significantly, three nations with large Muslim populations: Saudi Arabia, Turkey, and Indonesia. The G-7, the G-8, or even the United Nations Security Council, do not boast this distinction. The G-20 is a representative of a multi-civilization global community. Perhaps this is why the G-20 has been successful in rescuing the world from a global meltdown. The swift and coordinated actions of the G-20 economies have started the stabilization of our financial systems and restored confidence, prompting today's early signs of a modest economic recovery."

Therefore, the G-20 became even more important for Indonesia, as she could play the self-perceived role as a bridge-builder between diverse civilizations.

Foreign Minister, Marty Natalegawa, emphasized that Indonesia's position in the G-20 is a way for Indonesia to expand her diplomacy network and simultaneously help to solve the problems which the world is facing. At a different occasion, the Foreign Minister also expressed his desire to create "*a condition where Indonesia is seriously considered as a nation that has a global role and global interests*". To achieve this, Indonesia's participation in the United Nations and other multilateral fora including the G-20, could be used to strengthen Indonesia's role in the international arena. He added, "*the G-20, which is a group with limited members and with Indonesia as a permanent member, can be used to present Indonesia as an influential player on the global level*".<sup>51</sup> This demonstrates that for Indonesia, the G-20 plays an important part in foreign policy because it helps Indonesia to achieve the image of a bridge-builder.

Recognizing the important position of the G-20, the Indonesian government has included the G-20 in the new direction of the Indonesian foreign policy platform. The direction suggests that to improve the quality of economic diplomacy in multilateral fora Indonesia will be actively participating in multilateral institutions such as WTO, APEC, G-20, and G-33 to further promote the interest of Indonesia and other developing nations.<sup>52</sup>

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51 <http://www.indonesia.cz/menlu-siap-jadikan-indonesia-pemain-berpengaruh-di-dunia/> accessed on August 5, 2010.

52 The Direction of Indonesian Foreign Policy (September 6, 2009) <http://www.deplu.go.id> accessed on July 25, 2010.

## **b. Indonesia's interests in the G-20: from the mitigation of the crisis to global image building**

This research discovered at least three specific interests which Indonesia pursues in the G-20 process. These interests are: to overcome the economic crisis, to increase Indonesia's national leverage and to improve Indonesia's image in the international community.

### **1. Overcoming the economic crisis**

Becoming a member of the G-20 first of all gave Indonesia more confidence to keep her economy surviving from the calamities brought by the economic crisis. Since the G-20 held its first ministerial meeting in 1999, it has focused on ways to effectively respond to the crisis. It was believed that collective actions were necessary to tackle the crisis.

Indonesia has been experiencing at least two hard economic crises since the 1990s. The first and most severe crisis occurred during 1997-1998. It was marked with the depreciation of the Rupiah against foreign currencies. This monetary crisis then led to the economic crisis and brought systemic impacts on social, political, cultural and security aspects. Millions of people were unemployed due to the crisis; this became a major problem because of the social implications. The higher number of unemployment, the bigger the potential for criminal conducts in the society.<sup>53</sup> Also malnutrition affected the health condition of the people.

The second crisis occurred in 2008. It was a contagious effect of the financial crisis that first hit the United States of America a few months earlier. Even though the unemployment rate did not explode as high as in the previous crisis, Indonesians still felt severe negative impacts. The crisis made local producers unable to export their products to global markets including the United States. To survive, the producers had to lay off their employees and to introduce other urgent measures. This crisis again became multidimensional as it affected various aspects of social life.

Having experienced two economic crises, Indonesia had the opportunity

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53 <http://www.datastatistik-indonesia.com/content/view/803/803/1/4/>, accessed on August 5, 2010.

to contribute to the establishment of a global economic architecture, resilient to future conflicts. Consolidating the economic recovery and avoiding similar crises in the future became Indonesia's interest in the G-20.<sup>54</sup> Both can be achieved by introducing necessary regulations and by closely coordinating between G-20 members.

Restoring the market confidence and mitigating the impact of the crisis had been the two major targets of the Indonesian government in short terms.<sup>55</sup> To achieve these targets, the Indonesian government introduced deposit guarantees, capital injections, financial regulations and social safety nets at domestic level. The Indonesian government also used bilateral approaches to foreign governments and international agencies to have swap agreements and stand-by facilities. Besides that, Indonesia had been active in multilateral fora to act in concert on other measures such as counter-cyclical policies, IFIs resources and instruments and international standards. Indonesia had also been consistent in supporting poor countries through her initiatives. The G-20 became the most strategic forum where the Indonesian approaches to restore market confidence and to mitigate the impact of the crisis can be actualized.

## **2. Increasing the national leverage at a global level**

Indonesia acknowledges that her national leverage is still low and thus Indonesia needs to make serious efforts to enhance it. The national leverage can be improved in two perspectives:

First, Indonesia's domestic products have hardly been able to compete with foreign products in the global market because the products fail to meet international quality standards. It is an irony because Indonesia is well known as a country which has very rich natural resources, but lacks the capability to explore and produce goods that meet the international demand for standard quality. The advanced nations have therefore developed their own industries on Indonesian territory and then export the products to global markets. The Batam industry area is an example that shows how Singapore uses Batam as her

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54 Interview with the Indonesian G-20 coordinator on financial issues, Indonesian Ministry of Finance on September 30, 2010.

55 Presentation by Herfan Brillianto, G-20 coordinator on financial issues, Indonesian Ministry of Finance at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.

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industrial target to produce goods that meet international standards.<sup>56</sup> There seem to be so many agenda for Indonesia to enhance her national leverage.<sup>57</sup> By joining a major club, such as the G-20, Indonesia hopes that it can take advantage by increasing the competitiveness of her domestic products at the global market.

Indonesia's competitive power in 2006 can be described as below:

"Indonesia is the 50th most competitive economy in the world, 19 places up from last year, according to the latest edition of the World Economic Forum's Global Competitiveness Index (GCI) ranking for 2006-2007. The nation trails India by a few places, but is ahead of China, Russia, and Brazil. Given that Indonesia is still in an early stage of economic development, it does particularly well in a number of areas typically reserved for rich, innovation-driven economies. The nation is beginning to show the benefits of substantial improvements in technology transfer through FDI, through company spending on R&D, as well as through improvements in market efficiency linked to greater competition and fewer distortions in the merchandize markets, greater flexibility in the labor market and better access to loans and the local equity market."<sup>58</sup>

In this context, being a member of the G-20 will provide the opportunity for Indonesia to increase her credit rating as a safe place for foreign investment. Foreign investments are presumably important for promoting high quality productivity sectors. An improved credit rating would attract a higher number of foreign investments to Indonesia, and then stimulate a balanced and sustained economic growth and increase public welfare, which is a vital national interest.

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56 Adriana Elisabeth, "Kecenderungan dan Tantangan Globalisasi Ekonomi terhadap Politik Luar Negeri Indonesia" in Ganewati Wuryandari (ed.), *Perkembangan Politik Internasional dan Pengaruhnya terhadap Politik Luar Negeri Indonesia*, Jakarta, LIPI Press, 2008, p. 87.

57 Press Release, Ministry of Foreign Affairs, "Curah Gagasan: Indonesia dan arah ke Depan G-20 Pasca Krisis Ekonomi Global" in Yogyakarta on March 11-12, 2010, <http://www.deplu.go.id/Pages/PressRelease.aspx?IDP=863&l=id> accessed on 26 July 2010.

58 The World Economic Forum Press Release "Indonesia Leaps 19 Places to 50th Rank in the World Economic Forum's 2006 Global Competitiveness Index" taken from <http://202.148.132.171/econ/2006/WEF%20press%20release%20on%20indonesia.pdf>, accessed on August 5, 2010.

The second perspective to enhance the national leverage emphasizes the importance of a better bargaining position in the international arena. The bargaining power is a determinant factor to facilitate negotiating processes for the sake of Indonesia's national interest. The increase of Indonesia's international bargaining position could result in greater political influence over other nations.

The Head of the Indonesian Sherpas acknowledged that being a member of the G-20 has helped Indonesia to gain national leverage.<sup>59</sup> Indonesia's voice is now heard and respected by other nations in various multilateral fora. This is due to the fact that Indonesia maintains a strategic position, having access to the world's most influential economic club and has the competence of representing the interests of other nations in the G-20 process.

Being a member of the G-20 demonstrates that Indonesia's competence to contribute to the global efforts in mitigating the economic crisis has been recognized by advanced and emerging economies.<sup>60</sup> Global market actors are now showing more interest in Indonesia and are prepared to invest more in this country. G-20 is a prestigious forum that helps Indonesia in exposing her positive performance and achievements in the global arena.

A respondent from a leading international financial institution shared his views on the benefits Indonesia could gain from being a member of the G-20:

“... the G-20 is a ‘plus’ forum. From what I see, the G-20 serves Indonesia in two ways. It is more plus than minus, but still not all is plus. The plus is that the exposure is very good. It is like Indonesia being now in the club with the big kids. So that sends a signal. And because Indonesia has actually done well in coming through the crisis and beyond, it provides a bit of an exposure on what is happening in the Indonesian economy.”<sup>61</sup>

### **3. Improving the moderate image in the international community**

For President Susilo Bambang Yudhoyono, the G-20 is not merely a forum of economic cooperation but also a forum where different civilizations are

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59 As expressed by the Head of the Indonesian G-20 Sherpas in his keynote speech at a Panel Discussion organized by the General Directorate of Multilateral Cooperation, Indonesian Foreign Ministry, on September 20, 2010.

60 Interview with Indonesia's G-20 coordinator on Financial Issues, Indonesian Ministry of Finance on September 30, 2010.

61 Interview with a senior adviser of an international financial institution on June 11, 2010.

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mingling together. It is both, an economic powerhouse and a civilization powerhouse: *"The G-20 for the first time accommodates all the major civilizations – not just Western countries, but also China, South Korea, India, South Africa and others, including significantly, three countries with large Muslim populations: Saudi Arabia, Turkey and Indonesia."*<sup>62</sup>

In the context of civilization powerhouse, Indonesia is ready to bridge the differences between the civilizations including the West and Islam. President Yudhoyono highlighted that Indonesia is well prepared to show the moderate, tolerant and modern face of Islam.<sup>63</sup>

In various speeches delivered at different occasions, President Susilo Bambang Yudhoyono frequently emphasized on the importance of building Indonesia's image in the international community. He highlighted Indonesia's characteristics which maintain pluralism and democracy. Indonesia is a country whose majority of population professes Islam. The President is very proud of a value which Indonesia upholds: being the largest Muslim democracy in the world.

Indonesia's Foreign Minister similarly showed the importance of the role of Indonesia in international fora in her objective to build the national image. Indonesia has now additional opportunities to get active in international fora by finding the best solutions to global problems and to extend her network through the G-20: *"in any international forum, including ASEAN and G-20, Indonesia will bridge different visions between nation-states and show Indonesia's moderate and strong views"*.<sup>64</sup> Indonesia clearly wants to show her image as a peacemaker and bridge-builder.

The Indonesian Foreign Ministry has defined the objectives and measures of the image building in its platform of Indonesian diplomacy. Increasing Indonesia's image through public diplomacy is defined as one of the Indonesia's

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62 Speech delivered by President Susilo Bambang Yudhoyono, "Towards Harmony Among Civilizations" at Harvard University, <http://embassyofindonesia.it/towards-harmony-among-civilizations-speech-by-sby-at-the-john-f-kennedy-school-of-government-harvard-university/> accessed on August 5, 2010.

63 State speech delivered by President of the Republic of Indonesia to the joint session of the House of Representatives and Council of Regional Representatives in the commemoration of Indonesia's 65 years of independence on August 16, 2010.

64 <http://www.suarakarya-online.com/news.html?id=239964> diakses pada tanggal 5 Agustus 2010. The original text is: *"Di forum internasional apapun, termasuk ASEAN dan G20, Indonesia akan terus berperan secara aktif menjembatani visi yang berbeda antar negara-negara yang berselisih serta memperlihatkan sosok Indonesia yang moderat dan teguh dalam bersikap."*

strategic interests,<sup>65</sup> while maintaining national unity through building trust and getting support from the international community is defined as a strategic objective.<sup>66</sup> To achieve the interest and the objective, the Foreign Ministry has formulated its policies:

- a) To play a more active role in creating international peace and security, realizing the advancement and protection of human rights, as well as improving development of economy, socio-culture, finance, environment, trade, industry, investment, and protection of intellectual rights through multilateral cooperation.
- b) To synergize Indonesia's participation in the G-20 with the nation's participation in other fora. This is aimed to ensure the implementation of G-20 commitments at national, regional and global levels as well as to improve the legitimacy of the G-20 and to minimize the stigma which indicates that G-20 as an exclusive forum.
- c) To promote the compatibility between democracy and Islamic values to American and European nations based on Indonesia's experience.
- d) To strengthen Indonesia's image overseas as a democratic nation having a Muslim majority in the population.<sup>67</sup>

CSOs also recognize the significance of the G-20 for the Indonesia's image building. A respondent from an international NGO considered the G-20 as an opportunity for Indonesia to show her positive sides at the global arena. Being chosen as a member proves that Indonesia is now considered as an emerging economy and not as an underdeveloped nation.

In international fora such as the G-20, Indonesia is viewed as a democratic nation and this facilitates the promotion of Indonesia's image; the image increases Indonesia's credibility as a prospective place for foreign investment. More foreign investment means better prospects for the Indonesian economy. Besides, being in the G-20 provides an opportunity for Indonesia to observe how the advanced nations executed policies and then to apply them to her own nation.

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65 Strategic Purposes of the Indonesian Foreign Policy, <http://www.deplu.go.id/Pages/Polugri.aspx?IDP=19&l=id> accessed on July 29, 2010.

66 Strategic Objectives of Indonesian Foreign Policy, <http://www.deplu.go.id/Pages/Polugri.aspx?IDP=22&l=id> accessed on July 29, 2010.

67 Programs and Policies of the Ministry of Foreign Affairs, <http://www.deplu.go.id/Pages/Polugri.aspx?IDP=11&l=id> accessed on July 29, 2010.

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As mentioned before, the Indonesian government has put G-20 as one of the most strategic fora in the Direction of Indonesian foreign policies. This indicates a shift in Indonesian diplomacy: Indonesia has been active to promote ASEAN as the primary forum for diplomacy since 1967. Now Indonesia has added the G-20 as another premier forum to promote Indonesia's interests along with her consistent view to keep ASEAN as Indonesia's main partner.

**c. Indonesia's role and initiatives in the G-20 process**

Indonesia may never become host of G-20 ministerial meetings and summits, but her commitment to play an important role has been evident. Having experiences in mitigating the financial crisis, Indonesia has modalities to contribute to the search of best measures to handle the crisis effectively.<sup>68</sup> Indonesia has proposed various initiatives in the G-20 process and co-chaired working groups to set up details of the agenda and plan of actions to make the initiatives realized. Indonesia also understands that as an emerging economy, she has to articulate also the interests of the developing world in the G-20 process. Indonesia is the initiator of the General Expenditure Support Fund (GESF) that helps to provide the liquidity of funding from the IMF and World Bank for developing nations. Indonesia has also initiated outreach consultation meetings in Jakarta where both members and non-members of the G-20 attended and had the opportunity to discuss various issues.

**Indonesia's Initiative for the Global Expenditure Support Fund (GESF)<sup>69</sup>**

The global crisis experienced by the United States of America caused the dysfunction of equity markets and international credit lending and thus generated difficulties in developing countries both to mitigate the impact of the crisis and to continue their development programs. Although not all developing nations experienced direct impacts of the financial crisis, but there was a condition in which the capital inflow trends to developed nations caused

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68 Interview with Indonesia G-20 coordinator on financial issue, Indonesian Ministry of Finance, on September 30, 2010.

69 Background Paper prepared for Indonesia's Participation in the G-20 Summit, Washington D.C., November 15, 2008, Hadi Soesastro, "Policy Responses in East Asia to the Global Financial Crisis", Centre for Strategic and International Studies.



inequality for the economic conditions of emerging markets.<sup>70</sup> The liquidity crisis emerged because most financial systems suddenly had to secure their capital. Developing countries which have previously relied much on the institutions accordingly found it difficult to get access to capital. Therefore a breakthrough was needed to secure the funding of national budgets in the situation where capital is limited. Indonesia sees the GESF as a measure to support the developing nations to secure their national budgets in a liquidity crisis.<sup>71</sup>

The Global Expenditure Support Fund (GESF) is a financial mechanism which was proposed by Indonesia in the Washington Summit on November 15, 2008. This proposal was presented to help the recovery process in developing nations that were affected by the crisis. Basically, the GESF are liquid funds prepared for developing nations. The purpose of these funds are to fulfill the needs in developing infrastructure, creating jobs and to finance Millennium Development Goals (MDGs) programs.

In this proposal, Indonesia suggested that the G-20 should prepare funds for developing nations that are not members of the G-20. The following are the reasons why Indonesia had to do so. First, this mechanism has the purpose to anticipate long term effects of the global crisis in developing and under-developed nations. Indonesia considered that there is a need of a special mechanism that is able to support developing and under-developed nations because of the current global economic system. Second, this GESF mechanism is expected to ease the process of infrastructure building in developing nations and to fulfill the Millennium Development Goals. Third, the guaranteed fresh funds by GESF to developing and under-developed nations could ensure the acceleration of recovery from the global crisis. A stable condition after the crisis will facilitate the rehabilitation of developing and under-developed economies and in the process will also contribute to the improvement of the global condition because the global economic growth rates depend also on the growth rates of developing and under-developed nations. This mechanism is as well expected to give positive impacts to non-members of the G-20, so that they can also enjoy the benefits of the G-20 process.

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70 Press Release, Indonesian Ministry of Finance: "G-20 Mendukung Usulan Indonesia tentang Mekanisme Dukungan Pembangunan bagi Negara-Negara Berkembang dalam Mengatasi Dampak Krisis Keuangan Internasional".

71 Interview with Indonesia G-20 coordinator on financial issues, Indonesian Ministry of Finance on September 30, 2010.

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President Yudhoyono suggested:

"The Global Expenditure Support Fund (GESF) was created to help developing nations to develop economic growth and to maintain their development. The flow of funds will encourage the economic development, especially in nations of Asia and will as well contribute to the recovery of the global economy. These funds will help developing and under-developed nations for at least the next three years."<sup>72</sup>

Indonesia's initiative was also confirmed by a statement made by the Minister of Finance of Indonesia, Sri Mulyani Indrawati, on November 10, 2008:

"The members of the G-20 support Indonesia regarding the support mechanism for the funding of development for emerging markets – whom were affected by the dysfunction of the market as a result of the financial crisis".

As described in the GESF proposal prepared by Indonesia for the G-20 Summit in Washington D.C. in 2008, Indonesia suggested that emerging nations would be entitled to funds provided by the GESF mechanism on a few conditions. Among those conditions, the nation which applies for funds should maintain a stable fiscal condition, practice commitments of sustainable development agendas, establish a strong financial system and a market capable of rotating the funds in a framework of at least the next three years.<sup>73</sup>

Recalling that this mechanism's original purpose was to deliver benefits for developing nations who show strong signs of a potential for positive economic growth, Indonesia's initiative received broad positive responses. All 20 members of the G-20 gave positive responses by approving Indonesia's proposal. The IMF, World Bank and non-members had no objections. Asian and African countries welcomed the initiative hoping that the mechanism

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72 Speech delivered by Susilo Bambang Yudhoyono, "Indonesia and America: 1 21th Century Partnership", at USINDO Luncheon, Washington, November 14, 2008.

73 Data Sources: Background Paper prepared for Indonesia's Participation in the G20 Summit, Washington D.C., November 15, 2008, Hadi Soesastro, "Policy Responses in East Asia to the Global Financial Crisis", Centre for Strategic and International Studies.

would support their development processes and their recovery from the global financial crisis. Indonesia's proposal was approved and adopted in the G-20 Communiqué, which was later known as the General Expenditure Support Fund initiative.<sup>74</sup>

Indonesia empathized for nations who are experiencing liquidity difficulties and felt the need for an international initiative to ease the fulfillment of funding needs for developing nations and to minimize the negative impacts of the crisis towards development programs and the MDGs.

The current global financial structure is still not as pro-poor as it should be. This encouraged the G-20 to discuss the development issue, as there is a strong connection between development and how smooth the domestic liquidity flows . By focusing on development, this initiative anticipates the liquidity problems faced by developing and under-developed nations.

The initiative to provide for the liquidity of developing and under-developed nations with easier conditionalities, known as 'incentive mechanism', was not only implemented by the international financial institutions, but also through bilateral or regional cooperation. In the previous mechanism, developing and under-developed nations had always to meet tight conditionalities and had no options other than to follow them. Through Indonesia's initiative, international financial institutions and donor countries were encouraged to consider the sustainability of the development process in the debtor nation because if these nations succeed in the development process, then the whole world will benefit.

### **Indonesia's role as co-chair of Working Group 4 (WG4)**

Indonesia's contributions to the G-20 process is also evident in her role as co-chair of Working Group 4 (WG4). Together with France, Indonesia organized the WG4 Meeting in Jakarta on March 2, 2009. Basically, this meeting was held to evaluate and gather information regarding the Multilateral Development Banks (MDBs) and their efforts to improve their management as a step towards reformation. This was in order to establish more responsive and effective MDBs in the process of mitigating the impact of the crisis. The meeting was also attended by the IMF and the World Bank (as permanent observers of the G-20), members of the Regional Development Banks (RDB)

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74 Ibid.

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and non-members of the G-20 including members of G-24, the Netherlands as a representative from donor nations, representatives from the African Union to deliver the aspirations of developing nations and also members of MDBs such as the Asian Development Bank (ADB), African Development Bank (AFDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB) and Islamic Development Bank (IDB).

The WG4 Meeting concluded a draft that consisted of a schedule for the finalization of general principles and the G-20's Action Plan on the reform process of MDBs. This draft was later submitted to the Leaders' summit on April 2, 2009. The discussions regarding the MDBs reformation mechanism had several purposes. First, to enhance the role of MDBs in providing funds for the emerging markets, especially in times of a crisis. Second, to discuss the increase of capital for all MDBs as an instrument in case of a crisis caused by unsmooth liquidity flows. Third, to reform the management of MDBs to manage funds in accordance with the principles of transparency, effectiveness and to achieve a balanced quota of representation between developed and developing nations.

The Indonesian government has given its full support to the discussions in the WG4. President Yudhoyono stated that MDBs should be supported and encouraged in their management reform process. He also expressed the need for budget supports to maintain the development of infrastructure in emerging markets and to support the achievements of MDBs.

The meeting set up three crucial agendas to reform the management of MDBs in the context of preparing funds for developing and under-developed nations. Having a broad participation at the Working Group's meeting, the results gained also broad support from many countries.

#### **d. Indonesia's attempts to keep her commitments to the G-20**

Leading by example is clearly a motto that the Indonesian government is committed to. As a member of the exclusive G-20, Indonesia first needs to prove that the G-20 commitments are first be executed by its members at national levels. Indonesia's seriousness to fulfill her commitments to the G-20 by implementing various policies can be seen by the ways Indonesia has introduced relevant measures in mitigating the economic crisis. The

Washington and London Summits agreed upon several measures including: the need to formulate fiscal stimulus policies and the need to lower the interest rates at domestic level as a counter cyclical instrument.

### **Fiscal stimulus policies to mitigate the impact of the economic crisis**

Fiscal stimulus is one mechanism that had been agreed upon by the G-20 leaders since the Washington Summit. It is a short term measure to stimulate the national economy so that the state can revive its economy from the crisis. In the long run, fiscal stimulus should be implemented together with the improvements and strengthening of the financial sector, so it can function as an effective counter-cyclical policy. Indonesia has introduced a fiscal stimulus policy (the Law No. 41/2008 article 23 on the State Budget and Expenditure of 2009). This law was formulated and passed by the People's Representative Council (DPR). The law adopted the G-20 commitment with a few adaptations to meet the specific conditions in Indonesia.<sup>75</sup>

Table 2 shows Indonesia's flow of funds for fiscal stimulus. The fiscal stimulus policy and the increase of stimulus flows in the 2009 State Budget (APBN) was defined as 1,4 percent of Indonesia's Gross Domestic Product (GDP) or around 71,3 trillion Rupiahs. The objective of the fiscal stimulus policies is to maintain the purchasing power, to strengthen the endurance of the market and to raise funds for the development of infrastructure.<sup>76</sup>

The fiscal stimulus policy was then implemented into real programs which absorbed a great number of labor as one of Indonesia's efforts to meet the G-20 commitments, especially in the empowerment of the workforce, the diversion of subsidies, the food security and the funding of climate change issues. The government of Indonesia also focused on the issue of civil empowerment through the "Program Nasional Pemberdayaan Masyarakat Mandiri" (PNPM Mandiri), a special national program for community empowerment.<sup>77</sup>

As a result, in mid-2009, the flow of Government Bond Securities (Surat

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75 Press Release, Ministry of Finance "Mengatasi Dampak Krisis Global Melalui Program Stimulus Fiskal APBN 2009".

76 Speech delivered by Sri Mulyani, Indonesian Minister of Finance, "Mengatasi Krisis Global melalui Stimulus Fiskal 2009" to the Commission 11, Indonesian House of Representatives, on January 27, 2009.

77 Press Release, Indonesian Ministry of Foreign Affairs, "Curah Gagasan: Indonesia dan arah ke Depan G20 Pasca Krisis Ekonomi Global" in Yogyakarta on March 11-12, 2010.

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**Table 2. Indonesia's Fiscal Stimulus Policy, 2009 (in trillion Rupiahs)**

	Description	Allocation
1.	Tax Saving	43,0
	✓ Reduction of Income Tax (PPh):	32,0
	- Reduction of Corporate Income Tax	18,5
	- Reduction of Individual Income Tax	13,5
	✓ Increase of Non-Taxable Income to Rp. 15,8 million	11,0
2.	Import Duties Paid by the Government (BM/DTP) Subsidies	13,3
	✓ Value Added Tax (PPn) for Oil and Gas Exploration	3,5
	✓ Import Duties of Raw Materials and Capital Goods	2,5
	✓ Employee Income Tax	6,5
	✓ Geothermal Income Tax	0,8
3.	Subsidies + State Spending to the Business Sector	15,0
	✓ Value Added Tax (PPn) for Oil and Gas Exploration	2,8
	✓ Import Duties of Raw Materials and Capital Goods	1,4
	✓ Employee Income Tax	10,2
	✓ Geothermal Income Tax	0,6
	Total Stimulus	71,3

**Data Source:** Press Release, Ministry of Finance of Indonesia, "Mengatasi Dampak Krisis Global Melalui Program Stimulus Fiskal APBN 2009".

Utang Negara – SUN) and the Bank of Indonesia's interest rates experienced a significant decrease following the provision of the funding by Indonesia's Special Drawing Rights (SDR) with the amount of 2,4 billion US\$ and the composite stock price index showed an increase above 2,456. The economic growth of the fourth quarter of 2009 increased up to 4.3 - 4.5 percent (based on the projection in the Indonesia's 2010 State Budget). It has been hoped that the growth will reach up to 5,5 percent by the end of 2010.

Effective fiscal stimulus policies financed the 2009 State Budget, shown by the decrease of state budget revenues up to 2,5 percent of the GDP, the state expenditure savings amounting to 53,2 trillion Rupiahs, the decrease of the debt ratio to 33 percent in 2009, and the possession of standby loans from bilateral or multilateral cooperation mechanism without prerequisites.

To support the sustainability of fiscal stimulus policies in 2009-2010, the

government of Indonesia took further actions. First of all by balancing the deficit of the 2009 State Budget with a flow of Rupiah bond obligations and foreign currencies. Indonesia also used standby loan facilities to anticipate the 2010 State Budget. These standby loans are granted by the World Bank, ADB, Japan and Australia without prerequisites in order to support the funding of MDG programs in Indonesia.

The crisis that occurred in mid-2008 was the second crisis for Indonesia. Indonesia learned from her past experiences, knowing that economic crises are unpredictable and there is no guarantee a nation will not experience the impact of the crisis even with strict regulations and systems. Together with China and India, Indonesia has been applauded as a driver of global economic development because the three emerging markets showed positive economic growth during the 2008 global crisis.

### **Indonesia's banking policy**

The Bank of Indonesia is the central bank that serves as a systemic regulator. There are three functions of the central bank. The first function is that the central bank serves as a direct bridge for market transactions and as an implementer and supervisor of central monetary policies. The second is that the Bank of Indonesia is responsible to secure the stability of the financial system by maintaining macro-economic stability. The third function is that the Bank of Indonesia becomes the lender of last resort which is very useful to supply short term funds in times of crises.

There are 12 agendas for global financial sector reforms that have been agreed by the G-20 Leaders in the Washington Summit.<sup>78</sup>

1. To strengthen the global capital regime, the standard banking liquidity and to mitigate procyclicality (Building high quality capital and quality standards)
2. To reform the compensation scheme for executives in financial institutions

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78 Reformasi Sektor Keuangan Global, Progress Report Agustus 2010 (Untuk Humas), "Global Financial Sector Reform, Progress Report August 2010 (for Human relations), Bank of Indonesia, Jakarta: 2010".

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3. To strengthen the OTC derivatives markets
4. To manage resolutions for financial institutions which have systemic impacts
5. To manage discipline towards international standards
6. To strengthen accounting standards
7. To develop a macro-prudential policy framework
8. To harmonize the regulations of markets and financial institutions
9. To manage hedge funds
10. To manage credit rating agencies
11. To establish a supervisory college
12. To re-launch securitization on a sound basis

The Bank of Indonesia's position on these reform agendas was to accept all 12 of them and support their implementations, however with the condition that there should be given ample time for transition. The Bank needed time to examine the implications for the national and international banking system if Basel III was to be executed. In the meantime Indonesia has adapted several new banking regulations and has submitted her report to the G-20 Chair.

The strengthening of the national banking system in accordance with standard regulations of the international banking regime has been of serious interest to the Bank of Indonesia. The Bank has formulated four main policies for 2010. The first consists of an increase in the banking system's endurance by strengthening the regulatory system, the restructuring of the competence of the bank and the financial market according to the rules on capital, financial transparency, organizational restructuring and risk management, and national bank regulations.<sup>79</sup>

The policies on managing capital regulations are aimed at enhancing the effectiveness of the risk management and the transparency of financial reports, the policies to stabilize the bank's regulatory system which involves the authority to supervise domestic and foreign non-bank institutions. The policies on the restructuring of the competitiveness of the banking industry in Indonesia highlighted the role of the Bank of Indonesia by fixing technical measures such as mergers, consolidation, and the provision of the source of

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79 Speech delivered by Dr. Darmin Nasution, Governor, Bank of Indonesia, *"Menata dan Memperkuat Perbankan Indonesia, Menyongsong Pemulihan Ekonomi Global"*. Point 22-26.



bank acquisition funds as well as policies on deepening of the financial markets by addressing the alternative distribution means of the real sector to provide funds for infrastructure. These policies are aimed to produce a more liquid money market and independent banks together with the Bank of Indonesia's own income source instruments.

The second policy is the improvement of banking intermediation through the completion of regulations and the provision of supporting infrastructure, and the completion of statutory reserves (Giro Wajib Minimum – GWM) which emphasizes the bank's operational efficiency. This policy can become a guideline for the bank to measure risks. As stated by the Governor of the Bank of Indonesia, Dr. Darmin Nasution, *"These policies can become guidelines to understand the costs of the structural anatomy of funding and also to understand what policies can be used to empower the Bank."*

The Governor also has a new set of commitments to enhance the role of Sharia banking in the national economy. The strengthening of Sharia banks is attempted by providing incentives to push for the increase of capital and to facilitate the need of human resources. This has become an important agenda for Indonesia's banking policies in 2010.<sup>80</sup>

Another important banking policy is the introduction of an *"all inclusive financial banking system"* policy, which is aimed to enhance the role of micro-financing. This banking policy plays an important role in Indonesia's strategy to ease the access to banking institutions for all layers of the society, including marginalized groups. These groups usually receive only loans from informal loan credit agencies which take advantage of these groups, by frequently asking for very high interest rates. So it is important to create an easy access for these groups to be able to receive loans from formal financial institutions whose operations are closely monitored by the Bank of Indonesia.<sup>81</sup>

### **Indonesia's anti-protectionism measures**

The G-20 members have agreed to avoid the use of protectionism in overcoming the financial crisis. Protectionism is a trade policy that is used by a country to limit, restrain or ban the entry of imported goods to its domestic market. These restraints are used by the introduction of tariff policies or non-

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80 Interview with a senior researcher of the Bank of Indonesia on August 12, 2010.

81 Ibid.

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tariff policies such as quota restrictions. In the past, many countries used protectionism as traditional measures to protect their national economy from the negative impacts of the crisis by restricting low-cost imported products and by protecting its domestic labor by restricting the entry of foreign workers.

For the G-20, protectionist policies only work for the short term and actually make the global financial conditions to get worst on the long run. Protectionism slows down the circulation of goods in international trade, limits purchasing power and hampers economic growth. For that reason, the G-20 agreed to encourage its members to avoid protectionism.

Indonesia clearly supports the G-20's commitment to combat protectionism. President Yudhoyono reaffirmed that protectionist policies should not be the first option in handling the economic crisis.<sup>82</sup> He stated that protectionism causes barriers to the flow of trade and investment, which would lead to negative impacts for the domestic economy. Therefore, open market policies should be maintained to give larger opportunities for domestic products to compete with imported goods in the domestic market. Being committed to implement anti-protectionist policies, Indonesia has made efforts to keep her economy open.

Indonesia has in principal opened her markets to foreign products as agreed upon in the WTO trade regulations. Indonesia has began to fully lift all restrictions on the import of foreign goods, as stated by a respondent from the Ministry of Trade: "*Our policies must be able to support an open economy policy because if one nation uses protectionism, then other nations automatically will be affected.*" The national trade policy should follow the regulations that have been agreed upon in the WTO corridors.<sup>83</sup>

This research however found that anti-protectionism constitutes a controversial issue. There is still a debate about whether Indonesia should conduct protectionism on a few important commodities particularly to protect her national products which lack the competitiveness on the international market. This issue became more controversial because some analytical views argue that even the developed industrialized nations use protectionism. For example, the United States has introduced the American Recovery and Reinvestment Act; Brazil and Argentine, as members of Mercosur, impose trade

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82 Nur Hidayati, "*Presiden Yudhoyono Berceramah di LSE*", Kompas, April 2009.

83 Interview with a representative of the Indonesian Ministry of Trade on May 27, 2010.

protection for their local industries by setting high custom duties on imported products; Turkey introduced a similar policy as the Mercosur members; while China and Japan implemented a double standard policy by liberalizing a few products but at the same time protect others.

Outside the G-20 membership, there are also nations that use protectionist policies. Taiwan practices double standard policies; Paraguay and Uruguay, which are Mercosur members, imposed trade protections for their local industries by setting high custom duties on imported goods; Egypt adopted policies similar to some Mercosur members; while Malaysia and Singapore limit foreign labor through their resilience packages.

Indonesia juggles between maintaining an open economy through anti-protectionist policies and protecting her local products by more productive measures such as the full support for local producers to increase their exports of goods that meet international standards.

The Head of Indonesia's G-20 Sherpas recognized the controversies over the use of protectionism and suggested that being consistent with anti-protectionist principles Indonesia should push developed nations to lift their imposed technical barriers.<sup>84</sup> Being a member of G-20 gives Indonesia the opportunity to be active in supporting the imposition of anti-protectionism in all form.

## **e. Challenges for enhancing Indonesia's role in the G-20 process**

The previous discussion clearly showed how Indonesia has attempted to play an active role in the G-20 process. However there are some challenges that Indonesia faces in pursuing such a role . The first challenges are some internal factors, while the second ones are external. The internal challenges include: the difficulties in coordinating between relevant ministries, particularly since G-20 began to include non-financial issues on its agenda; the changeable political situation due to the competition between politicians which affect the work of relevant ministries in executing Indonesia's commitments to the G-20; and the inefficient bureaucratic system which affects the imposition

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84 As presented by the Head of the Indonesia G-20 Sherpas in his keynote speech at the Panel Discussion on September 20, 2010.

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of transparent regulations to support an open economy. External challenges include the complex global system which may not be fully comprehended by the Indonesian government, the resistance from other developing countries which raise their criticism in regard to the legitimacy and effectiveness of the G-20 and the questionable commitment by developed nations to genuinely address the interests of developing countries.

### **Inter-ministerial coordination between ministries**

There is the impression that rivalries have emerged between ministries to carry out particular tasks in the G-20 process, particularly since the G-20 decided to broaden its issues and agenda in 2008. Since its inception in 1999, the Ministry of Finance and the Bank of Indonesia have jointly been active players in carrying out Indonesia's duties in the G-20 process. The coordination was not a difficult issue because each institution had been assigned with a particular agenda: The finance minister dealt with G-20's financial issues, while the Bank dealt with the banking regulations. The Minister of Finance carried out the tasks of conveying the G-20 commitments to other ministerial offices and then played the crucial role of coordinating the implementation of these commitments. The Ministry had established a regular coordination with the Bank of Indonesia, the National Agency for Planning and Development (Badan Perencanaan dan Pembangunan Nasional – Bappenas) and the Capital Market Supervisory Body (Badan Pengawas Pasar Modal – Bapepam). It was accepted that each of these institution has different abilities to get involved in the discussions and to execute commitments because every institution has its own specific routine.<sup>85</sup>

The G-20 leaders' decision to put non-financial issues on the G-20 agenda made the inter-ministerial coordination somewhat uneasy.<sup>86</sup> The Indonesian government has set up two desks whose tasks are to develop the coordination between ministries relevant with particular issues. The first desk is dealing with financial matters, and the second with non-financial issues. The Ministry of Finance is assigned to coordinate the financial issues, while Ministry of Foreign Affairs is focusing on non-financial issues such as climate change,

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85 Interview with a governmental official, Indonesian Ministry of Finance on September 30, 2010.

86 This view was also expressed by most respondents representing other G-20 members and international financial institutions.

labor, anti-corruption, tourism, etc. which are relevant with the agendas discussed in the G-20 process.

The structure of the Indonesian delegation in the G-20 involves the Head of the G-20 Sherpas of Indonesia, who is now Mahendra Siregar, Deputy Minister of Trade; the national coordination is led by Anggito Abimanyu, the Chairman of the Bureau for Fiscal Policy (Badan Kebijakan Fiskal) of the Finance Ministry. The Ministry of Finance plays the authoritative role as the "focal point" in G-20 meetings because financial issues have always been the top priority in the G-20.

The Ministry of Foreign Affairs has to admit that its role is considered to be smaller than it actually should be.<sup>87</sup> The Foreign Relations Law clearly stipulates that the Foreign Ministry should play a coordinating role in conducting foreign relations.<sup>88</sup> Article 1.4 of the Law states that the Minister of Foreign Affairs is the official responsible to carry out foreign relations and foreign policies. Article 6.2 reaffirms the leading role of the Ministry: the authority is mandatory granted from the President. Article 7 further emphasizes that *"the President may appoint officials other than the Minister of Foreign Affairs to execute special foreign relations, but this official must coordinate and consult with the Minister of Foreign Affairs"*.

### **Political changes and uncertainties**

Political changes and uncertainties are additional challenges which face Indonesia in enhancing her role in the G-20. Rivalries between politicians frequently affected the positions and policies of ministers and other government officials. The political competition has frequently ended with the expulsion of the governmental office holder from his or her office. The sudden change of top officials in the ministries bring about a negative impact on the work of the ministry including its performance in international fora.

One example for this type of challenge was the political debate on the decision to bail-out the "Century Bank". The Finance Minister, Sri Mulyani, was questioned critically because many people saw that the decision for the bail-out as not rational. Many parties opposed the action and it became a major

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87 This view was expressed by the former Minister of Foreign Affairs, Hasan Wirayuda, in his key note speech at the Focus Group Discussion hosted by BPPK, the Ministry of Foreign Affairs on August 3, 2010.

88 Law 37 Year 1999 on Foreign Relations.

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issue in domestic politics. It occupied the attention and energy of the Ministry of Finance and the Indonesian Parliament. The Finance Minister eventually resigned and preferred to leave the country to take up a new post as Managing Director of the World Bank.

Sri Mulyani had been appraised as a competent finance minister who was able to influence other finance ministers in the G-20 meetings. There was the question whether the new minister has similar competence to take care of Indonesia's interests in the G-20. The critics argued that the Minister is quite competent in the banking sector, but lacks experiences in international fora including the G-20 which focuses on financial structures.

Another example that shows the impact of political changes and uncertainties in regard to Indonesia's performance in international fora was the replacement of Anggito Abimanyu, Chairman of the Fiscal Policy Agency in the Ministry of Finance following his resignation from the office. Abimanyu had played a leading role in the G-20 WG4. He showed an optimal performance in leading the working group during the 2008-2009 period.<sup>89</sup>

Individual competence is arguably very important to promote Indonesia's interests in international fora. In the absence of a clear blueprint, the individual can use his or her skills to convince representatives from other nations to follow his or her argument.

A similar concern was expressed by the former Minister of Foreign Affairs, Hassan Wirajuda. He mentioned that these uncertainties have direct implications on the formation of vocal points in Indonesia's representation in the G-20. Regarding the issue, he is concerned that even a minor change might affect the structure of Indonesia's representation as a whole<sup>90</sup>, by taking up more of the attention, energy and time of the Indonesian government.

### **Inefficient bureaucracy and domestic problems**

Another internal challenge is the inefficient bureaucracy. It may not directly affect Indonesia's performance in the G-20 negotiation process, but may create serious obstacles when proving Indonesian's commitment to the *leading by example approach*. The nation has done very well in a number of

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89 As expressed by Miranda Goeltom in her presentation at the Focus Group Discussion hosted by BPPK of the Ministry of Foreign Affairs on August 3, 2010.

90 Focus Group Discussion held by BPPK, Indonesian Ministry of Foreign Affairs *"Optimalisasi Peran Indonesia di G20: Penguatan Struktur Domestik Diplomasi Kita."*, August 3, 2010.

key areas and has greatly enhanced its efficiency and innovative capacity in international diplomacy. However, one of its key weaknesses lies in the quality of its national institutions. Despite government efficiency and improved private institutions, the nation still suffers from pervasive corruption, limited judicial independence and a poor property rights regime.

An equally important source of concern is the overall quality of infrastructure. The government must do more to contain the double-digit inflation. In the social sector, it should focus on improving basic health indicators including infant mortality rates and life expectancy, and to improve enrolment rates in secondary education. The present government should take advantage of its relative popularity and of the favorable economic context to invest more in infrastructure and the other mentioned sectors.<sup>91</sup>

### **The complex global financial structure**

Besides the internal challenges, Indonesia clearly faces the challenge of how to comprehend the global financial structure which represents diversity and complexity. There are various economic systems developed by different nations of the world including advanced countries, emerging economies, developing and least developed countries. The banking and financial systems of developed nations are much more complex than the ones adopted by developing nations, such as Indonesia. For example, "hedge funds" in the United States are considered as a normal credit agent, while European nations rely more on formal banking and financial institutions.

The question is: do the representatives of Indonesia have sufficient and comprehensive knowledge of those complex structures?<sup>92</sup> Because such knowledge is very much needed to be able to contribute to the G-20 in a useful manner. That is also the reason why the individual competence of Indonesia's representatives is so important.

Besides having comprehensive knowledge of international fiscal policies, Indonesia's representatives should also have knowledge on the current monetary systems and banking regimes that have been agreed upon in Basle, Switzerland. They should understand the impact of the implementation of G-20 commitments, so Indonesia can face global financial challenges in the

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91 The World Economic Forum Press Release, *Op.Cit.*

92 *The doubt was expressed for instance by one respondent from an international financial institution, considering the complexity of the current global financial system.*

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future, maintain global stimulus and trade policies, manage liquidity fund mechanisms and contribute to the reforms of the international financial institutions.

The Toronto Summit in June 2010 reported that the global economic growth showed positive signals, including Indonesia which was in a stable condition, but Indonesia still must push forward to increase the national economic growth in accordance with the national agenda, specially the agenda for developing a stimulus supported domestic infrastructure. Funding through stimulus is ad hoc. In that sense, Indonesia must also consider an exit strategy in the long term.

It should also be realized that the implementation of fiscal stimulus to overcome the global crisis in developed nations could cause negative implications for other developed as well as developing nations, including Indonesia. Based on the agreement to overcome the fears of financial costs, developed nations should consolidate their common fiscal policies. In response, Indonesia should review the financial costs and implications of these common fiscal policies.

There is still uncertainty about the impacts of the program to increase domestic demands (to increase purchasing power) and about the flexibility of the emerging markets' exchange rates. International trade activities provide opportunities for Indonesian products and here Indonesia faces the challenge to fulfill the supply of products according to international standards and to increase exports at a maximum.

Indonesia initiated the ease to access liquidity from multilateral institutions with minimal conditionality for developing nations. This must continuously be supervised. Yet the challenge is obvious: how can Indonesia observe the consistency in guaranteeing an easy and equal access for all developing countries including the least developed ones.

Regarding the reforms of the international financial institutions, Indonesia is responsible for being vigilant of the regulations in the financial sector, including supervising transparency mechanisms, accountability systems and the management of financial institutions. Indonesia must show her consistency when supervising in order to prevent and anticipate another crisis. The challenge is that Indonesia faces major powers, each of them may uphold different interests and policy measures to achieve their national objectives.



## **Doubts on the Membership of Indonesia in the G-20**

Indonesia cannot ignore the skepticism towards her membership in the G-20, as it is raised by many countries. It is very closely linked with the competence of Indonesia to contribute to the highly exclusive club as well as the domestic political conditions which seem not conducive to support her performance. Many neighboring states in South-East Asia, such as Singapore and Malaysia, were considered more economically developed compared to Indonesia, but were not selected to become G-20 members.

There are also other factors that supported the skepticism. Indonesia's economic openness is considered low compared to other neighboring nations. The Indonesian bureaucracy has not indicated that it supports an open economy. Furthermore Indonesia is known as a nation with high corruption and is in the midst of political reforms, with still no promising stable achievements. In contrast, the level of political stability in Indonesia cannot yet ensure the safety of foreign investments.

To respond to these doubts, Indonesia must prove herself as worthy to become a member of the G-20. This can be done by many ways. One way is to increase the economic growth. Indonesia can prove that it is capable of reaching her 2010 economic growth target of 6 percent. Having such a strong growth, Indonesia should be able to create 2,32 million new quality jobs. As for investments, the Indonesian government targeted Rp. 1.894 trillion, while for the first semester of 2010 Indonesia had only reached Rp. 400 trillion.<sup>93</sup> The stimulus policy alone cannot create a sustained economic resurgence, it stimulates only for a short period, after that it only serves as a price pump. Therefore, the Indonesian government should not fully depend on stimulus for a long period and hence should find exit strategies to secure a continuing strong growth.

The Head of Indonesia's G-20 Sherpas is convinced that Indonesia has the right to be appointed as a member of the club whose formation will bring significant impact on the global financial architecture:

*"Pertama dilihat dari Pendapatan Domestik Bruto dengan Purchasing Power Parity Negara kita, maka total PDB nomer 16 terbesar di dunia. Kedua selama krisis di dua tahun terakhir Indonesia termasuk yang paling tahan*

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93 Pieter P. Gero, "Hambatan Utama pada Sang Pemimpin", Kompas, July 30, 2010.

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*terhadap dampak dan gelombang setelah China dan India. Yang ketiga, ada pembagian kategori negara maju surplus atau negara maju defisit, negara maju dan negara berkembang defisit, Indonesia termasuk emerging market economy yang surplus. Surplusnya sedikit, tetapi termasuk satu dari tiga negara yang surplus (China dan Argentina)."*

(First, Indonesia's total Gross Domestic Product in terms of Purchasing Power Parity is the 16th largest in the world. Secondly, in the last two years during the crisis, Indonesia is one of the three countries (after China and India) that were resilient from the impacts of the crisis. Thirdly, Indonesia is one of surplus emerging economies. The surplus may be slight but Indonesia is the only one besides China and Argentina (so this constitutes very significantly).<sup>94</sup>

Indonesia surely needs to respond to the skepticism by undertaking concrete actions. The "leading by example approach" should bring significant benefits and could restore confidence among other developing countries.

### **f. Agendas for strengthening the inter-ministerial coordination and improving the Indonesian representatives' competence in the G-20 meetings**

Based on the previous description of the challenges for Indonesia, there are some recommendations that can be put in consideration so that Indonesia can enhance her role in the G-20 process.

#### **Carrying out the national agenda**

Indonesia has clearly shown her enthusiasm in being active in the G-20 process. Yet Indonesia should be mindful that relying merely on active participation at the global forum is not the only receipt to cure the acute problems of development at national level.<sup>95</sup> The membership in the G-20 will not bring automatically any change to Indonesia, unless Indonesia takes the

<sup>94</sup> This view was expressed by the Head of the Indonesian G-20 Sherpas in his keynote speech delivered at Panel Discussion on Indonesia and G-20: Critical and Strategic Overview on September 20, 2010. It was re-articulated in his keynote speech and press conference at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.

responsibility to change herself within the G-20 framework. The Indonesian government should continue its legal responsibility for carrying out the most suitable national agenda which is the best for delivering the basic requirements for the whole nation. Indonesia needs to find the core problems that hamper the national agenda and to find the best solutions to address the creation of new quality jobs, the issues of poverty alleviation in both rural and urban areas, the provision of food to people, the equal access to education and health facilities, etc.

Indonesia should also renew her commitments to the MDGs and be remindful that the global commitments may fail to be achieved in 2015 unless every country in the North and South is consistent in addressing their national agenda within the MDGs framework. Indonesia's competence to carry out her national agenda will bring strong legitimacy to enhance her role in articulating the interests of the South in the G-20 as well as in other multilateral fora.

### **Joint-Secretariat**

The common secretariat is expected to improve the coordination between different ministries. The improvement of inter-ministerial coordination will serve to facilitate the communication between ministries and to discuss each ministry's job descriptions. It can also prevent and anticipate misunderstandings that might occur. Besides that, the secretariat can serve as a tool for checks and balances.

To overcome the challenges of inter-ministerial coordination or even coordination between the President and parliament, there is a need to establish a common secretariat that can effectively coordinate all of Indonesia's initiatives and actions in the G-20 process. Through this secretariat the initiatives of the Indonesian representatives in the G-20 should be coordinated before and after a G-20 meeting. A respondent suggested that *"the Joint Secretariat (sekretariat bersama) for the G-20, if established, will facilitate the coordination between the relevant ministries."*<sup>96</sup>

This kind of coordination is essential. because the G-20 process has now taken broader issues on board. The G-20 leaders have not only focused on

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95 Recommendation from Focus Group Discussion on G20 and Development Agenda, co-hosted by Friedrich Ebert Stiftung and Universitas Katolik Parahyangan on 4 November 2010.

96 Interview with a governmental official, Indonesian Ministry of Finance, on May 27, 2010.

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issues about banking regulation standards, regional multilateral funding agencies and international financial institutions such as the IMF and the World Bank, but also controversial issues such as the deadlocked free trade policies in the World Trade Organization, and energy and environmental challenges. The expansion of the issues should be effectively handled by the concerned ministries.

The idea of establishing a common secretariat had been addressed by President Yudhoyono as a follow up plan to assist Indonesia in enhancing her role in the G-20 process;

"The establishment of a common secretariat or a special task force has the purpose to formulate, implement and monitor the steps that should be taken at the national level, which include the following aspects (i) the strengthening of the financial and banking sector, (ii) the insurance of the State Budget and Expenditure (APBN), (iii) the encouragement to promote export and investment and the strengthening of domestic markets. The special task force will consist of elements of the government, the Bank of Indonesia and related institutions."<sup>97</sup>

This idea should be formalized by the President by appointing responsible officials from the Ministry of Finance, Bank of Indonesia, Bappenas and Ministry of Foreign Affairs. These agencies should participate actively to retrieve the input of the society, to establish close cooperation with ministries of other G-20 member-states, and to hold consultations with non-members of the G-20 specially in the ASEAN region.

**Bureaucracy Reform**

There is also a need to reform Indonesia's bureaucracy to become more effective and efficient for an open economy. This would support Indonesia's participation in the G-20 by creating transparent and accountable financial policies according to the principles of good governance. Effective bureaucracy is also needed to guarantee the maintenance of policy coordination, regulation implementation and supervision based on the agreements in the G-20.

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97 Press Release, President Yudhoyono, "Usul-usul kongkrit Indonesia diadopsi KIT G20 dan Pembentukan Gugus Tugas".

Indonesia has been known for her hassling and overlapping bureaucracy including a high rate of corruption. Overlapping between public service policies and political interests also often occur. This kind of bureaucracy for example causes difficulties for foreign investors to obtain business permits. The overlapping bureaucracy also leads to uncertainties in regard to regulations for foreign suppliers to import goods<sup>98</sup>, due to different interpretations regarding existing regulations by the relevant executing service bureau. A bureaucracy reform is thus inevitable.

President Yudhoyono is himself concerned about the bureaucracy reform, for which he has announced a three years program.<sup>99</sup> The bureaucracy reform has also become an integral part within the stimulus policies as stipulated in the 2010 Fiscal Policy Principles (*Pokok-Pokok Kebijakan Fiskal 2010*).

The goal of the bureaucracy reform is to *"improve bureaucracy to become more professional in creating a conducive condition and to support the need of the people."*<sup>100</sup> More over, this reform will need strong commitments considering the long and tough process it must face: dozens of overlapping functions of the government, the existing paradigm and culture which tend to satisfy the 'boss', and the inefficient use of the budget. The principles of good governance such as transparency, accountability, supervision, and the absence of corruption should be adopted to support this reformation.

The bureaucracy reform should create people centered public services and generate a opportunities conducive for an open economic system. A 'one door service' system for instance would attract foreign investors and then smoothen the flow of goods without the hassle of uncertain regulations and overlapping officials.

### **Inter-ministerial Research/Support Groups**

Each relevant ministry has developed its own think thank group whose task is to provide backups for the Indonesian delegates to G-20 meetings. It is certainly not sufficient to tackle intersectional issues only.

Intersectional research/support groups could be helpful to increase the competence of Indonesia's representatives from different offices. The use

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98 As pointed out by a respondent from an international organization in an interview on June 8, 2010.

99 Pieter P. Gero, "Hambatan Utama pada Sang Pemimpin", Kompas, 30 July 2010.

100 <http://www.bakonhumas.depkominfo.go.id> accessed on 30 Agustus 2010.

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of think tank institutions could help Indonesia in enhancing her role in the G-20 because think tanks may be able to make comprehensive reviews about the agendas of the G-20.<sup>101</sup> Think tanks can for example set-up special research groups to serve the task of preparing complete reports on complex global financial structures, on each commitment of the G-20, on blue prints of Indonesia's positions and strategies, and can backup the Indonesian representatives with sufficient data to be used in negotiations within the G-20.

By doing so, the Indonesian government could overcome the doubts it faces, as well as the negative impacts of political changes which may possibly occur in the future. Research groups could also help to define Indonesia's position in the G-20 when needed. Even though the G-20 commitments are always assumed to bring benefits for Indonesia, Indonesia must be able to follow those commitments within the agreed timeframe and at the same time must be critical to prevent any disadvantages linked to the implementation.

The research group could also study seriously new initiatives that Indonesia may propose in G-20 meetings. As mentioned in the previous description, Indonesia has developed a special policy regarding Sharia banks and people credit banks (*Bank Perkreditan Rakyat – BPR*). These practices could become a good model for the recovery from the social impacts of the crisis.

The deputy Governor of the Bank of Indonesia has presented the idea of Sharia banks in a G-20 meeting<sup>102</sup>, but unfortunately it did not get much positive response from other central bank governors. It was understandable, due to the domination of conventional banking systems which promise to give more attractive interest rates. There should be further studies to fully understand the Sharia banking system, so that in the future it can be considered as an alternative or a complement to the current conventional banking system. Then, Indonesia could bring this system together with fellow Muslim countries back into the G-20 process; this may be one promising initiative by Indonesia for representing countries whose majorities of people profess Islam.

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101 As expressed by Miranda Goeltom in her presentation at the focus group discussion hosted by BPPK of the Ministry of Foreign Affairs on August 3, 2010.

102 Interview with a senior researcher of Bank of Indonesia on August 12, 2010.

# III.

## HOW TO TAKE ASEAN ON BOARD?

“As a part of the ASEAN big family, we can strengthen stability, peace, and wealth in Southeast Asia and the Asia Pacific Region.”<sup>103</sup>

Indonesia is well known as a founding member of the Association of Southeast Asian Nations (ASEAN) in 1967. Indonesia has realized her responsibility for strengthening regional stability and peace, and promoting wealth in Southeast Asia. In the 43 years of existence, ASEAN has shown its maturity as a regional cooperation which has to be taken into account in the global arena. The G-20 forum had considered ASEAN's potential role to contribute to the process of G-20. The ASEAN Chair has been a regular observer at G-20 Summits, since the United Kingdom hosted the summit in 2009.

Indonesia has realized that even though she is the only ASEAN member in the G-20 Forum, it cannot claim herself as an ASEAN representative. Some ASEAN members have openly criticized G-20 as a rival of the United Nations and other multilateral fora; this critique has created certain constraints for Indonesia to exercise her role as an ASEAN representative.

In this context the question is asked, how could Indonesia be able to bring ASEAN and its positions into the G-20 Forum? This chapter will show Indonesia's position in ASEAN, ASEAN's perspectives towards G-20, and Indonesia's attitude and role as the only ASEAN member to enhance ASEAN's interest in the G-20 Forum.

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103 State speech delivered by the President of the Republic of Indonesia to the joint session of the House of Representatives and Council of Regional Representatives in commemoration of Indonesia's 65 years of independence on August 16, 2010.

## **a. Regional organizations and the G-20**

The European Union is the only regional cooperation which is a full member of the G-20. However, if we look more detailed in the membership of G-20, G-20 member-states themselves have become members of various regional cooperation before they were active in the G-20. As it has been mentioned previously Indonesia is a member of ASEAN (Association of Southeast Asian Nations), South Africa is an active member of the African Union, and Brazil and Argentina are members of Mercosur (Common Market of the South). The other G-20 members are also belonging to existing regional cooperation.

Among those existing regional organizations, the European Union is a relatively advanced organization. The EU has 27 members which are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherland, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom. The EU is obviously the biggest regional cooperation in the world.

The European Union holds about 492 million people (estimated in June 2010) with a total territory of 4,324,782 km<sup>2</sup>. In economic aspects, the Gross Domestic Product of the European Union based on Purchasing Power Parity has reached USD 12.51 billion while the per capita GDP of its citizens is about USD 32,600 (estimate of 2009). The amount of export and import of the European Union has reached USD 1.952 trillion and USD 1.66 trillion and is therefore the highest in the world.<sup>104</sup>

ASEAN is another regional cooperation which proved to be stable and endurable following the European Union. ASEAN members are Philippine, Indonesia, Malaysia, Thailand, Singapore, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia. The total ASEAN population in 2009 has reached 591,841,000 people with a total territory of 4,435,830 km<sup>2</sup>. The per capita GDP of ASEAN in 2009 was USD 2,533, the amount of export and import has reached USD 803,947 million and USD 720,296 millions.<sup>105</sup>

The African Union is another important regional organization which

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104 European Union Profile. <https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html>. accessed on July 26, 2010.

105 <http://www.aseansec.org/stat/SummaryTable.pdf>. Selected basic ASEAN indicators as of June 15, 2010. accessed on July 26, 2010.



embraces 53 member states. This Union covers a total territory of almost 30 million km<sup>2</sup> with a total GDP of USD 500 trillion.<sup>106</sup> This Union has yet to deal with development problems encountered by its members. The debt accumulation of the African Union members has reached USD 200 trillion.

In South America, Mercosur whose members include Argentina, Brazil, Paraguay and Uruguay has a total population of about 242 million people (July of 2009) living on a total territory of 12 million km<sup>2</sup>.<sup>107</sup> The total GDP of Mercosur is USD 1.1 trillion.

**Table 3. ASEAN Indicators (As of June 15, 2010)**

Indicators	Unit	2008	2009	Remarks
Total land area	Km2	4.435.830	4.435.830	
Total Population	Thousand	1.532.518	591.841	2009 population is preliminary figure
Gross domestic product at current prices	US\$ million	1.512.707	1.499.401	2009 annual figures for Brunei Darussalam, Cambodia, Lao PDR and Myanmar were taken from IMF-WEO April 2010. The figures for Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam are released figures from National Statistical Offices' websites.
GDP Growth	Percent	4.4	1.5	ASEAN figure is estimated using nation growth rates and national share of world GDP valued in PPP\$ from the IMF-WEO April 2010
GDP per capita at current prices	US\$	2.592	2.533	
Export	US\$ million	880.766	803.947	
Import	US\$ million	830.571	720.296	
FDI inflow	US\$ million	59.701	-	2009 figure is not yet available
Visitor arrivals	Thousand	65.605,5	65.437,6	2009 figure is preliminary

**Source:** <http://www.aseansec.org/stat/SummaryTable.pdf>

106 African Union Profile [http://news.bbc.co.uk/2/hi/africa/nation\\_profiles/3870303.stm](http://news.bbc.co.uk/2/hi/africa/nation_profiles/3870303.stm). accessed on July 26, 2010.

107 Mercosur Profile. <http://www.mercosur.int/msweb/Portal%20Intermediario/>. accessed on July 26, 2010.

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Besides the four regional organizations there are a number of other smaller organizations. In South Asia for instance, there is the South Asian Regional Cooperation (SARC). In the Middle East, there is the longstanding Arab League established since 1940s. On the American continent, there is the South American Community and the Andean Community.

With its profile, ASEAN can be considered as the second biggest regional organization after the European Union. ASEAN has been applauded for its success in maintaining peace and stability in Southeast Asia as well as for promoting its constructive partnership with emerging economies in East Asia (Japan, South Korea and China). Table 3 shows a description of each ASEAN member highlighting ASEAN's economic performance.

## **b. Indonesia's position in ASEAN**

The formation of ASEAN has its origin in the year 1967 when leaders of Indonesia, Philippine, Malaysia, Singapore, and Thailand met in Bangkok to share common positions in response to the changing global situation. The meeting concluded with the Bangkok Declaration signed on August 8, 1967. Brunei Darussalam joined ASEAN on July 23, 1997 and Cambodia on April 30, 1999. Laos, Vietnam and Myanmar followed and together they enhanced ASEAN's strength.

The main purpose of ASEAN is to fasten economic growth, social progress, and cultural development in the Southeast Asia region and to promote peace and regional stability through the adoption of justice and the supremacy of law amongst the Southeast Asian nations according to the principles of United Nations Charter.<sup>108</sup>

For Indonesia, ASEAN is the premier forum for her foreign policy. Indonesia initiated the promotion of economic cooperation, political and security cooperation and social cultural understanding. Indonesia developed ASEAN to facilitate economic integration (projected for 2015), minimize interstate conflicts between ASEAN member-states, and formulated ASEAN's position in response to current global issues, including potential external threats such as terrorism. Through ASEAN, Indonesia has attempted to enhance a Southeast Asian Zone of Peace, Freedom, and Neutrality (ZOPFAN) and a Southeast

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108 <http://www.deplu.go.id/Pages/Asean.aspx?l=id>. accessed on July 26, 2010.

Asian Nuclear Free Zone (NFZ).<sup>109</sup>

In the Human Rights aspect, Indonesia is the first nation who established a National Human Rights Commission. Despite various challenges from other member states Indonesia has successfully included the essence of democratization and human rights in the ASEAN Charter.<sup>110</sup> The ASEAN human rights body is incepted to follow up the adoption of the ASEAN Charter.

Indonesia has convinced the other ASEAN leaders in developing the three pillars of the ASEAN Community: the ASEAN Political and Security Community, the ASEAN Economic Community, and the ASEAN Social Culture Community, arguing that the three have to go along in parallel and have to balance and reflect all ASEAN societies. Together with other ASEAN members, Indonesia is committed to strengthen food and energy security on global, regional, and national levels.

Indonesia will become the host of the ASEAN Summit and thus take the chairmanship in 2011.<sup>111</sup> As ASEAN Chair, Indonesia can play a bigger role in bringing ASEAN to become one of the most influential players in the Asia Pacific region. Indonesia's chairmanship can also help to ensure that the integration process will proceed as expected.

If being observed closely, Indonesian has the potentials to take a leading role, but has still to complete some domestic work to enhance its leading role. Table 4 shows Indonesia's position amongst ASEAN member-states from the aspect of total population, total territory, Gross Domestic Product (GDP), and per capita GDP. In terms of her total population, territory and GDP, Indonesia is certainly the largest country. Yet in terms of GDP per capita, Indonesia ranks below Singapore, Thailand and Malaysia.

Looking at the Human Development Index (HDI), Indonesia has still a long way to go if being compared to other ASEAN members. The HDI is a comparison measurement of life expectancy, literacy, education, and standard of living. The results show whether a nation can be categorized in "Very High Human Development", "High Human Development", "Medium

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109 <http://nationstudies.us/indonesia/98.htm>. accessed on July 26, 2010.

110 Heru Utomo. The role of Indonesia in ASEAN. Koran Jakarta. September 2, 2009 <http://www.koran-jakarta.com/berita-detail.php?id=16743>. accessed on July 26, 2010.

111 President SBY: Indonesia Becomes the Host of ASEAN Summit 2011. <http://www.deplu.go.id/Pages/News.aspx?IDP=3354&l=id>. accessed on 26 July 2010.

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Table 4. The profiles of Indonesia and the other ASEAN Member-States

<b>Nation</b>	<b>Total Population (jiwa)</b>	<b>Total Territory</b>	<b>GDP (official exchange rate)</b>	<b>GDP Per Capita (PPP)</b>
Brunei	395,027 (estimation of July 2010)	5,765 km <sup>2</sup>	\$14.87tn (estimation of 2009)	\$50,100 (estimation of 2009)
Cambodia	14.753.320	181.035 km <sup>2</sup>	\$11.03tn (estimation of 2009)	\$1.900 (estimation of 2009)
Indonesia	242.968.342 (estimation of July 2010)	1.904.569 km <sup>2</sup>	\$521tn (estimation of 2009)	\$4.000 (estimation of 2009)
Laos	6.993.767 (estimation of July 2010)	236.800 km <sup>2</sup>	\$5.788tn (estimation of 2009)	\$2.100 (estimation of 2009)
Malaysia	26.160.256 (estimation of July 2010)	329.847 km <sup>2</sup>	\$209.8tn (estimation of 2009)	\$14.800 (estimation of 2009)
Myanmar/ Burma	53.414.374	676.578 km <sup>2</sup>	\$26.83tn (estimation of 2009)	\$1.100 (estimation of 2009)
Philippine	99.900.177 (estimation of July 2010)	300.000 km <sup>2</sup>	\$160.6tn (estimation of 2009)	\$3,300 (estimation of 2009)
Singapore	4.701.069 (estimation of July 2010)	697 km <sup>2</sup>	\$165tn (estimation of 2009)	\$50,300 (estimation of 2009)
Thailand	66.404.688	513.120 km <sup>2</sup>	\$269.6tn (estimation of 2009)	\$8,100 (estimation of 2009)
Vietnam	89.571.130 (estimation of July 2010)	331.210 km <sup>2</sup>	\$92.84tn (estimation of 2009)	\$2,900 (estimation of 2009)

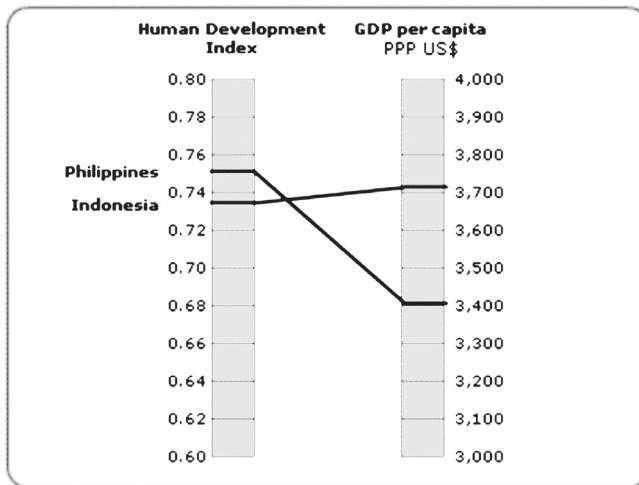
**Source:** CIA World Fact Book

Human Development”, or “Low Human Development”.<sup>112</sup> As shown in Figure 4 and Table 5, Indonesia’s HDI is below that of Singapore, Brunei Darussalam, Malaysia, Thailand and the Philippines. According to the United Nations Development Program (UNDP) 2009, Indonesia’s HDI is ranked at number 111 in the world and number 6 in ASEAN and is thus in the category of “Medium Human Development”. The highest rank in ASEAN has Singapore and the lowest Myanmar.

Having a huge population living in a vast territory together with a high GDP may be Indonesia’s added value; but this should be combined with serious efforts to increase the HDI.

<sup>112</sup> Statistics of the Human Development Report. <http://hdr.undp.org/en/statistics/>. accessed on July 26, 2010.

**Figure 3.** HDI Diagram of Indonesia in 2009



Source: Indicator table H of the Human Development Report 2009

Source: [http://hdrstats.undp.org/en/nations/nation\\_fact\\_sheets/cty\\_fs\\_IDN.html](http://hdrstats.undp.org/en/nations/nation_fact_sheets/cty_fs_IDN.html).

**Table 5.** The HDI of Indonesia and other ASEAN members (2009)

Nation	World Rank	Category	Ranking in ASEAN
Singapore	23	Very High Human Development	1
Brunei Darussalam	30	Very High Human Development	2
Malaysia	66	High Human Development	3
Thailand	87	Medium Human Development	4
Philippine	105	Medium Human Development	5
Indonesia	111	Medium Human Development	6
Vietnam	116	Medium Human Development	7
Laos	133	Medium Human Development	8
Cambodia	137	Medium Human Development	9
Burma/Myanmar	138	Medium Human Development	10

Source: [http://hdrstats.undp.org/en/nations/nation\\_fact\\_sheets/cty\\_fs\\_IDN.html](http://hdrstats.undp.org/en/nations/nation_fact_sheets/cty_fs_IDN.html).  
Human Development Report 2009

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### **c. ASEAN's perspective on the G-20**

Basically, ASEAN welcomed the G-20 as an intergovernmental forum which is considered to be important to promote the interests of developing nations. ASEAN leaders officially supported the increasing role of the G-20 and hoped that ASEAN can contribute to the G-20 process through its official representative's participation (ASEAN Chair and Secretary-General) in G-20 Summits. This support was for instance demonstrated at the 16th ASEAN Summit on April 8-9, 2010 in Hanoi, Vietnam:

“We welcome the G-20 Leaders' Statement made at the Pittsburgh Summit in September 2009 and the APEC Leaders' Declaration made in Singapore in November 2009, particularly on the importance of an ambitious and balanced conclusion of the Doha Development Agenda, the continued rejection of protectionism and delivering a global stimulus package to sustain global economic recovery. ASEAN strongly believes that it can contribute to the deliberations of the G-20 through the continued participation of the ASEAN Chair and the ASEAN Secretary-General in future G-20 Summits.”<sup>113</sup>

ASEAN member-states hoped that the G-20 will strengthen ASEAN's relations with its neighboring nations such as Republic of China, India, Korea, and Japan; especially since South Korea has hosted the G-20 Summit in 2010. The ASEAN Secretary-General, Dr. Surin Pitsuwan, expressed his high hopes on the Korean Summit:

“ASEAN would definitely discuss the experiences of managing macroeconomic issues with responsibility and prudence and of being able to benefit from the synergy with East Asian nations such as India, China, Korean and Japan.”<sup>114</sup>

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113 ASEAN Leaders' Statement on Sustained Recovery and Development. [http://asean2010.vn/asean\\_en/news/46/2DA86C/ASEAN-LEADERS-STATEMENT-ON-SUSTAINED-RECOVERY-AND-DEVELOPMENT](http://asean2010.vn/asean_en/news/46/2DA86C/ASEAN-LEADERS-STATEMENT-ON-SUSTAINED-RECOVERY-AND-DEVELOPMENT). accessed on July 26, 2010.

114 ASEAN hopes to strengthen ties with neighbors through G-20 Summit. [http://eng.caexpo.org/news/t20100427\\_87293.html](http://eng.caexpo.org/news/t20100427_87293.html). accessed on July 26, 2010.

The G-20 leaders recognize ASEAN and its potential contributions to mitigate the global crisis and to the form a new global financial architecture. The G-20 has invited the ASEAN Chair, Prime Minister Abhisit Vejjajiva, along with the ASEAN Secretary-General to attend and observe the G-20 Summits. The Prime Minister of the United Kingdom, Gordon Brown, officially invited the ASEAN Chair on April 2, 2009 to attend the London Summit; arguing that for solving the global crisis, the G-20 requires as much effective partnership around the world as possible.<sup>115</sup>

The G-20 London Summit was aimed to recover the world's financial stability and to consolidate constructive steps for economic recovery. In the Summit, the ASEAN leaders supported the G-20's decision to reform the international financial institutions. ASEAN also supported the agreement to enhance closer-cooperation between nations in solving the global economic and financial crisis.

The ASEAN Secretary-General, Dr. Surin Pitsuwan, hoped that the G-20 Summit in London in 2009 would increase the coordination related to macro-economy policy in order to find the right solutions for the crisis, for example through the reform of the international financial institutions and through combating against protectionism:

“The invitation sends a strong signal of recognition of ASEAN by the G-20. Both emerging and developing nations as well developed nations need to work together to contain the ongoing global financial crisis. With the global economic prospects continuing to deteriorate, the G-20 Summit in London is timely. ASEAN Leaders have stressed the importance of macroeconomic policy coordination to address the crisis and seek a bold and urgent reform of the international financial system. They also stand firm against protectionism.”<sup>116</sup>

ASEAN leaders share the view of the G-20 on the importance to combat against protectionism. This was reaffirmed in the Joint Statement at the First ASEAN-U.S. Leaders' Meeting on November 15, 2009. At the same opportunity,

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115 Britain invites Asian, African bodies to G-20 summit. [http://www.straitstimes.com/Breaking%2BNews/World/Story/STIStory\\_340958.html](http://www.straitstimes.com/Breaking%2BNews/World/Story/STIStory_340958.html). accessed on July 26, 2010.

116 Press Release: Secretary-General of ASEAN to attend G-20 Summit in London – ASEAN Secretariat, March 6, 2009.

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the United States stated her support to ASEAN for the implementation of G-20 principles in the framework of strong, sustainable, and balance growth.<sup>117</sup>

Sharing the same idea as the Secretary-General of ASEAN at the Opening Speech of the 15<sup>th</sup> ASEAN Summit (October 23, 2009), the Prime Minister of Thailand, Abhisit Vejjajiva, underlined that ASEAN should deliver the voice of developing nations in the G-20 in order to deal with the impact of the global financial crisis. Furthermore, Abhisit argued that ASEAN has to be a regional organization which is responsive to the shift in regional and global conditions so that the vision of ASEAN is broadly recognized in the world. Abhisit further suggested that ASEAN's representation in the G-20 forum has shown that ASEAN's interest does not only belong to Southeast Asian nations but also to the whole world. ASEAN has expressed the voice of other developing nations at the G-20 meetings in London and Pittsburgh.

At the 15<sup>th</sup> ASEAN Summit, the ASEAN leaders demonstrated their support for the issues that have been discussed in the G-20 Summit in Pittsburgh, September 2009 including the reform of international financial institutions to ensure transparency and efficiency so that the interests of developing nations could be accommodated. ASEAN leaders positively welcomed the invitation of the G-20 to the ASEAN Chair and the Secretary-General to participate at the G-20 Summit. This invitation was considered positively to strengthen the regional and global coordination approach.<sup>118</sup>

One important decision at the 15<sup>th</sup> ASEAN Summit was the initiative to establish the "ASEAN G-20 Contact Group".<sup>119</sup> This contact group consists of the Chair of ASEAN, Indonesia as the only ASEAN member of the G-20, and the ASEAN Secretary-General. The main purpose of this group is to coordinate ASEAN's position in G-20 Summits. The idea can be seen as a new innovation even though it does not tackle the issue of a permanent membership in the G-20.

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117 Joint Statement from First ASEAN-U.S. Leaders' Meeting. <http://www.america.gov/st/texttrans-english/2009/November/20091116162427xjsnommis0.2769281.html&distid=ucs#ixzz0uWUFtrZ>. accessed on July 26, 2010.

118 Chairman's Statement of the 15th ASEAN Summit – "Enhancing Connectivity, Empowering Peoples". [http://www.15thaseansummit-th.org/PDF/2402Chairman%27sStatementofthe15thASEANSummit\\_final\\_with\\_logo.pdf](http://www.15thaseansummit-th.org/PDF/2402Chairman%27sStatementofthe15thASEANSummit_final_with_logo.pdf). accessed on July 26, 2010.

119 Chairman's Statement of the 15th ASEAN Summit – "Enhancing Connectivity, Empowering Peoples". [http://www.15thaseansummit-th.org/PDF/24-02Chairman%27sStatementofthe15thASEANSummit\\_final\\_with\\_logo.pdf](http://www.15thaseansummit-th.org/PDF/24-02Chairman%27sStatementofthe15thASEANSummit_final_with_logo.pdf). accessed on July 26, 2010.



ASEAN also took part in the G-20 Summit in Toronto, Canada, which was held on June 26-27, 2010. The summit discussed the recovery and the sustainable development in the world economy. In the summit, the ASEAN Chair from Vietnam was invited to represent ASEAN, along with the ASEAN Secretary-General, Dr. Surin Pitsuwan. Surin reaffirmed that this invitation is seen as a recognition from the global community towards ASEAN's potential as a successful regional organization. Surin highlighted the invitation as a proof of supporting ASEAN's vision.<sup>120</sup>

Representing ASEAN, Vietnam's Prime Minister, Nguyen Tan Dung, delivered his gratitude to the G-20 Summit in Toronto. He said, firstly, ASEAN welcomes the G-20's framework especially in focusing all efforts on the promotion of a strong, sustainable, and balanced economic growth and in supporting a healthy financial system as an important condition of sustainable growth. Secondly, ASEAN agrees to promote the inclusive recovery of all nations for a strong sustainable economic growth considering that nations have to play an important role towards a global recovery. ASEAN also supports an appropriate fiscal consolidation which should be adjusted to national conditions to ensure economic recovery measures and a healthy financial system while avoiding negative impacts which could affect growth, foreign loans, and capital flow to developing nations. Thirdly, ASEAN is committed to continue its tight policy coordination with the G-20. This process is undertaken in two ways: the first is through ASEAN's proactive participation (as guest) in the process of G-20's policy making and the second is G-20's policy harmonization with ASEAN. The two steps will bring benefits to all ASEAN members. ASEAN's engagement with the G-20 could be a role model for other G-20 non-member-states in order to create an interactive policy coordination with the G-20 mechanism.<sup>121</sup>

At the G-20 Summit in Seoul, held on November 11-12, ASEAN received a special attention from the host. The President of the G-20 Preparation Committee, Dr. Changyong Rhee, chose the ASEAN Secretariat as his first visit to promote the G-20 agenda arguing that his visit shows Korea's initiative to gather opinions and suggestions from a very strategic region in preparing for

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120 ASEAN to Attend G-20 Summit in Toronto. <http://english.cri.cn/6966/2010/06/22/167s578525.htm>. accessed on July 26, 2010.

121 Remarks by Prime Minister Nguyen Tan Dung, Chair of ASEAN, at the G-20 Toronto Summit Opening Plenary Session. Toronto, Canada – June 27, 2010. <http://www.aseansec.org/24828.htm>. accessed on July 26, 2010.

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the meeting agenda of the G-20.

“Decades ago, South Korea was a developing nation, and now it is a developed nation. It represents the futures sought by many Asian nations. South Korea sees her capability to help reduce the gap [to reach consensus] among members on issues from financial institution reform to balanced growth”<sup>122</sup>.

Dr. Changyong Rhee also said that his visit was aimed to involve the ASEAN as early as possible in setting the G-20 agenda. The main focus of the Seoul Summit was related to global financial security networks and development issues. In the meeting, Dr. Changyong Rhee asked for a favorable topic from ASEAN which could overcome the gap between developed and developing nations.<sup>123</sup>

Rhee added that South Korea is the first non-member-state of the G-8 that hosts a G-20 Summit. Dr. Changyong Rhee also asked ASEAN to support South Korea's efforts in strengthening the G-20 as a premier forum, which is not only a crisis management forum but also an economic cooperation forum in the post financial crisis era.<sup>124</sup>

From the ‘individual’ perspective of each ASEAN member-state, everyone has actually upheld a different stance towards the G-20. Singapore has shared similar perspectives with ASEAN but also emphasizes that G-20 should strengthen the United Nations. At one of his speeches in parliament dated on March 5, 2010, Singapore's Foreign Minister, George Yeo, argued:

“We see the G-20 as an important agent of positive change. We support strongly the G-20 process and contribute in whatever way we can. We participate in this Global Governance Group process in order to help the G-20 assume greater legitimacy in the global community of nations. It is important that the decisions of the G-20 take into account the interest of other nations and are supported by them. The G-20 process should

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122 <http://www.thejakartapost.com/news/2010/02/19/seoul-woos-asean-g20-support.html>. Seoul woos ASEAN for G-20 support.

123 Views of ASEAN Sought for G-20 Agenda. ASEAN Secretariat, February 10, 2010. <http://www.aseansec.org/24319.htm>. accessed on July 26, 2010.

124 Ibid.

strengthen the UN and other international organizations, not weaken them.”<sup>125</sup>

The following statement of Foreign Minister George Yeo shows Singapore's general standpoint towards the G-20 process:

“Singapore believes that as the UN is the only global body with universal participation and unquestioned legitimacy, other global processes like the G-20 should recognize and reflect this reality. In this regard, groups like the Global Governance Group (3G), comprising of small and medium sized states, which Singapore has helped to form at the UN, can help to strengthen the framework of engagement between the G-20 and non G-20 members so that the actions and decisions of processes like the G-20, complement and strengthen the UN.”<sup>126</sup>

Support to the G-20 was also expressed by Thailand. In an interview with Thailand's Ambassador to Indonesia, H.E. Mr. Thanatip Upatising<sup>127</sup> revealed that Thailand believes that the G-20 is the best solution because this forum accommodates the voices of both, developed and developing nations. However, Thailand's Ambassador said that the achievements made by the G-20 are still not as successful as many have expected.

Thailand's Ambassador reminded that the G-20 should not be trapped as 'another exclusive talk show'. He further argued that the coordination efforts and consultation meetings between G-20 member-states and non-member-states are essential in order to accommodate inputs from non-member-states. Thailand also suggested that the opinion of non-member-states should be accommodated in order to avoid unilateralism. He expressed his satisfaction about the participation of ASEAN's Chair in every G-20 forum.

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125 Remarks by Minister for Foreign Affairs George Yeo in Parliament during Committee Of Supply Debate on 5 March 2010. [http://www.isria.com/pages/6\\_March\\_2010\\_12.php](http://www.isria.com/pages/6_March_2010_12.php), accessed on July 26, 2010.

126 Foreign Policy – Ministry of Foreign Affairs Singapore. <http://www.mfa.gov.sg/>, accessed on July 26, 2010.

127 Interview with Thailand Embassy to Indonesia on June 16, 2010.

#### **d. Taking ASEAN members' common interests and positions to the G-20**

Indonesia is the only ASEAN member-state in the G-20. But Indonesia had underlined that her membership in the G-20 is not necessarily that of a "representative of ASEAN". Indonesia's membership in the G-20 is neither representing ASEAN nor carrying out any mandate from ASEAN. Thus, ASEAN should be represented by the ASEAN Chair.

Several approaches have been adopted to take ASEAN on board. First, as a member of G-20, Indonesia had persuaded the G-20 Summit hosts to invite the ASEAN Chair to attend G-20 Summits. President Susilo Bambang Yudhoyono for instance expressed his hope to the G-20 leaders in Pittsburgh that the ASEAN Chair could be invited to every G-20 Summit.<sup>128</sup> In the summits in Canada (June 2010) and in South Korea (October 2010) for instance, Indonesia had asked both hosts to provide an opportunity for the ASEAN Chair and the Secretary-General to participate and to represent ASEAN's voice.<sup>129</sup> In the presence of the ASEAN Chair, Indonesia would not only embrace her personal interests but also could represent the interests of developing nations as well as ASEAN nations.

One foreign representative of an ASEAN member-state admitted that Indonesia had played an important role to persuade other G-20 leaders so that the ASEAN Chair is chosen periodically to participate in G-20 Summits.<sup>130</sup> He recognized Indonesia's role in the formation of the "ASEAN G-20 Contact Group" during the 15th ASEAN Summit in Thailand.

The second approach is more substantive. Indonesia could continuously uphold a position which is consistent with the aspirations of ASEAN.<sup>131</sup> Even though Indonesia cannot claim to represent ASEAN, Indonesia understands that her membership should bring benefits to all ASEAN members. This recognition is for instance presented by the Head of National Development Planning Agency, Paskah Suzetta: *"Indonesia as one of ASEAN's 10 member*

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128 Meski Menjadi Anggota G-20, Indonesia Tetap Berperan Aktif di ASEAN. <http://www.presidensby.info/index.php/fokus/2009/10/25/4816.html>. accessed on July 26, 2010.

129 Ibid.

130 Interview with representative of Thailand Embassy for Indonesia on June 16, 2010.

131 Presiden SBY: Indonesia Menjadi Tuan Rumah KTT ASEAN 2011. <http://www.deplu.go.id/Pages/News.aspx?IDP=3354&l=id>. accessed on July 26, 2010.

*nations must, of course, accommodate the interests of all ASEAN member nations.*<sup>132</sup>

For this purpose, Indonesia understands the importance of formal mechanisms to formulate ASEAN's positions towards issues of the G-20 so that Indonesia and the ASEAN Chair can speak with one voice in G-20 Summits. The formation of the "ASEAN G-20 Contact Group" at the 15th ASEAN Summit is seen as a strategic step forward for taking ASEAN on board in a more substantive way.<sup>133</sup> The contact group consists of the rotating ASEAN Chair, the ASEAN Secretary-General, and Indonesia as the only member of ASEAN and the G-20. The main purpose of the formation of this contact group is to coordinate ASEAN's position in G-20 Summits.

At the 15th ASEAN Summit, Indonesia also suggested that ASEAN Finance Ministers meet regularly before G-20 Summits. The meeting of the ten ASEAN Finance Ministers could coordinate their policies and formulate common perspectives of ASEAN member-states in realizing economic and financial stability on a regional and global level. The initiative was finally expressed in the ASEAN leaders' statement.<sup>134</sup>

ASEAN leaders appreciate Indonesia's attitude and an agreement was reached to form the "ASEAN G-20 Contact Group". In this contact group, the ten finance ministers will have regular meetings before G-20 Summits in order to strengthen ASEAN's position in the G-20.<sup>135</sup> ASEAN also hopes that Indonesia would play an active role in supporting the reform of the existing international financial institutions so that the voting system would reflect the most recent economic power structure and ensure that developing nations should have access to funding for sustaining their development. ASEAN also supports Indonesia to be proactive in the G-20, so that Indonesia can assure

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132 RI to Accommodate ASEAN's Interests at G-20 Summit. [http://www.kbri-islamabad.go.id/index.php?option=com\\_content&task=view&id=487&Itemid=1](http://www.kbri-islamabad.go.id/index.php?option=com_content&task=view&id=487&Itemid=1). accessed on July 26, 2010.

133 Chairman's Statement of the 15th ASEAN Summit – "Enhancing Connectivity, Empowering Peoples". [http://www.15thaseansummit-th.org/PDF/24-02Chairman%27sStatementofthe15thASEANSummit\\_final\\_with\\_logo.pdf](http://www.15thaseansummit-th.org/PDF/24-02Chairman%27sStatementofthe15thASEANSummit_final_with_logo.pdf). accessed on July 26, 2010.

134 Indonesia Usulkan Pertemuan Rutin Menkeu ASEAN. <http://www.mediaindonesia.com/read/2009/10/25/102027/15/1/Indonesia-Usulkan-Pertemuan-Rutin-Menkeu-ASEAN>. accessed on July 26, 2010.

135 Aktif di G-20, Indonesia Tidak akan Tinggalkan ASEAN. [http://www.beritabarur.com/index.php?option=com\\_content&view=article&id=5803:aktif-di-G20-indonesia-tidak-akan-tinggalkan-asean&catid=62:nasional&Itemid=54](http://www.beritabarur.com/index.php?option=com_content&view=article&id=5803:aktif-di-G20-indonesia-tidak-akan-tinggalkan-asean&catid=62:nasional&Itemid=54). accessed on July 26, 2010.

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that protectionism symptoms in world trade are avoided.<sup>136</sup>

The approach is to keep ASEAN's commitments in mind while taking an active role in the G-20 clearly requires the ability to build a synergy between the rather conservative ASEAN and the more innovative G-20. Indonesia understands that being a member of ASEAN could increase her bargaining position in the G-20 process and thus Indonesia needs to convince ASEAN members on its potential role to bring ASEAN's interests on board.

The Indonesian Foreign Minister, Marty Natalegawa, presented his view of the importance of Indonesia's position to stand on two feet (ASEAN and G-20):

“... It is hard to imagine that Indonesia can be influential in the G-20 if Indonesia is not influential in ASEAN. Indonesia will always prioritize the interests of ASEAN in the G-20 forum. Indonesia will always be standing on ‘two feet’ which is ASEAN and G-20; Indonesia is not necessarily the spokesperson of ASEAN but can enhance ASEAN's regional interests in the G-20 by being fully consistent with ASEAN.”<sup>137</sup>

The Indonesian Foreign Minister argued that the role of Indonesia in the G-20 and ASEAN could be complementary because Indonesian's strong role in ASEAN increases Indonesia's leverage in the G-20 forum and simultaneously Indonesia's role in the G-20 influences ASEAN. Marty further suggested that *“this is what we call diplomacy, that is, how to enhance the capability all together, so we can use ASEAN in G-20 and G-20 in ASEAN.”*<sup>138</sup>

Indonesia agreed with other G-20 leaders to make the G-20 the premier forum for their international economic cooperation; however this does not mean that ASEAN would be a secondary forum for Indonesia. President Susilo Bambang Yudhoyono emphasizes his strong interest to keep Indonesia's position geared towards the importance of ASEAN:

“Admittedly, I have heard some worries that since Indonesia is in a new club, or new home, namely the G-20, it will no longer make ASEAN her

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136 ASEAN Appreciates Indonesia's Attitude in G-20. <http://www.antaranews.com/berita/1256401674/asean-apresiasi-sikap-indonesia-dalam-g20>. accessed on July 26, 2010.

137 Indonesia Usulkan Pertemuan Rutin Menkeu ASEAN. <http://www.mediaindonesia.com/read/2009/10/25/102027/15/1/Indonesia-Usulkan-Pertemuan-Rutin-Menkeu-ASEAN>. accessed on July 26, 2010.

138 Ibid.

major home. ASEAN is very important. But, after all, in the wider forum of the G-20 Indonesia can discuss global issues in a more conclusive way<sup>139</sup>.

The first directly elected President of Indonesia further suggested that G-20 is not only designed for handling global economic problems: *“One day we will discuss about climate change, harmonization of civilizations, how to increase international peace and security. These problems have to be discussed with more representatives.”*<sup>140</sup>

Generally it can be concluded that Indonesia's position to represent ASEAN is definitely not simple. Indonesia is the only member of ASEAN that is also a member of the G-20. However, Indonesia emphasizes that her position is not representing ASEAN but that she is willing to accommodate ASEAN's interest in the G-20. The new creative approach has been made to take ASEAN on the G-20 board without undermining the premier role of ASEAN as a main forum for economic cooperation in Southeast Asia.

### **e. Agenda for developing the role of the “ASEAN G-20 Contact Group”**

The formation of the “ASEAN G-20 Contact Group” should be appreciated as a new approach which could strengthen the legitimacy of both, the G-20 and Indonesia as the only ASEAN member in the G-20. The next step is of course how to maximize the function of the contact group. Indonesia, the ASEAN Chair and the Secretary-General should take every necessary step to get together and to discuss strategic issues to be pursued in G-20 Summits. The contact group can also examine deeper common interests of ASEAN and other developing nations. The three members of the contact group are also responsible to examine common commitments made in G-20 and ASEAN Summits in the past years. This can be essential to maintain the regional interest in the exclusive global club. The contact group is expected to strengthen Indonesia's and ASEAN's bargaining position in G-20 Summits.

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139 Global and regional governance: the ASEAN-G-20 link. <http://www.economicsummits.info/2009/10/global-and-regional-governance-the-asean-g20-link/>. accessed on 26 July 2010.

140 Meski Menjadi Anggota G20, Indonesia Tetap Berperan Aktif di ASEAN. <http://www.presidensby.info/index.php/fokus/2009/10/25/4816.html>. accessed on July 26, 2010.

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The contact group is indeed important to maintain ASEAN's interest in the G-20. Indonesia is then responsible for ensuring that ASEAN's interests will always be followed up in the G-20 meetings specially when ASEAN's representatives are not able to participate. It should be admitted that this particular task is not easy to be accomplished. How could ASEAN member-states who are still 'doubtful' of Indonesia's competence and role strengthen Indonesia's legitimacy in the G-20 forum? It should also be admitted that there is some rivalry amongst ASEAN members to increase their influence in the region or in global fora.

Another challenge appears due to uncertain political situations in the region, for instance border issues which need to be solved amongst ASEAN member-states. The fluctuation in the Indonesia-Malaysia and Indonesia-Singapore as well as the Singapore-Malaysia relations could affect Indonesia's performance in the G-20 and could create a situation which is not conducive for deepening the economic integration.

The structure of the ASEAN Chairmanship which changes periodically, affects the promotion of ASEAN interests in the G-20 process and the role of the "ASEAN G-20 Contact Group" in consolidating ASEAN's common perspective on the G-20 agenda; not all leaders share the same perspectives about the G-20 and Indonesia's role.

It also should be admitted that the agreements made in the G-20 will affect the relationship amongst the ASEAN member-states themselves. For instance the G-20's decision to reform the vote-sharing in the IMF could induce competition amongst ASEAN member-states to gain bigger influence in the world's most influential financial institution. Indonesia may not have ambitions to get a bigger vote-share, Thailand and Singapore have also not yet shown an interest to get special rights in the IMF.

In this case, the role of the "ASEAN G-20 Contact Group" should be maximized through concrete actions. The Multilateral General Directorate of the Indonesian Foreign Affairs Ministry and the Head of Indonesian G-20 Sherpas could play an important role in the "ASEAN-G-20 Contact Group". Effective coordination should be undertaken jointly by the Foreign Affairs Ministry and the Finance Ministry regarding Indonesia's position in the G-20 and simultaneously in ASEAN. It is necessary to hold regular meetings of the ASEAN finance ministers, for instance, prior to G-20 Summits. This is important for ensuring that decisions made in different fora will not collided



with one another; it is also aimed to ensure that the commitments of Indonesia and ASEAN representatives in the G-20 will be in accordance with approaches adopted by ASEAN over the time. This will clearly be an effective way to take ASEAN on the board of the G-20.

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# IV.

## REPRESENTING MUSLIM COUNTRIES: HOW RELEVANT IS THE ISSUE OF ISLAM IN THE G-20?

“As a member of the OIC, we can express the true identity of Islam which is moderate, open, tolerant and modern. We can also constructively bridge the gap between Islam and the West.”<sup>141</sup>

The issue of Islam gained direct attention since Samuel Huntington, a leading American scholar, published his work on the Clash of Civilization in the mid 1990s. The issue collected much more attention from the international community since the incident of the 9/11 terrorist attack, when four hijacked airplanes attacked the Pentagon and demolished the World Trade Center (WTC) in the United States on September 11, 2001 and caused the loss of about 3,000 lives.<sup>142</sup> The action of terror is said to have been the work of the Muslim, Osama Bin Laden, who is an Islam revolutionist.<sup>143</sup> The incident then brought up what is now known as Islamphobia. It brought not only terror, but also extremely traumatized the international community, which became afraid of

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141 State speech delivered by the President of the Republic of Indonesia to the joint session of the House of Representatives and Council of Regional Representatives in commemoration of Indonesia's 65 years of independence on August 16, 2010.

142 September 11: A Memorial taken from <http://www.cnn.com/SPECIALS/2001/memorial/> accessed on October 3, 2010.

143 Charles W. Kegley, Jr. and Eugene R. Wittkopf. (2004). *World Politics: Trends & Transformation*. Belmont: Thompson-Wadsworth, p. 441.

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any form of Islam. Islam is often linked to fundamentalism and terrorism. The incident and its implication have encouraged Muslim states to work together in restoring their image that had been destructed by the terrorist actions.

There are only three member nations that are Muslim countries in the G-20. The countries are Saudi Arabia, Turkey and Indonesia. There are great hopes that Indonesia and the other Muslim countries can play a significant role in representing their specific group in the G-20 forum. This chapter will discuss how relevant the issue of Islam actually is and how it is represented by Indonesia in the G-20 process. The discussion will include topics such as Indonesia's position as the country with the largest Islam majority in the world, Indonesia's role inside the Muslim world, the emergence of the issue of Islam and the Muslim voice, and the relevance of Indonesia's self-perceived role to bridge the competing civilizations.

### **a. Indonesia as the world's most populous Muslim country**

Compared to any other nation in the world, Indonesia has the largest population who profess Islam as their religion. More than 200 million Indonesians or about 88 percent of the Indonesian population confess in Islam and this constitutes the largest Muslim population in the world.<sup>144</sup> It is therefore understandable that Indonesia is frequently associated with Islam and the world's Islamophobia had impacts directly or indirectly on Indonesia. It is unfortunate that Indonesia has been broadly known as a state occupied by terrorists, particularly since the Bali Bombing occurred in October 2002. Several incidents occurred in the following years: on August 5, 2003 at the J.W. Marriot Hotel in Jakarta; and on September 9, 2004 at the Australian Embassy in Jakarta. These bombings were allegedly committed by an Islamic militant group called Jemaah Islamiah (JI) which was formed in the mid 1980s by Indonesian citizens.

In response, Indonesia made efforts to prove to the world that Islam is not as negative as sometimes seen. Even though Indonesia is the country with the largest Islam majority, it has shown that it is a moderate nation. Moreover, Indonesia has the desire to be seen as a nation that respects pluralism and that

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144 [http://www.gtz.de/de/dokumente/enInfo\\_Development\\_Cooperation\\_and\\_Islam\\_in\\_Indonesia.pdf](http://www.gtz.de/de/dokumente/enInfo_Development_Cooperation_and_Islam_in_Indonesia.pdf) accessed on March 15, 2010.

is tolerant towards diversity, especially in religions.

Interfaith harmony is one of the Indonesian government's goals. Therefore anxiety and fear should not have to be felt by religious followers in Indonesia because the Indonesian government feels the need to create a moderate Indonesia that practices high tolerance between the various religions.<sup>145</sup>

Besides terrorism, another factor that forms a negative image for Islam is the opinion that the Islamic philosophy is exactly opposite to democracy. This thought is presented in the statement below:

“The comprehensive control by Islam religion of virtually every aspect of human life, individual and collective, enshrines the essence of totalitarianism and totalitarian control which is inherently incompatible with the concept of individual freedom which lies at the heart of liberal democracy.”<sup>146</sup>

The two largest social systems in the world, the Western democratic and liberal society and the Islamic society have thoughts and views that are different from each other. The liberal society believes in openness and pluralism, and are open to criticism and discussion, while the Islam tends to be more dogmatic and monolithic, making it less tolerant towards criticism and competing opinions. In the liberal society there is a division between the state and religion, but in traditional Islam and political Islam, religious, social and educational activities are directly interconnected. Human rights in Islam has also been a major issue for the West and the international community. Islam does not see the importance of equality in individual rights, women rights, the right for freedom of speech, and the right to choose a person's own religion.<sup>147</sup>

In times of conflicts between individuals and the religion or the state regarding Islamic values, Islam has the tendency to prioritize values rather than rights and thus neglects individual freedoms. In traditional Sharia law, a Muslim who desires to convert to another religion shall receive the death

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145 Religious harmony safe under 'Pancasila', the Jakarta Post, March 10, 2009 <http://old.thejakartapost.com/yesterday/detail.asp?fileid=20090310.B11> accessed on March 15, 2010.

146 Caroline Cox and John Marks. (2003). *The 'West', Islam and Islamism*. London: Cromwell Press, p.31.

147 *Ibid*, pp.36-43.

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penalty. Muslim women also receive unfair treatments, being only entitled to limited rights compared to men in marriage, in divorce, and in many other rights. Islam restricts the freedom of self-expression and access to information that presumably can cause rival thoughts to Islam.

Indonesia has attempted to restore the image about Islam. Having a vast majority of Islam followers, Indonesia has now consolidated her democracy after Suharto's authoritarianism collapsed in 1998. Indonesia has successfully held three general elections and two direct presidential elections. As a Muslim country Indonesia has given the chance to her citizens to cast their votes for their preferred candidates in the legislature or to enter the political contest to become a member of parliament.

Tolerance towards different religions and ethnics is another value that Indonesia has adopted. Indonesia constitutes a very large nation whose ethnic origins, languages and religions are diverse. '*Bhinneka tunggal ika*', unity in diversity has been adopted as national motto to keep the national integration despite of sharp diversities within the population.

## **b. The role of Indonesia in the Muslim world**

The status as the world's most populous Muslim country which is in a democratization process, has given Indonesia confidence to take a leading role in bridging the Muslim world and the rest (particularly the secular Western world). Indonesia has been active in the Organization of the Islamic Conference (OIC) and seen this organization as a strategic communication arena between Muslim countries. The OIC became the most prominent organization which represents Muslim interests, brings Muslims together and promotes their interests. The organization was first concerned with political issues such as Palestine, but in the process the OIC has transformed itself into a universal organization that attempts to accommodate Muslim countries' political, economic, social, cultural and scientific interests.

Indonesia participates actively in bringing good governance into the Muslim world, making the OIC a credible and competent organization and gaining the recognition of the international community. Indonesia has also demonstrated that Islam is compatible with democracy and that both Islam and democracy can be adopted simultaneously at the same time and place. At the OIC's 36th Foreign Minister Meeting in Damascus on May 23-25, 2009, the

Indonesian Foreign Minister delivered his speech on how the OIC can adopt democracy, good governance and human rights.

Indonesia has facilitated the conflict resolution between the Philippine government and the Moro National Liberation Front (MNLF) with reference to the 1996 Peace Agreement. Indonesia was elected as the chair of the OIC Peace Committee for the Southern Philippines (OIC-PCSP). OIC's PCSP managed to host several Tripartite Meetings, the latest, the 3rd Tripartite Meeting in Manila in March 2009; this meeting concluded an agreement to further the peace process in the Southern Philippines and to achieve a peaceful conflict resolution for the region.<sup>148</sup>

At the 37th OIC Session of the Foreign Ministers Council which was held in Dushanbe, Tajikistan on May 18-20, 2010, the Indonesian Foreign Minister reemphasized the importance of reforming the OIC. Indonesia openly supported the OIC's efforts to form an OIC Human Rights Commission and to adopt the Statutes of the Women's Development Organization. The two organizations are formed to clarify the position of the OIC in promoting and developing human rights and women rights.<sup>149</sup>

In response to the Islamophobia, Indonesia emphasizes the need to hold constructive interfaith and intercultural dialogues with the West in order to minimize misunderstandings about Islam and also to introduce Islam as a tolerant religion. In discussing the resolutions in the OIC Strategy Paper on Combating Defamation of Religion, Indonesia emphasized the necessity for the OIC members to speak with one voice when facing principle issues. Indonesia also urged OIC members to be more flexible by committing engagements with nations other than OIC members.<sup>150</sup>

Indonesia evidently and confidently wants to play a bridge-builder role in the international community, not only to bridge the developed and developing nations, but also to bridge Western democracies and Muslim countries. Indonesia wants the world to see that Muslim countries were also moderate and it was thus not right to link them to terrorism.

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148 Kementerian Luar Negeri RI: Organisasi Konferensi Islam taken from <http://www.deplu.go.id/Pages/IFPDdisplay.aspx?Name=MultilateralCooperation&IDP=4&P=Multilateral&id> accessed on July 29, 2010.

149 Ibid.

150 Ibid.

### **c. The emergence of the issue of Islam and the Muslim voice**

The 9/11 incident has brought a great trauma to the international community, causing them to become very cautious of the risk of a re-emergence of terrorist actions. Theoretically if there is one nation that is perceived as a threat to global stability, then the international community will jointly make every attempt to block the particular nation in getting access to global strategic sources. The international community is concerned that the resources will be used to increase the power of the threatening nation to execute their actions. Terrorism is often identified as the work of Islam which threatens the international community. As a result, the world became very cautious against any little thing that is related to Islam. Many travel warnings have been introduced by Western governments so that their citizens would not visit countries suspected not to be able to guarantee security due to terrorist's uncontrollable activities.

In that sense, Muslim countries now have the common interest of restoring the image of Islam in the international community. The 3rd OIC Extraordinary Summit in Mecca, Saudi Arabia on December 7-8, 2005 addressed the issue of how to restore the Muslim countries' image. The meeting concluded with the OIC's 10-years Program of Actions which contained points about tolerance, resisting Islamophobia, and the eradication of extremism, violence and terrorism. The Program of Action did not only focus on political related issues, but also on social and economic issues such as development and trade. In the political and intellectual aspects, the OIC targeted to handle issues such as developing modern values and tolerance, increasing the solidarity and cooperation between members, conflict prevention, the resolution of the Philippines conflict, the prioritization of minority rights and the solving of problems in Africa within the next ten years.<sup>151</sup>

To pursue the discussions on the restoration of the Islamic image during the 3rd OIC Extraordinary Summit, the OIC then held its 37th OIC Session of the Foreign Ministers Council. This meeting adopted the Dushanbe Declaration that supported inter-cultural dialogues about Islamophobia. It also discussed peace in the Middle East; Afghanistan; the Armenian aggression

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151 Ibid.



towards Azerbaijan; the trade of nuclear fuel with Iran, Turkey and Brazil; the disarmament of nuclear weapons and weapons of mass destruction; the development of human resources and education; and the flow of goods and services among OIC members.<sup>152</sup>

Regarding the issue of facing Islamphobia, the OIC introduced a special mechanism. This mechanism is known as the OIC Observatory on Islamphobia. At the 3rd OIC Extraordinary Summit, the OIC leaders agreed to establish an observatory institution at the OIC Secretariat that would observe any form of Islamphobia and that would be responsible for building dialogues to deliver the real values of Islam. At the 34th Islamic Conference of Foreign Ministers (ICFM) held in May 2007, the Observatory was assigned to report annually. The first report was published at the 11th Islamic Summit Conference in Dakar, Senegal on March 13-14, 2008.<sup>153</sup>

The OIC does not only discuss the image of Islam and politics, but also talks about economic issues and trade. The 3rd OIC Extraordinary Summit discussed development and trade; and the 37th Session of the Council of Foreign Ministers discussed the movement of goods and services among the OIC members. This demonstrates that all nations of the world share common economic interests regardless of their system of beliefs (whether religious or secular). They all have national interests for maintaining economic stability for the sake of their society's needs.

To address this interests, the OIC has a special organ since 1981 the so-called OIC Standing Committee for Economic and Commercial Cooperation (COMCEC). This ministerial committee was established to pursue the resolution 13/3-P (IS) adopted by the 3rd Islamic Summit Conference held in Mecca in the Kingdom of Saudi Arabia in January 1981. Its function is to follow up the implementation of resolutions in the economic and trade fields, explore possible means of strengthening cooperation among the member states, and prepare programs and proposals capable of improving capacities in these areas.<sup>154</sup>

The first COMCEC Summit was held in Istanbul, Turkey on November 5-7, 2003. It was actually the 25th meeting for COMCEC, but the first meeting that

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152 Ibid.

153 1st OIC Observatory Report on Islamphobia, [http://www.theunity.org/en/index.php?option=com\\_docman&task=cat\\_view&gid=41&Itemid=14](http://www.theunity.org/en/index.php?option=com_docman&task=cat_view&gid=41&Itemid=14), accessed on July 29, 2010.

154 [http://www.oic-oci.org/page\\_detail.asp?p\\_id=172](http://www.oic-oci.org/page_detail.asp?p_id=172) accessed on July 29, 2010.

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directly involved leaders of Muslim countries. This meeting received serious attention from the leaders. Economic experts analyzed this development as a stern effort on behalf of Muslim countries in implementing a much stronger economic cooperation.<sup>155</sup>

Beside COMCEC, the OIC also has established an international financial institution, the so-called Islamic Development Bank. The idea of a financial institution emerged at the 2nd Islamic Foreign Ministers Conference in Karachi in 1970. The conference recommended the project to be implemented and the declaration was relayed in the 1st Finance Ministers Conference in Jeddah in December 1975. The Islamic Development Bank was finally launched on October 20, 1975. The objective of the Bank was to strengthen economic development and to bring social improvements to the member nations, the Muslim community and individuals according to Sharia principles. The Bank was assigned to provide equity participation and grant loans for productive projects and enterprises. It also gives financial assistance to member states for their economic and social development and to foster foreign trade among member nations.<sup>156</sup>

#### **d. The questionable relevance of Indonesia as the representative of Muslim countries in the G-20**

As already discussed in Chapter 1 and 2, Indonesia's leaders see the G-20 not merely as an economic powerhouse but also a civilization powerhouse. In this new powerhouse, Indonesia has perceived the significant role to bridge different civilizations. However, there emerges the question to what extent this self-perception reflects the reality in the G-20 process. There is obviously no doubt that the G-20 is an economic cooperation. G-20 leaders have regularly declared this position. Since its inception in 1999, the G-20 has pursued an economic agenda and made economic commitments. Since the Pittsburgh Summit the G-20 leaders began to think of other relevant issues, but reaffirmed that these issues should be necessary to promote a strong, sustainable and balanced growth.

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155 [http://indonesian.irib.ir/index.php?option=com\\_content&view=article&id=16827:com-ec-harapan-ekonomi-dunia-islam&catid=59:perspektif&Itemid=101](http://indonesian.irib.ir/index.php?option=com_content&view=article&id=16827:com-ec-harapan-ekonomi-dunia-islam&catid=59:perspektif&Itemid=101), accessed on July 29, 2010.

156 [http://www.oic-oci.org/page\\_detail.asp?p\\_id=65#idb](http://www.oic-oci.org/page_detail.asp?p_id=65#idb) accessed on July 2010.

In the deliberation processes, there are no such things as a division between the West and the rest. The discussions in the G-20 do not address a particular ideology or religion, but the common issues which constitute the interests of the international community regardless whether they are secular or religious. What was evident in the first two summits were the different views among the developed nations towards most appropriate measures to mitigate the impact of the financial crisis on their national economies: whether to eschew more regulation in the financial market or to introduce fiscal stimulus to revive the national economies. In the Seoul Summit, differences were salient between developed countries (led by US) and emerging economies, particularly China, in regard to the currency value and monetary stabilization. Despite sharp differences, leaders concluded with commitments and agreed that each member-state might adopt different, but suitable ways in meeting their commitments.

There are no evident to suggest that a division occurred between different civilizations: neither the West versus the Confucianism nor the West versus Islam. Islamic countries were not eager to promote the Islamic financial system as complement to the existing conventional system even though they had developed such a particular financial system within the OIC framework. Neither was there a discussion that suggested the OIC members' concern on attempts by secular states to impose a secular conventional financial system and that the conventional system could be affected by the already adopted Islamic banking system.

As described earlier in this chapter, the OIC leaders have already formed a mechanism to address economic issues within its organization called Committee for Economic and Commercial Cooperation (COMCEC). This mechanism, similar to the G-20, also operates on the leadership level. The cooperation was founded in 1981 long before the G-20 leaders began their summits.

The Muslim issue seemed to gain little attention from G-20 leaders. In 2001 there was a discussion about terrorism, but the G-20 ministers and bank governors did not link it with Islam nor did they addressed it as religious political differences. The ministers and governors put particular concern on the way to block the access to terrorist finance rather than to condemn the uncivilized terrorist actions for destructing the human civilization. The concern was very much on how to maintain stability as a necessary condition

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of economic growth.

The same view has been expressed by many respondents of the research project. None saw the relevance of Indonesia's membership as a Muslim representative in the G-20. One respondent suggested:

"Indonesia is the largest Muslim country in the G-20, but the self-perceived role to represent the Muslim world is not necessary. It is unnecessary to represent a specific religion. Terrorism for example could probably be discussed in the G-20, but because it effects economic aspects and because it will have a global impact on international cooperation."<sup>157</sup>

A similar view was also conveyed by the Head of Indonesia's G-20 Sherpas, Mahendra Siregar. He stated that the G-20 has no connection with a particular ideology:

"Globally, I do not see that there is a difference between Muslim states and non-Muslim states. For example, the global community has the MDGs that are targeted to be accomplished in 2015. I think whether a nation is Muslim or not, it will face the common obstacles in reaching those goals. The matter definitely does not have anything to do with ideology".<sup>158</sup>

The question which can be addressed is how to make Indonesia's self-perceived role as a Muslim country relevant to other Muslim countries in the G-20? One respondent who represented a Muslim country from the Middle East shared his view:

"We have to keep in mind that the G-20 is not only about representation. It is about who are the influential nations in terms of economy, or inside the economic parameter. So, it is not about a group representing areas or a region. One nation can only represent herself. It is more likely that Indonesia is a part of G-20 on behalf of her capacity as an emerging

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157 Interview with a researcher from a leading research institution on May 19, 2010.

158 Interview with a representative from Palestine Embassy to Indonesia on June 10, 2010.

economy. So nobody represents somebody else because the forum is purely about economics, not religion nor ideology. Yes, most of Asian and African nations are developing nations facing similar issues and similar challenges, such as issues like poverty, education and housing. Only in this context can Indonesia speak on behalf of Muslim nations because they face the same problems."<sup>159</sup>

The perception of a civilization powerhouse has been presented simply because the G-20 embraces developed and emerging economies from different civilizations. By population at large, Indonesia is categorized as a Muslim country. Indonesia is yet eager to prove her readiness to accept, and then impose, the secular conventional system arguing that only tolerant and accommodative Muslim countries can do so. It is certainly a symbolic role. There are many international fora where both secular and Muslim countries became active members. The United Nations, in this respect, is one among many leading universal organizations that do not care about the origin of civilizations.

### **e. Agenda for contextualizing the representativeness of the Muslim world**

As described in the previous sections, this research has not found any relevance between the G-20 and the Muslim world or any urgency for Indonesia to represent the Muslim voice in the secular G-20 process. The self-perceived role as a civilization bridge is merely symbolic rather than practical. It is an Indonesian way to build a positive image in the international community and simultaneously to show a 'new fashion' in the globalized world in the time of crises: the world's largest Muslim country has the political will to cooperate with the West. In this respect, the OIC is a more appropriate forum where Indonesia can encourage fellow Muslim countries to articulate the Muslim voice in a secular world, while Indonesia and other Muslim countries can develop complementary economic systems.

Nonetheless, there are recommendations to be proposed regarding this issue. The participation of Indonesia, Saudi Arabia and Turkey will be

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159 Interview with the Head of the Indonesian G-20 Sherpas on June 2, 2010.

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appreciated if these countries can prove to be active and constructive members in the overall G-20 process. The Indonesian participation would be very much applauded if it can bring in new innovative measures to strengthen the global financial architecture. The conventional one is now reformed because it is too vulnerable to a financial shock and not resilient enough from the crisis.

The G-20 had been formed to find jointly efforts to strengthen the financial and the banking system which have been adopted by secular states for many decades. The current conventional system has worked in accordance with the market principles which minimized the state's intervention. The G-20 leaders have admitted that this conventional system can not guarantee a strong economic growth. The recent crisis in the United States and then Greece show the vulnerability of the conventional system.

The Muslim countries that became G-20 members have the chance to contribute to the strengthening of the conventional system, and at the same time have the chance to develop complementary mechanisms such as the Islamic finance and bank system. There are definitely differences between the two systems, even though the two generally share the same fundamental principles.<sup>160</sup> Both systems adopt accurate risk management and sound corporate governance to guard the security of the international banking system. In this respect, Islamic financial stability institutions can contribute further to the formulation of a strong financial market infrastructure which could hold off the impacts of financial crises. By this, Indonesia and other Muslim countries can prove that their contributions are effective in securing stable domestic financing. If this succeeds, it will become a starting point for further development of initiatives inside the G-20 forum.

A thorough study into the Islamic financial system needs to be undertaken to examine the feasibility of the system to become complementary to the conventional one. The OIC members should first prove the effectiveness of the system before Indonesia and other Muslim member-states would bring the system on the G-20 agenda. By this initiative, Indonesia's self-perceived role as a civilization bridge-builder will not only have a symbolic meaning, but also substantive one.

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160 "The growing importance of Islamic finance in the global financial system", speech by Malcolm D Knight, General Manager, Bank for International Settlement, delivered at the 2nd Islamic Financial Services Board Forum, Frankfurt, December 6, 2007, <http://www.bis.org/speeches/sp071210.htm>. accessed on July 29, 2010

# V.

## THE ROLE OF CIVIL SOCIETY ORGANIZATIONS (CSOs) IN THE G-20

It has been mentioned in Chapter One that G-20 is an intergovernmental forum which consists of governmental representatives. The main role of the governments in this forum is to set-up the structure of the global financial architecture. The legitimacy of this structure is yet questionable because it neglects the society and its role in the forming the architecture.

The nature of the intergovernmentalism seems to constrain CSOs in the G-20 process. The G-20 has not provided room for CSOs to sit down together on equal footing with the governmental representatives when making commitments in the forum. Due to this neglect G-20 commitments and actions failed to address the basic needs of grassroots communities. It has been mentioned in the first chapter of this report that the G-20 is criticized for being reluctant to mitigate seriously the social impacts of the financial crisis. The G-20 is more focused on handling the crisis through rational economic measures. In this respect, CSOs could fill the gap that has been left and neglected by the intergovernmental institutions.

However the argumentation which supports the CSOs' participation in the G-20 process does not correspond to the problems. The existing CSOs have been fragmented into different sectors of activities. It is hard to find any CSO representative who has the legitimacy to represent the whole CSO community including those who became victims of the financial crisis.

This chapter will describe the potential role of CSOs from conceptual and historical perspective and then examine how CSOs could exercise their roles in the G-20 process.

## **a. The CSOs' potential role in a conceptual perspective**

Literature studies have shown that the role of civil society organizations should be taken into account in the state dominated international structure. Literally the term 'Civil Society' derives from the Latin language '*civilis societas*'. The term civil society was first used by Adam Ferguson (1723-1816) in his work "An Essay on the History of Civil Society" (1767). Ferguson's conception of civil society was used to deconstruct the Marxist conception of society which prioritizes the individual interests and rights freely. The civil society is an integral part of society that continuously struggles against the established political structure (monarchic, feudal or bourgeois) and keeps its distance from the government's influential circles.<sup>161</sup>

Scholars have then suggested various definitions of civil society. Alejandro Colas for instance defined civil society as "*private realm of relations among individuals, a social space which was slowly wrenched away from both the affective universe of the family and the formal domain of the state (or a social space between family and the state)*".<sup>162</sup> Antonio Gramsci developed his 'Gramscian' concept suggesting that civil society is a contra-hegemony development entity. For Antonio Gramsci, the role of civil society is an instrument of collective action in protecting non-public territory from state autonomy and in influencing the regime, politics, the state and the market. This concept means that global civil society movements in an economic summit cannot be considered as neutral:

"...civil society has a key role in developing the hegemonic ideology and to insure consent from the people. Hence, the selection of the movements from the global civil society that are allowed to have a word during economic summits cannot be viewed as a neutral decision. It may be a means to improve the prevailing ideology in the world order."<sup>163</sup>

Muthiah Alagappa emphasized the potential roles of CSOs and identified

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161 Adam B. Seligman. (1992) *The Idea of Civil Society*. New Jersey: Princeton University Press, pp. 46-55.

162 Alejandro Colas (2002). *International Civil Society. Social Movements in World Politics*. Cambridge: Polity, p. 38.

163 The G-20 and the B-20: Reconsidering global civil society from a Gramscian point of view. <http://www.economicssummits.info/2010/06/g20-b20-global-civil-society-gramscian/>. Accessed on July 29, 2010.



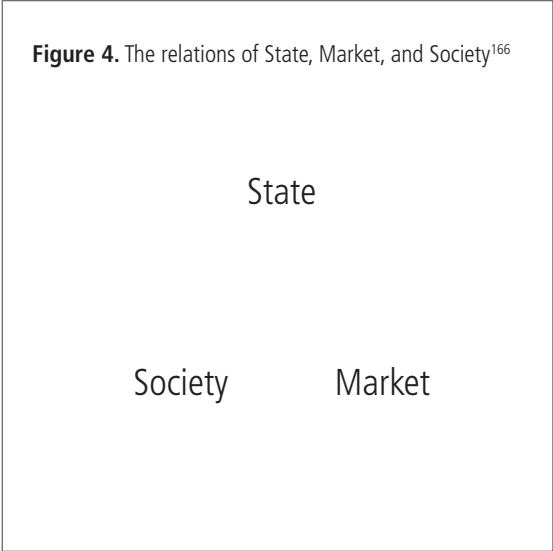
four categories of CSOs: (1) As mediators between states, political entities, and markets; (2) as special arenas to preach and construct normative objectives in order to pressure groups of states to adopt certain norms or future goals; (3) as autonomous areas of 'self government' by non-state actors; (4) as instruments of collective actions to protect non-state actors.<sup>164</sup>

Other scholars highlighted that civil society can be a third sector whose purpose is to increase social awareness; its place is in public outside the government and the market. The first sector is the state or the government which are obliged to ensure services and provide social needs for their citizens. The second sector is the private sector which consists of business and industrial realms with the aim of creating a living and wealth.<sup>165</sup>

V.A Hodgkinson and R. D. Sumariwalla (1992) noted that civil society organizations as integral parts of civil society have distinctive functions as the defender of the neglected poor society. CSOs also advocate for social change.<sup>167</sup>

They provide social services and in some nations, also provide social wealth. They provide various innovative, flexible, and personal services to certain groups or in local situations.

Yet CSOs are not always unitary entities which speak with one voice. Some CSOs have a strong orientation towards value systems and serve as moral associations.



164 Muthiah Alagappa (2004). *Civil Society and Political Change in Asia: Expanding and Contracting Democratic Space*. Stanford: Stanford University Press.

165 Bob Sugeng Hadiwinata. (2003) *The Politics of NGOs in Indonesia: Developing Democracy and Managing a Movement*. 2003. London and New York: Routledge Curzon, p. 2.

166 Ibid.

167 V.A. Hudkinson dan RD. Sumariwalla. (1992). "The Nonprofit Sector and the New Global Community. Issues and Challenges," In K.D. McCarthy, V.A. Hodgkinson and R. D Wumariwalla and Associates (eds.). *The Nonprofit Sector in the Global Community: Voices from Many Nations*. San Fransisco: Jossey-Bass.

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**Table 6.** Characteristics of the Development-CSOs and Movement-CSOs<sup>169</sup>

Orientation	Development CSOs	Movement CSOs
Role	Development institution	Social movement organization
Organization philosophy	Formal, professional	Informal, flexible
Mission and objective	Increasing productivity	Empowering
Activity	Health, agriculture, micro-credit, small scale industry, and so forth.	Advocacy, litigation, campaign, protest, demonstration, and so forth.
Perspective on poverty	Poverty happens because of malnutrition, minimum resources (capital and capability).	Poverty happens because of injustice, exploitation, and manipulation
Relations with targeting group	Unbalanced: CSO takes full initiative	Relatively balanced: CSO raises awareness
Relations with the government	Partnership, selective cooperation	Critical, confrontation, opposition

CSOs can help to form civil institutions as a place where citizens can study, play, and pray together and become a strong civil society. In this respect, there are two types of CSOs: development oriented CSOs and movement oriented CSOs. Each category upholds very different orientations and roles as well as different organizational philosophies and different views in regard to their relations with particular groups and governments. Table 6 shows the differences between so-called 'Development-CSOs' and 'Movement-CSOs'.<sup>168</sup> The development and movement oriented civil society organizations have adopted different approaches to take care of problems and to enhance their aspirations. Development-CSOs adopt a soft approach towards the government while Movement-CSOs use power to deal with the government. Moreover the position of civil society is still weak in developing nations.

CSOs are also different in terms of their scopes of activities. There are local and national CSOs that concentrate their activities on a particular place in the national territory. But there are also global CSOs which promote some universal values such as the protection of human rights, gender equality, recognition of minority rights, environmental protection, children protection, and poverty alleviation through their global scope of activities. The global

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168 Bob Sugeng Hadiwinata, (2003). *Op.Cit.*

169 *Ibid.*

CSOs have capacities to mobilize transnational constituents or members.

CSOs have been widely recognized as important actors in international relations. Some CSOs are now observing various “non-traditional security problems”. CSOs possess the ability to deal with many issues from environmental issues, migration of labor, illegal arms trading, poverty, epidemic diseases, to the economic development agenda.

The role of the CSO as an international actor is based on the assumption that the state should in fact be the guarantor for civil rights (security, possession, access to wealth, freedom of expression and political association, etc), but in reality often the state became a violator of human rights. When a state destroys or refuses these rights, local and national groups will need a network to express their concerns and build global supports for national actions.

## **b. CSOs as a Third Sector in the G-20: potential but divided**

CSOs have given serious attention to the G-20 process which obviously shows the dominant role of the state in imposing on the function of the market in a global financial architecture. Various global CSOs such as the “Global Campaign for Education”, “Save the Children”, “Oxfam”, “WWF”, “Actionaid”, “World Vision”, “Greenpeace”, and the “ITUC” took a leading role in observing the G-20 process. The CSOs argue that the G-20’s coordinated efforts in dealing with the global economic crisis will reshape the global economic structure and affect the whole world population. The G-20 is a forum steered by the political elite at state actor level; the decision of this forum will influence global economic arrangements and will eventually affect the life of the global community. Media and academics as part of the civil society also expressed their aspirations towards the issues and the agenda which have been pursued by the G-20 leaders.

Development-CSOs such as the “WWF” and Movement-CSOs such as the “Global Campaign for Education”, “Save the Children”, and “Greenpeace” were taking active part in observing the G-20 process. Movement-CSOs have been using advocacy, litigation, campaign, protest, and mass rallies and through their activities gained far more and broader publicity in the mass media compared to Development-CSOs.

The research has discovered that the voice of Movement-CSOs has been divided into two groups. The first group still upholds their expectation towards

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the G-20's role in promoting the interest of society and a balanced development in developed and developing nations. However they highlighted points of objection which the G-20 should address.

The second group sees the G-20 as a capitalist instrument. Some Movement-CSOs such as the "Global Campaign for Education" expressed that the G-20 should put more attention to the education sector as a long term plan for development actions. "Save the Children" also expressed that the G-20 should broaden their influence on other aspects and become a forum to support the MDGs program especially to address the mortality rate of mothers and children.<sup>170</sup>

Other Movement-CSOs completely refuse to accept the G-20 as a global forum. "Gerakan Rakyat Lawan Neokolonialisme-Imperialisme (GERAK LAWAN)" from Indonesia is one example for such a CSO which openly disagrees with the formation of the G-20. Some CSOs such as "Serikat Petani Indonesia (Indonesian Peasant Association)", "Serikat Buruh Indonesia", "Koalisi Anti Utang", "Institute for Global Justice", "Koalisi Rakyat untuk Keadilan Perikanan", "Wahana Lingkungan Hidup Indonesia", and "Sarekat Hijau Indonesia" share similar resistances against the G-20. They argue that the G-20 does not have any legitimacy as a decision maker forum for the whole global society.<sup>171</sup>

The CSOs that responded to the G-20 are those specially those concerned with micro-enterprise development, mainstreaming and advocacy. The role of micro-enterprise development and advocacy are mostly played by Development-CSOs whose activities are not well published by the mass media. The role of mainstreaming is aimed to bring specific or local issues to become international issues; the most popular role for CSOs in the G-20 context. Movement-CSOs like "GERAK LAWAN" are doubtful on the legitimacy of the G-20, while other CSOs are more mainstream and promote the formation of fairer arrangements in the world financial institutions, demand a debt relief and arouse public concern on education, health, and environment issues. Some CSOs play a role in tracking budget allocation, transfer of funds and

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170 *NGO Responses to the G-20 Summit*, <http://www.sherpatimes.com/g8/185-ngo-responses-to-the-g20-summit.html>, accessed on July 29, 2010.

171 *Masyarakat Sipil Indonesia Mengutuk Pertemuan G-20 di London*. <http://www.satudunia.net/?q=content/masyarakat-sipil-indonesia-mengutuk-pertemuan-G20-di-london>, accessed on July 29, 2010.

expenditure.<sup>172</sup>

In this context “GERAK LAWAN” warned the Indonesian administration to avoid the making of new debt due to the G-20 which would harm the society and put a heavy burden on the next government. This warning is considered necessary because the CSOs see Indonesia's debt as a heavy burden on the national economy and the life of its citizens.<sup>173</sup>

Similar to “GERAK LAWAN”, also “INFID” criticized the Indonesian government's initiative on the increase of the role of the international financial institutions such as the World Bank, IMF, and other multilateral development banks in solving the economic crisis in providing more funding for development, which in the CSOs' perception would only burden the economy. Indonesia's private debt which was due in 2009 amounted to 209.6 billion IDR (\$ 22.6tn), while government's debt reached 112.19 billion IDR.<sup>174</sup>

Some CSOs play a softer mainstream role in influencing the G-20 agenda so that it would go in the same direction as the CSO's agenda. In their views, the G-20 should not be exclusive, but represent the interests of developed and developing nations equally as well as all classes in the world community. The “Global Campaign for Education” promotes the education issue; “Save the Children” pursues mother and child protection as their major agenda; “World Vision” is concerned with the debt relief for Haiti; “Oxfam” pushes the poverty agenda; while “WWF” and “Greenpeace” pursue environment issues.<sup>175</sup>

As mentioned before, CSOs are evidently not unitary entities in responding to the G-20 process. The CSOs are divided into three categories in terms of their actions.<sup>176</sup> In the first group are the extreme CSOs which campaign for anti-globalization. This group frequently uses vandalism to demonstrate their opposition against G-20 meetings. In the second group are the skeptic CSOs which are doubtful on the role of the G-20; however this group does not organize disturbances during the G-20 meetings. In the third group are the pragmatic CSOs which understand the G-20 as an imperfect forum, but a

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172 Siddharta Mira, *Civil Society's Role in G-20*, CUTS International.

173 *Masyarakat Sipil Indonesia Mengutuk Pertemuan G-20 di London*. <http://www.satudunia.net/?q=content/masyarakat-sipil-indonesia-mengutuk-pertemuan-G20-di-london>. accessed on July 29, 2010.

174 *INFID's statement in response to G-20 process*. <http://melampauipemilu.com/statement-infid-terhadap-pertemuan-g20/>. Accessed on July 29, 2010.

175 *NGO Responses to the G-20 Summit* <http://www.sherpatimes.com/g8/185-ngo-responses-to-the-g20-summit.html>. accessed on July 29, 2010.

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forum that could be helpful for the global society if the CSOs are able to bring in their constructive aspirations.

### **c. Global CSOs: Taking very diverse issues to an exclusive forum**

Civil society organizations have brought various agendas and specific issues into the G-20 process including demography (2004-2006), clean energy (2007-2008), energy security, climate change, food security, energy market, and labor issues (2009). They suggested that the G-20 should be more concerned about these issues, arguing that the non-financial issues will also affect financial issues in the same way as fiscal and monetary problems.<sup>177</sup> However it is quite evident that the CSOs have been disunited in regard to what parts of their agendas the G-20 leaders should give priority.

Some leading CSOs put pressure on the development agenda. However they do not share a unitary approach on how to promote such an agenda. The "Global Campaign for Education" expressed disappointment that the G-20 did not progress further on a financial transaction tax to cover the funding gap left by the G-8. Furthermore the "Global Campaign for Education" suggested that the G-20 should focus on the education sector to pursue a sustainable long term development. "Save the Children" called on the G-20 to support the objectives of the Millennium Development Goals (MDGs) and urged the G-20 to back the UN Joint Action Plan on Maternal and Child Health. "Save the Children" further suggested that new donors such as South Korea and Saudi Arabia having an important role to play in promoting the quality life of mothers and children.<sup>178</sup>

"Oxfam" criticized the G-20 for doing nothing on the elimination of poverty and therefore lost a good opportunity by focusing only on how to cope with the high costs of the crisis. According to "Oxfam", the G-20 ought to pursue a tax on the financial sector particularly to help the 64 million people forced into

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176 Interview with President of Konfederasi Serikat Buruh Sejahtera Indonesia (KSBSI) on August 12, 2010.

177 G-20 and Empowering Indonesia's Position in Setting the Agenda to the New Global. <http://tabloiddiplomasi.com/index.php/current-issue/80-news/762-G20-dan-pemberdayaan-posisi-indonesia-dalam-setting-the-agenda-pada-the-new-global-.html>. accessed on July 29 2010.

178 NGO Responses to the G-20 Summit, <http://www.sherpatimes.com/g8/185-ngo-responses-to-the-g20-summit.html>. accessed on July 29, 2010.

poverty due to the economic crisis. “Oxfam” suggested that the G-20 should be more active in addressing the poverty alleviation agenda.<sup>179</sup>

“Make Poverty History” is worried that the G-20’s commitments will increase poverty. “Make Poverty History” felt that the government’s dealing with deficit budgets will mean a cutting back on the public service sector. However, the formation of the G-20 Working Group on Development is appreciated as a right step and may be able to do a better job of addressing the poverty crisis compared to the G-8.

The “Global Call to Action Against Poverty (GCAP)” argued that the G-20 Summits failed to show a strong political will to fight against poverty by postponing key commitments such as the “Robin Hood Tax” and refused to end fossil fuel subsidies and to invest in clean energy. The “Global Call to Action Against Poverty” suggested that the G-20 should include Africa as a permanent member. The group also welcomed the formation of the Working Group on Development and the agreement of Haiti’s debt relief, but warned that the G-20 should now take similar initiatives to help all impoverished nations.<sup>180</sup>

“UK Actionaid” complained that the G-20 leaders lacked ideas and the willingness to compromise. The organization said that the G-20 would be forgotten in a short time because it has not offered any right solutions to address the vulnerable economic condition. The G-20 commitments will only worsen the condition of the poor people. Contrary to that, “World Vision” welcomed the G-20’s agenda on development and the cancellation of Haiti’s debt.<sup>181</sup>

The “ONE Campaign” suggested that the G-20 should focus on improving governmental public services and public accountability. The Working Group on Development and the Working Group on Anti-Corruption should set up plans of actions to promote the two public sectors. The “ONE Campaign” also reminded the G-20 to accommodate suffering nations like in Africa through the formation of an effective partnership.<sup>182</sup>

The “International Trade Union Confederation (ITUC)” stated that the

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179 Ibid.

180 Ibid.

181 *NGO Responses to the G-20 Summit* <http://www.sherpatimes.com/g8/185-ngo-responses-to-the-g20-summit.html>. accessed on July 29, 2010.

182 Ibid.

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G-20 failed to create new job opportunities as an urgent priority.<sup>183</sup> The ITUC welcomed the German government's support for referencing the recent G-20 Labor Ministers' meeting in Washington where employment has been considered as a core priority; the ITUC also called on the G-20 to give the ILO the task of writing the recommendations on employment and social protection. The ITUC criticized that the G-20 chose to work together with the B-20 business group at the summit.<sup>184</sup> The ITUC asked the G-20 for giving more attention to the unemployment problem, arguing that the employment sector is the international indicator of economic recovery; since the creation of job opportunities will also stabilize social security systems and contribute to poverty alleviation. In the view of the ITUC it is not possible to promote economic recovery without restoring the employment sector.

Therefore the success of the economic recovery should be measured in terms of the creation of quality job opportunities and the provision of decent work.<sup>185</sup> The ITUC also supports the international concept of a financial transaction tax in order to avoid speculation. The Indonesian and German governments support this idea.<sup>186</sup> The ITUC also sees the importance of the issue of climate change and asks the G-20 nations for formalizing a meeting format with the ITUC; the previous meetings were only informal unlike the ones with the OECD Trade Union Advisory Forum (TUAC).

Some CSOs highlighted the importance of environmental issues and thus pushed the G-20 leaders to focus on the sustainable development agenda. The "WWF" reminded the G-20 to pay more attention on the issue of a sustainable economic recovery which had been discussed since the G-20 Summit in Toronto. The "WWF" warned that the world leaders nowadays are still painting the economy in black and white without a green essence. Rather than undertaking real actions, the G-20 Summits are only recycling and reusing earlier commitments. The "WWF" is also disappointed with the G-20 because the leaders did not agree on any initiatives to raise funds for climate adaptation. Similar to the "WWF", "Greenpeace" insists that the G-20 should immediately

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183 Interview with President of Konfederasi Serikat Buruh Sejahtera Indonesia (KBSBI) on August 12, 2010

184 Ibid.

185 Ibid.

186 Ibid.



take up steps for a fossil fuel phase out. It further criticized the G-20 Summit in Toronto for lacking a vision on climate financing.<sup>187</sup>

“Tearfund” said that G-20 lost a chance to discuss ‘climate justice’. It is calling for at least \$ 200 billion per year by 2020 for a new global deal. “Tearfund” welcomes the G-20’s support of the United Nations Convention Against Corruption, but was disappointed that there were no evaluation mechanisms. “Tearfund” hopes that the G-20 would do a better job than the G-8.<sup>188</sup>

The “Women’s Working Group” called on the G-20 to integrate gender perspectives in the new economic and financial architecture, and to bring G-20 and IMF together to carry out the UN mandate and to have the authority to stop the Doha Round negotiations, to restore the former conditions of the Official Development Assistance (ODA) and to ensure transparent allocations in new commitments for funding. The perspective of gender, environment, and human rights are seen important to create a fair and just global architecture.<sup>189</sup>

The General Secretary of “Amnesty International” questioned the G-20 member states’ records on human rights and calls into question the G-20’s right to lead the world. In particular, he raised concern on the records of the two most powerful countries in the G-20, the USA and China.

“To be truly global leaders, the G-20 must subscribe to global values and confront their own tarnished records and double standards on human rights... It is incumbent on those sitting at the world’s top table to set an example through their own behavior. A good start would be for the G-20 members to send a clear signal that all human rights, economic, social or cultural rights, political or civil rights, are equally important.”<sup>190</sup>

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187 NGO Responses to the G-20 Summit, <http://www.sherpatimes.com/g8/185-ngo-responses-to-the-g20-summit.html>. accessed on June 27 2010.

188 Ibid.

189 *Statement of the WOMEN’S WORKING GROUP ON FINANCING FOR DEVELOPMENT for the G-20 Summit in Pittsburgh*, September 2009. <http://www.choike.org/2009/eng/informes/7637.html>. accessed on July 19, 2010.

190 *G-20 must set the example and clean up their human rights record*. <http://www.amnesty.org/en/news-and-updates/feature-stories/G20-must-set-example-and-clean-their-human-rights-record-200905>. accessed on July 29, 2010.

#### **d. Indonesian CSOs: finding a common ground**

Indonesia's CSOs have also presented their various views towards the G-20 process. "INFID" for instance reminded that the G-20 meetings did not create a fair global arrangement, but on the contrary the global arrangement is now more unfair. The CSO also rejects the strengthening of the role of IMF and World Bank in the handling of the financial crisis because the two institutions have failed and even became the primary cause of the recent global financial crisis. INFID urges the United Nations to take a more essential role in the crisis settlement, but underlines the importance of UN reforms to eliminate the veto rights held by the five UNSC permanent members. INFID suggested that the Indonesian government should enhance its performance, not simply showing obedience to donors. INFID rejects the collateral agreements on guaranteeing the risks of private debt by the government and the bilateral agreements regarding the climate change scheme arguing that the agreement would only lead to the destruction of Indonesia's nature and environment.<sup>191</sup>

An INFID representative hoped that the government would introduce proper policies on trade and investment and on domestic security. Furthermore, he demanded that the G-20 should not become a rival of the United Nations which has established a legitimacy in making internationally binding decisions. He reminded that the G-20 holds more than 3/4 of the world's GDP, and has already undermined the United Nations and made the world's most legitimate organization to become less significant.<sup>192</sup>

One NGO activist from "Koalisi Anti Hutang" hold a similar view like INFID about the legitimacy of the G-20:

"G-8 or G-20 claim themselves as shadow governments, as if they were the model of a new global government. If we stick to international consensus agreements, the United Nations should hold the bigger role. When the 2007-2008 crises occurred, there emerged the debate about whether the problem would be solved by the UN or the G-20 mechanism. Most of civil societies urge the UN to take a more significant role because

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191 INFID's Statement in response to G-20 process. <http://melampaiupemilu.com/statement-infid-terhadap-pertemuan-g20/> accessed on 29 July 2010.

192 Interview with representative of International forum Indonesian NGOs, on May 27, 2010.

this would ensure the involvement of all nations.”<sup>193</sup>

Another NGO activist from “Wahana Lingkungan Hidup (WALHI)” emphasized that Indonesia’s participation in the G-20 should not only be the one of a follower. It is better to pursue the UN as the global representative.<sup>194</sup>

“Gerakan Rakyat Lawan Neokolonialisme-Imperialisme (GERAK LAWAN)” raised several points.<sup>195</sup> First, the G-20 does not have any legitimacy to perform the role of a decision maker whose commitments will affect the life of all global citizens, especially those who are living in poor and developing countries. Second, the developed nations should not use the developing nations to revitalize the Doha Round of the World Trade Organization, and to pursue investments in the exploitation of natural resources in developing countries, and to pursue a carbon/offset trading for solving the crisis. Third, the G-20 should not be used to arrange new debt for developing nations through the reforms of the International Financial Institutions.<sup>196</sup> Fourth, it is the state’s responsibility and obligation to promote fundamental policy changes to improve the life of all citizens. Fifth, “Gerak Lawan” demanded the settlement of the natural resources problem (energy, food, water, and fishery), and the environment crisis (pollution, climate change), by concentrating on essential rights, especially for workers, farmers, and small consumer. Sixth, President SBY should not introduce policies such as commitments for new debt, which will disfavor the society; and become a burden for the next government.

“Koalisi untuk Keadilan Global (Coalition for Global Justice)”<sup>197</sup> delivered their aspirations as summarized below:

1. Refusing neoliberal capitalism such as financial deregulation, trade liberalization, investment expansion, and foreign debt as a way to solve

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193 Interview with CSO activists on May 21, 2010.

194 Ibid.

195 GERAK LAWAN is a forum of CSOs consisting of *Serikat Petani Indonesia*, *Serikat Buruh Indonesia*, *Koalisi Anti Utang*, *Institute for Global Justice*, *Koalisi Rakyat untuk Keadilan Perikanan*, *Wahana Lingkungan Hidup Indonesia*, *Sarekat Hijau Indonesia*.

196 *Masyarakat Sipil Indonesia Mengutuk Pertemuan G20 di London*. <http://www.satudunia.net/?q=content/masyarakat-sipil-indonesia-mengutuk-pertemuan-g20-di-london>. accessed on July 29, 2010.

197 *Koalisi untuk Keadilan Global* is formed by *Institute Global Justice*, *International NGO Forum for Indonesian Development*, *Koalisi Anti-Utang*, *Wahana Lingkungan Hidup Indonesia*, *Migrant Care*, *Koalisi Rakyat untuk Hak atas Air and Serikat Petani Indonesia*.

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the global financial crisis.

2. Refusing to strengthen multilateral financial institutions such as IMF and World Bank, and the use of foreign debt as the funding source to overcome the crisis, especially in developing nations.
3. Refusing all forms of manipulation of issues such as the food crisis, the climate change, and the sustainable development agenda, which in reality are all efforts to extend neocolonialism and imperialism in the third world nations.
4. Calling the government to restore economic activities based on the mandate of the Independent's Proclamation and the 1945 basic constitution, especially on article 33 as the basis of a populist economy.

### **e. CSOs' different approaches to bring issues into the G-20 process**

Finding effective approaches to pursue CSOs' aspirations may constitute an important issue. The right approach would help CSOs in convincing G-20 leaders and national governments that CSOs are potential partners in pursuing global issues and agendas. The approaches reflect how CSOs perceive the role of the G-20 and thus could encourage governments to consider a partnership with CSOs as important.

The common approaches include soft ones such as the making press releases, lobbying with government representatives and G-20 leaders, as well as non-violent campaigns for particular issues, and harder approaches such as violent mass rallies or demonstrations to put more pressure or to articulate the protest against the G-20. Some CSOs combine the various approaches in their actions. To support their actions, civil society organizations developed data bases as the main instrument for formulating their views toward the G-20. CSOs collect information from within the society, measure the satisfaction with the government's performance, examine the schemes which will be discussed in the G-20 Summits and assess and monitor the implementations of G-20 commitments. Some CSOs lobby to their governments to bring their initiatives into G-20 meetings.

The "Global Campaign for Education", "Save the Children", the "Global Call to Action Against Poverty", "INFID", and "GERAK LAWAN" are examples of movements which use the press release approach in expressing their positions,

whilst “Greenpeace” and “WWF” use the campaign approach.

Many CSOs make joint statements by developing a network with other CSOs. This approach was for instance adopted by Indonesian CSOs such as “GERAK LAWAN”, “Serikat Petani Indonesia”, “Serikat Buruh Indonesia”, “Koalisi Anti Utang”, “Institute for Global Justice”, “Koalisi Rakyat untuk Keadilan Perikanan”, “Wahana Lingkungan Hidup Indonesia”, and “Sarekat Hijau Indonesia”.

Also at the international level joint statements were voiced in regard to the G-20, for instance, on April 14, 2010 the “International Civil Society”, representing dozens of international, regional, and national civil society organizations. There were five points on their joint statement. First, they demanded the inclusion of the poorest countries in the G-20, starting with the African Union. Second the G-20 has to be balanced, legitimated, and credible in representing the interests of all countries in the world and there must be a rotating mechanism for the Head of the G-20. Third, the G-20 should be transparent. The G-20 must put in place measures to address its deficiencies by extending an Accountability Framework to all G-20 commitments; this framework should be supported by ‘expert groups’. Fourth, the G-20 should recognize and strengthen the role of the United Nations. Fifth, the G-20 must be open to the civil society, arguing that non-state actors should have more influence in international processes. This would positively influence governments’ understanding of issues, policy agendas, and methods. The G-20 governments and parliaments should be committed to arrange effective consultation with civil society.<sup>198</sup>

Other international CSOs which issued joint statements were the “Association for Women’s Rights in Development”, “CIVICUS”, “Global Call to Action Against Poverty”, “Global Campaign for Education”, “Global Health Council”, “Global Movement for Children”, “Greenpeace”, “International Trade Union Confederation”, “Medical Mission Sisters International”, “Oxfam International”, “Third World Network”, “UBUNTU Forum”, “VIVAT International”, “World AIDS Campaign”, and “World Federalist Movement-Institute for Global Policy”.

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198 Sign-On Statement for a Global Leaders Forum. International Civil Society Statement ahead of the 2010 G-20 Leaders Summit in Toronto. <http://www.halifaxinitiative.org/content/towards-a-global-leaders-forum>. accessed on July 29, 2010.

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Regional civil society organizations also formed a coalition to issue a joint statement. The coalition was made up by the "Arab NGO Network for Development", the "European Network on Debt and Development", and the "Economic Justice Network of the Fellowship of Christian Councils in Southern Africa" and by national civil society organizations from around the world.

Another form of CSO action is the formation of the Civil Society Platform, the so-called "2010 Canadian G8/G20 Civil Society Coordinating Committee". This committee consisted of the "Africa Canada Forum", "Amnesty International", "AQOOCI", "Canadian Catholic Organization for Development and Peace", "Canadian Council for International Co-operation", "Canadian Crossroads International", "Canadian Global Campaign for Education (CGCE)", "Canadian Labor Congress", "Canadian Society for International Health", "Climate Action Network Canada", "G-8 2010 Interfaith Partnership", "Global Treatment Access Group", "Halifax Initiative Coalition", "Interagency Coalition on AIDS and Development", "KAÏROS –Canadian Ecumenical Justice Initiatives", "Make Poverty History Canada", "Oxfam Canada", "Oxfam Québec", "The Pembina Institute", "Plan Canada", "RESULTS Canada", "Save the Children Canada", "UNICEF Canada", and "World Vision Canada".<sup>199</sup>

The thirteen pages platform suggested recommendations for the Canadian Government to focus on the solving of the poverty issues, to pursue economic reforms, and to address the climate change issue. The platform highlighted three main important inter-correlated areas: poverty elimination, global economic and financial system transformation and climate change.

The ITUC, the Global Union Federations and the Trade Union Advisory Council to the OECD (TUAC-OECD) formed together the so-called "Global Unions". The ITUC alone has affiliates in 137 countries and thus also a consultative mechanism on the national level in those countries. The result of the national consultations is then summarized and shared among all ITUC affiliates. On behalf of the ITUC, the Indonesian affiliate KSBSI then addressed these trade union positions to President Susilo Bambang Yudhoyono.<sup>200</sup>

Most civil society organizations published their joint statements, opinions, press releases, campaign agendas and protests through mass media (air, cast,

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199 *G8/G20 Canadian Civil Society Platform*. <http://www.g7.utoronto.ca/conferences/2010/ghdp/g8-g20-civil-society.pdf>. accessed on July 29, 2010.

200 Interview with President of KSBSI on August 12, 2010.

electronic), leaflets, books, journals, internet sites, and social networks like twitter and face-book.

Another approach used by civil society organizations are mass rallies or demonstrations. All hosts of G-20 Summits had to deal with street demonstrations, often ending with disturbances and the arrests of leading activists. For example, during the G-20 Summit in London, "Climate Camp" organized mass rallies to show their protest against the G-20. The protest led to the confrontation between anti-capitalists, environmentalists, and security officers near the Bank of England. An activist, Ian Tomlinson (47 years), reportedly died after being arrested by security officers.<sup>201</sup> At that demonstration, one of the activists expressed his objection towards the G-20:

"People are angry about losing their jobs and bankers still getting their bonuses. People are also up in arms about the Government bulldozing anti-airport legislation through, as we saw with the third runway at Heathrow."<sup>202</sup>

At the G-20 Summit in Toronto, the Canadian authorities reportedly arrested about 480 people after the activists burned down four police cars, destroyed windows at banks and shop doors. The number of activists who joined the demonstration almost reached 2,000 people, so far the largest demonstration against G-20 Summits. The activists consisted of trade unionists demanding for G-20's commitments to alleviate the global poverty, promote women's rights, and reduce unemployment. The demonstration first went peacefully but ended with chaotic clashes between activists and the police.<sup>203</sup>

South Korea as the host of G-20 Summit in November 2010 faced a demonstration from the Migrant Trade Union of South Korea. The migrant workers demanded from the Ministry of Justice and the Immigration Service of South Korea to stop immediately the human rights violation against migrant workers. Furthermore the South Korean Government should not legalize the

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201 *No charge for police officer over G-20 protest death.* <http://uk.reuters.com/article/idUKTRE66L03020100722>. accessed on July 29, 2010.

202 *Ibid.*

203 *Dua Ribu Orang Demo Pertemuan G-20.* <http://www.republika.co.id/berita/breaking-news/internasional/10/06/26/121820-dua-ribu-orang-demo-pertemuan-g20>. accessed on July 29, 2010.

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deportation of migrant workers and simply use the upcoming G-20 Summit as an excuse.<sup>204</sup>

It is of course understandable that governments do not welcome CSOs' initiatives presented by hard approaches. The use of violent street demonstrations bring only a negative image to CSOs and an excuse not to sit down together and discuss crucial issues. The forming of coalitions and issuing joint statements are seen as more effective approaches and could help the governments and the G-20 leaders to formulate a priority list of issues to be pursued in forthcoming G-20 meetings. It has been discussed earlier that every CSO has its own interests and views towards the G-20 process and thus tries to articulate its own positions. The joint statements however will show that the CSOs are prepared to work together and speak with one voice to put their most important issues on the agenda. Besides that, a coalition of CSOs could easier influence a government compared to an individual organization

## **f. The G-20 leaders' response to CSOs' recommendations**

Governments have responded to the CSOs' initiatives in various ways. Several examples of responses are described here:

On March 14, 2009, the British Embassy in Istanbul held a round table meeting with "Global and Political Trends Centre (GPOT)", a coalition of CSOs, to discuss the forthcoming G-20 London Summit. The meeting was supported by the "Referans Newspaper" and the "Hurriyet Daily News" and gathered businesspeople, academics and the mass media.<sup>205</sup> The consultative meeting discussed various recommendations for the G-20 including steps on how to overcome the current challenges posed by the global economic crisis and what the world economy needs on a general level, in the international financial system, in the grass root economy, and in the international financial architecture.<sup>206</sup>

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204 *Voices for migrant justice from South Korea, the location for the next G20 summit.* <http://therealg20.com/featured/voices-for-migrant-justice-from-south-korea-the-location-for-the-next-g20-summit/>. Accessed on July 29, 2010.

205 *G20: Civil society event in Istanbul* <http://www.londonsummit.gov.uk/en/global-update/cp-turkey/14279811/en-civil-society-recommendations>. Accessed on July 29, 2010.

206 *Turkey: Civil Society Recommendations to the London Summit.* <http://www.londonsummit.gov.uk/resources/en/PDF/turkey-g20-conclusions>. Accessed on July 29, 2010.



The first breakthrough that showed a government's recognition towards the role of civil society in the G-20 was initiated by Canada. On June 11, 2010, the "Forum for Democratic Global Governance (FIM)" brought together civil society leaders from 17 nations to meet in Ottawa with Len Edwards who represented the Canadian Prime Minister, senior officials of the Canadian Financial Department, and the former of Head of Sherpas, Peter Harder.<sup>207</sup> In the meeting, the participants asked the G-20 to "*look at the future through the lens of a green economy that eradicates poverty*" and they hoped that the Sherpas of Canada would institutionalize the dialogue between civil society and the G-20. The G-20 should break the IMF's deadlock and the U.S. and Europe should drop their historic right to choose the heads of the World Bank and IMF which for most of the CSOs are still an extension of US and her allies.<sup>208</sup>

Another example that shows the positive response from the government of India, where the Indian prime minister sat together with leading civil society organizations such as the "Centre for Budget Governance and Accountability (CBGA)", "Oxfam", "CENTAD", "Christian Aid", and "Wada Na Todo Abhiyan" to discuss several recommendations for the G-20.<sup>209</sup> The CSOs in a joint statement to the Prime Minister and to global leaders called on April 2, 2009 for the G-20 to prevent another crisis in the future, and to protect workers, consumers, and the environment. The G-20 should collaborate with the UN as the only legitimate global governance. The G-20 should provide a stimulus package for low income nations. Rich nations in the G-20 should not introduce non-trade barriers, to give more attention to climate change issues, and to establish a more transparent and accountable financial system.

The ITUC has also shown its interest in the G-20 Summits. The ITUC representative in Indonesia reported that he had observed by invitation the G-20 Summits in London, Pittsburgh, Toronto, and South Korea. In these meetings, the ITUC met several head of states such as the Canadian Prime Minister, Stephen Harper, and the Germany Chancellor, Angela Merkel. The ITUC also met with some other high authorities such as the Chairman of the

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207 *G-20 keeps its friends close - and enemies closer*. <http://www.theglobeandmail.com/news/world/g8-g20/blog-global-view/g20-keeps-it-friends-close--and-enemies-closer/article1603578/>. Accessed on July 29, 2010.

208 Ibid.

209 *Civil society for a proactive Indian role in G-20*. <http://southasia.oneworld.net/todaysheadlines/civil-society-for-a-proactive-indian-role-in-G-20>. diakses tanggal 26 Juli 2010.

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OECD, the IMF and the World Bank managing director.

Some governments have indicated their support to formalize meetings between CSOs and G-20 leaders. However since most of the G-20 discussions only address the issue of macro-economic stability and not details on social issues, such as job opportunities, labor rights and unemployment.

The ITUC's request to include the issue of employment in the G-20 has been accommodated in the final G-20 communiqué. Another positive sign is the G-20 and Labor Ministers' Meeting. The G-20 and Labor Ministers' Meeting had been held to discuss labor issues in the G-20 member-states.

The responses shown by governments when facing demonstrations was however quite different. Even though the communication with the civil society was officially wanted, the Canadian Government took strict actions to disband the street rallies by sending the police to more than 400 protesters.<sup>210</sup>

One respondent to this research from a foreign representative to Indonesia expressed his feelings that the participation of CSOs is welcomed wholeheartedly. However the slow process is understandable as the G-20 is first of all a government to government forum.<sup>211</sup> He reminded that:

“...it's going to be too complicated to reach any kind of agreement. So while we should be open to views from NGOs, the private sector and everyone else or other nations that are not members; if the G-20 is to be a decision-making organization and action oriented, then they cannot listen to everyone and they cannot let everyone in. So I think it should remain as a government undertaking. It does not mean that we should shut our ears and not listen to what everyone else is saying. Twenty nations is already a big number. If you increase the number of distance and categorization, I don't think they will be able to reach a decision. Twenty is a lot of nations already.”

A respondent from a foreign embassy argued that consultation with civil society is important to accommodate the demands from multi-stakeholders<sup>212</sup>:

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210 *Dua Ribu Orang Demo Pertemuan G-20*. <http://www.republika.co.id/berita/breaking-news/internasional/10/06/26/121820-dua-ribu-orang-demo-pertemuan-g20>. diakses tanggal 26 Juli 2010.

211 Interview with representative of international organization on June 22, 2010.

212 Interview with representative of foreign embassy to Indonesia on June 16, 2010.

“We could imagine the civil society consultation be included to G-20 Summits or its related meetings at a later stage when this forum has institutionalized and grown out of its current ad-hoc role to tackle this current global financial crisis. As mentioned earlier, deliberation should be made on development issues at G-20 as the premier international economic forum. So, civil society consultations are important to fulfill such multi-stakeholders deliberations.”

Another respondent from the European Union<sup>213</sup> agreed that aspirations from the civil society need to be accommodated in the G-20, but raised the concern of how to accommodate these aspirations. In an electronic correspondence interview<sup>214</sup> one respondent suggested that the G-20 should involve civil society and civil society organizations in the working groups. The experiences of the “Financial Inclusion Experts Group” which invited some relevant CSOs to participate in their meetings is one example of good practice that can be developed in the future; CSOs have shown their competence to contribute to the development of financial services.

Another response from a foreign representative to Indonesia<sup>215</sup> suggested that the role of civil society should be limited to the discussion on economic issues. The respondent yet argued that aspirations of the civil society in the G-20 are better to be accommodated by national governments because the G-20 is a government to government forum. It is then the responsibility of the governments to bring the issues of the CSOs to the summits.

A new practice was introduced by the South Korean government in responding to the CSOs’ demands for dialog in the formal forum. The host of the G-20 Summit initiated the so-called “Civil G-20” by inviting more than one hundred global CSO activists representing 70 CSOs from 40 different countries to come together and have a dialog with the G-20 Sherpas representing G-20 member-states. The meeting was hosted by the G-20 Preparation Committee and the “Global Call to Action Against Poverty (GCAP)”.<sup>216</sup> The organizers asked the CSOs to send in their concerns to the G-20 Sherpas in advance; the

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213 Interview with a respondent from the European Union on June 8, 2010.

214 E-mail correspondence with a foreign embassy to Indonesia.

215 Interview with respondent from a foreign embassy to Indonesia on June 4, 2010.

216 <http://www.korea.net> accessed on November 15, 2010.

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host then provided for the G-20 Sherpas the opportunity to address the raised concerns.

This dialogues with civil society representatives was the first since the G-20 held its summit in 2008 or even since the first G-20 ministerial meeting was held in 1999. One participant of the meeting recognized the historic importance of the "Civil G-20", but criticized that the dialogue was very 'dry' because substantive issues were not intensively discussed and even agreed between the CSOs and the Sherpas.<sup>217</sup> It was not truly a dialogue between the CSOs and the Sherpas, but more a briefing by the Sherpas in a very limited time; the CSOs had no chance to reply back to the Sherpas' responses.

Various descriptions how governments responded to the CSOs' aspirations have been listed above. In the end, the way governments respond depends on their perception towards the role of CSOs and on the political system as well as the historical background of the respective country. G-20 leaders clearly need to develop a more substantiated dialogue with CSOs. Similarly the CSOs need to sit together between themselves and in a more coordinated approach to formulate joint positions in regard to the G-20 and its agenda.

## **g. The Indonesian government's response to the CSOs' role in the G-20**

In the context of the G-20, the Indonesian government responded to the civil society movement moderately. The President of Indonesia, Susilo Bambang Yudhoyono, for example considers the demonstrations during G-20 Summits as a common phenomena. Demonstrations should be tolerated as long as they are not anarchic and chaotic. President Yudhoyono admitted that CSOs and the G-20 share actually both a strong commitment to the Millennium Development Goals, such as poverty eradication, tackling the environment crisis, and abolishing unfair trade. He yet regretted that anarchism made an appearance.<sup>218</sup>

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217 As presented by Director of International NGO Forum on Indonesian Development at the Focus Group Discussion on G-20 and Development Agenda, on November 4, 2010.

218 SBY Anggap Demonstrasi di KTT G20 Bukan Luar Biasa. <http://www.detiknews.com/read/2010/06/29/045808/1388886/10/-sby-anggap-demonstrasi-di-ktt-g20-bukan-luar-biasa>. Accessed on July 29, 2010.

The former Head of the Fiscal Coordination Bureau, Anggito Abimanyu, also regretted that the objectives of the mass rallies at G-20 Summits were actually irrelevant to the G-20. G-20 does not correlate with any capitalist group. Abimanyu said: *"What has been discussed was not only the financial sector but also how to protect the society"*.<sup>219</sup>

One Indonesian CSO activist believes that the Indonesian government does not seriously consider CSOs as equal partners in the G-20 process. He had met many leaders from other member states, but has not been able to meet directly with Indonesian delegates at G-20 meetings.

*"In the G-20, we have not been able to meet the governments of Indonesia, China, Turkey, and Saudi Arabia. Saudi Arabia does not have trade unions, China only recognizes one union which is still being part of the communist party. Turkey has a political preference to Europe, but it is really hard to speak to Indonesia."*<sup>220</sup>

In his view, the Indonesian government has not really understood very well the ITUC's objectives therefore they were not ready to give a positive response. There had been frequently misunderstandings on the side of the government when it thought that meetings with the CSOs will only hamper the overall process. The government is still reluctant to talk to CSOs because it still does not recognize international CSOs such as the ITUC as global players. The President of Indonesia preferred to attend the 'Indonesian big family meeting' in New York, to deliver a speech at Harvard University, and so on, rather than to meet CSO leaders. This is in contradiction with other leaders for example from Brazil, Argentina, Australia, Germany, Japan who provided opportunities to meet with CSO.<sup>221</sup>

The Indonesian government's reluctance to talk to civil society organizations is very much influenced by an old conservative view towards the role of the CSOs. Indonesia is 'slow-moving' in accepting civil society as potential

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219 Sering Didemo, G20 Masih Dibutuhkan oleh Negara Berkembang. <http://www.detikfinance.com/read/2010/06/28/075058/1387958/4/sering-didemo-g20-masih-dibutuhkan-oleh-negara-berkembang>. accessed on July 29, 2010.

220 Interview with President of KSBSI on August 12, 2010.

221 Ibid.

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organizations that can contribute genuinely to the G-20 process.<sup>222</sup> Civil society is not considered as a significant player even though internationally CSO have been acknowledged as a new pillar in international democratization. The Indonesian government is more listening to interest groups rather than civil society organizations. Collaboration with interest groups is presumably more strengthening the role of state and the current regime. In this context, the domestic politics shape the way the Indonesian government responds to civil society organizations.<sup>223</sup>

The Indonesian government had many opportunities and mechanisms to engage with the national civil society, but a dialogue is held only if there is pressure from the international community. One respondent reported: *"The Ministry of Manpower once invited the KSBSI to a discussion on how to follow up the commitments made at the G-20 Labor Ministers' Meeting only because the meeting recommended that all G-20 member-states have to develop a partnership with CSOs".*<sup>224</sup> The problem is that Indonesia does not considered civil society as a mutual partner even though President Yudhoyono attended the Labor Union Congress and invited the KSBSI when commemorating Labor Day and thus recognized the role of a CSO in this very particular event. The government's approaches to CSOs are obviously still ceremonial and rely on ad-hoc events, rather than a long-standing cooperation.<sup>225</sup>

In this respect, there should be a new initiative to bring government and CSOs together on the same table. The "Focus Group Discussion on G-20 and Development Agenda" can be seen as a breakthrough initiated by the Friedrich-Ebert-Stiftung and the Universitas Katolik Parahyangan. The FGD gained appreciation from both, CSO leaders and governmental representatives and was seen as an important forum for a dialogue between the government and CSOs.<sup>226</sup> On one side, the CSOs could present their views regarding the G-20 process and propose positions that the government should uphold in the meetings with other G-20 leaders. On the another side, the government's representatives could proof that the government listens to CSOs initiatives and

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222 Ibid.

223 Ibid.

224 Ibid

225 Ibid.

226 Focus Group Discussion on G-20 and Development Agenda co-hosted by Friedrich Ebert Stiftung and Universitas Katolik Parahyangan in Jakarta on November 4, 2010.

could bring the views into the G-20 process. In the forum, the G-20 coordinator for financial issue informed the participants that he has received the ITUC letter and used it as a reference for formulating Indonesia's position in the G-20.<sup>227</sup> This convinced the ITUC activist that the Government of Indonesia looked positively at the ITUC's concerns.<sup>228</sup> One CSO leader who attended also the "Civil G-20" in Seoul, mentioned that *"this is the first time we meet each other"*.<sup>229</sup>

The Head of Indonesia's G-20 Sherpas strongly supported the initiative and welcomed similar engagements by CSOs, academics and other stakeholders to contribute to Indonesia's role in the G-20 process:

"For other colleagues and CSO leaders, this is what we have to do in future. The G-20 has been specializing on financial issues since its inception in 1999. However we now want to move beyond financial issues by pursuing others such as anti-corruption, climate change and development agenda that became of interests to developing countries. Thus we have to include as many stakeholders as possible to share our serious concerns on these issues. I welcome all the efforts to organize this discussion."<sup>230</sup>

To conclude, even though the role of CSOs in the G-20 process is still limited, civil society organizations have tried to exercise their role. The CSOs have initiated the taking up of common issues on an international scope. Many civil society organizations have demanded the G-20 to accommodate the interests of both, developed and developing nations. They have raised many concerns on global economic justice and fairness, on the reforms of the international financial system, on education, social-cultural differences, and environmental issues.

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227 As presented by G-20 coordinator on financial Issue, the Indonesian Finance Ministry, in his presentation at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.

228 As expressed by President of KSBSI in his presentation at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.

229 As expressed by Donatus K Marut in his presentation at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.

230 As expressed by the Head of the Indonesian G-20 Sherpas in his keynote speech at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.

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Various approaches have been used by the CSOs in exercising their influence. The CSOs have issued joint statements and published in the mass media. Many statements were made following discussions between CSOs and governments. Other CSOs have organized global campaigns and massive demonstrations.

Some governments like Canada, Turkey, and India have officially opened a dialogue with CSOs. The governments are willing to accommodate this development and prefer such 'soft' Movement-CSOs to the rather 'hard' ones which frequently led chaotic and anarchic street demonstrations unacceptable to governments.

## **h. An agenda for developing a “National Government–CSO Contact Group” and how to make the “Civil G-20” more substantial**

There are several important agendas that need to be implemented either by governments or by civil society to enhance the role of civil society organizations in the G-20 process.

The first agenda is that governments need to open a dialogue with civil society organizations through a national formal contact group. To initiate the engagement with CSOs the governments have to perceive civil society as a mutual partner and needs to have the political will to engage with civil society organizations.

The governments clearly have to make a mapping of CSOs, to identify CSOs concerned with the G-20 agenda and then establish a partnership with those CSOs. A civil society mapping is important to facilitate the cooperation and coordination between governments and civil society organizations particularly to collaborate in the implementation of G-20 commitments at grass-root level. The selection of CSOs is certainly problematic.<sup>231</sup> The criteria of selection are a sensitive issue which may lead to long debates between governments and CSOs as well as between CSO activists.

The governments have to organize consultative meetings with CSOs,

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231 As expressed by the Director of the International NGO Forum on Indonesian Development (INFID) in his presentation at the Focus Group Discussion on G-20 and Development Agenda on November 4, 2010.



universities, and research institutions through formal Government-CSOs contact groups. The contact groups first of all function as a place for information exchange. The meetings can also develop an understanding about the G-20's major issues and the governments' position towards these issues. CSOs can contribute to help the governments to formulate an agenda which could bring benefits to the whole population.

The CSOs need to convince the governments of their competence to becoming mutual partners in pursuing the G-20 agenda. The selection of effective approaches should be undertaken seriously to show the mutual partners' positive image vice versa the national governments and the G-20 forum. The use of violent means should be avoided as it will only damage the CSOs' image. They should also prove their competence by proposing relevant, logical, and implementable recommendations. The recommendations should be based on intensive and empirical studies which are supported by strong and valid evidence.

The CSOs also need to sit down together, to share their views and interests on G-20 issues, and formulate joint views and initiatives that will be proposed to the national governments and the G-20 leaders. It is particularly important to correct the image of CSOs that they are divided by their own particular interests, programs and activities and thus cannot speak with one voice. Strengthening the network of civil society organizations is a necessary step. The network is also important for CSOs to make their voices heard by national governments and G-20 leaders.

The Government-CSOs contact groups can only function on the condition that CSOs are willing to look at the G-20 objectively and positively. CSOs should not only express normative objections but should also be able to contribute to the G-20. It is hard for the national governments to welcome the engagement with CSOs if their leaders oppose the role of the G-20 all together.

Another agenda which has to be pursued is the development of a more substantial "Civil G-20" as a global contact group between G-20 leaders and global CSOs. The "Civil G-20" has already been initiated by the Korean government prior to the Seoul Summit. The French and Mexican governments should consider the "Civil G-20" as a mutual partner to make the G-20 more responsive to the needs of civil society in all nations.

There was a harsh critique that said that the last "Civil G-20" meeting was the most 'dry' dialogue and accordingly there were no commitments by the

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G-20 Sherpas to deliver the CSOs' positions to the G-20 Summit. Some G-20 Sherpa leaders seemed to be reluctant to welcome the dialogue and were divided in how to respond to CSOs' proposals, such as the idea of a financial transaction tax to help developing countries to gain funding for fighting poverty. Yet the CSOs' activists acknowledged that the dialogue was a first and thus historic meeting; which indicated the political will of the G-20 host to establish contacts with CSOs.

Some Sherpa leaders also recognized the important role of CSOs to support the G-20 in pursuing new agendas in its process. One representative of a G-20 member-state suggested: *"Please keep pushing on the financial transaction tax. We need you to do so. It's like with the landmines treaty. Governments said it couldn't be done. You in the NGOs kept pushing. And it happened. This can happen too. It will happen – if you keep pushing us."*<sup>232</sup> This indicated that the G-20 deliberations on particular issues are sometimes tough debates between G-20 leaders, and the differences between leaders frequently led to the failure in reaching a common view and in generating a new commitment. The CSOs' pressure may help to push the G-20 leaders to see the urgency of particular issues and welcome the initiative to pursue the issues.

To ensure that the dialogue touches the substantive issues and constructive solutions, the "Civil G-20" should not be held just a few days prior to the G-20 Summit. The "Civil G-20" should be organized along with the G-20 meetings and should be accepted as a partner in the G-20 working groups. The G-20 could specify a particular focus on which CSOs should concentrate in the "Civil G-20" meetings. To be effective, CSO leaders should first hold dialogues between themselves and formulate their common views and initiatives prior to "Civil G-20" meetings. The "Civil G-20" could become more effective and substantial if the CSOs have shared first their views towards particular issues that will be discussed later with the G-20 Sherpa leaders representing the G-20 member-states.

The "Civil G-20" could even become much more effective and substantial if the national Government-CSOs contact groups could support and contribute to the dialogue in the "Civil G-20". There should be thus more integrated networking between the "Civil G-20" and the national Government-CSOs

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232 Ben Phillips, Will the G-20 deliver for the world's poor?, <http://www.guardian.co.uk/.../g20-summit-seoul-financial-transaction-tax> accessed on November 15, 2010.

contact groups. The dialogue on specific issues may begin on a national level and the outcome of this dialogue could then be delivered to a global dialogue at the "Civil G-20". The network will provide opportunities for broader participation by civil society and thus bring about a strong sense of international engagement. Of course such institutional developments will not proceed so smoothly. The world of CSOs is as complex as the world of nation states whose main concern are always how to carry out their own national interests. Both the national governments and the CSOs have to learn from the lessons they make in the dialogue and know about the risks if they fail to take any initial step to begin the dialogue: the G-20 may fail to address the most basic issues which are of serious concern to the global society.

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# VI.

## CONCLUSIONS AND RECCOMENDATIONS

This research has described the G-20 as the premier forum for international economic cooperation and its role in dealing with the economic crisis; Indonesia's role in the G-20; ASEAN's representation in the G-20; Muslim countries' representation in the G-20; and the CSOs' potential role in the G-20.

This research has in general discovered the following findings:

### **On the role of the G-20 as the premier forum for international economic cooperation**

- Most respondents and many written analyses recognized the important role of the G-20 in dealing with the most recent economic crisis. Having developed and emerging economies on board, the G-20 has the competence to deal with the crisis in coordinated ways. Most respondents in the field research recognized that the G-20 has been able to prove its competence in rescuing the world's economy from the global calamities resulting out of the hardest financial crisis in developed countries, the impact of which has been felt throughout the world. The economy is now recovering, though the growth is still not strong and sustainable, and resilient from other possible crises.
- The G-20 is an intergovernmental forum which constitutes a new multilateral approach in dealing with global economic problems. G-20 is more than an exclusive club; it is a club with limited membership but carries out a self-claimed global mandate. It was initially formed as

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an ad hoc approach to deal with the economic crisis in the 1990s; but it has now been declared to become the premier forum for international economic cooperation, responsible for promoting strong, sustainable, economic growth. The financial crisis in the United States and the most recent monetary crisis in Greece show how important continuous collective actions are to build a resilient global financial structure. The institutionalization of the premier forum for international cooperation thus has very strong reasons.

- Some respondents raised critical questions on the G-20's legitimacy and the G-20's excessive focus on financial structural reforms rather than on solutions to the social impacts of the crisis. Some saw the G-20 merely as an instrument of the G-7 member-states to secure their dominance in the global economic structure. Some respondents were concerned with the formation of the G-20 which could undermine the functions of other more legitimate multilateral cooperation such as the United Nations. Some were doubtful on the G-20's serious commitment to reform the Bretton Woods institutions.

## **On the role of Indonesia in the G-20 process**

- Respondents agreed that the membership in the G-20 has an essential meaning for Indonesia. Its membership in the very high profile forum provides opportunities to enhance Indonesia's national leverage, which is necessary to promote its vital national interest.
- Indonesia's national interests have domestic and global dimensions. The domestic dimension is linked to an increase in competitiveness at international level and to national economic stability. Being a member of G-20 whose primary concern is to tackle the economic crisis, Indonesia is assisted in overcoming the impact of the financial crisis on the national economy and in building a national economic structure resilient from similar crises in the future (if any). In the global dimension, Indonesia has particular interests in contributing to the establishment of a new world's economic order in line with Indonesia's constitution.
- Indonesia's national interests can also be distinguished between pragmatic and symbolic ones. The pragmatic interests include the effective dealing with the economic crisis and to anticipate future

economic crises, while the symbolic interest is to enhance Indonesia's image as a cooperative and moderate nation ready for accommodating other nations in the international arena. In this respect, Indonesia emphasizes its characteristics as a Muslim country which has been consolidating her democracy. The speeches delivered by President Susilo Bambang Yudhoyono on various occasions indicate Indonesia's strong interest to build a positive image in the eyes of the international community.

- Considering the importance of the G-20 for Indonesia's strategic interests and the nature of the G-20, the Indonesian government is fully supporting the G-20. The Indonesian government has proposed various initiatives such as General Expenditure Support Fund and has been active as co-chairperson of working groups on the reform of MDBs (2008-2009) and on anti-corruption (2010). In this respect, most respondents representing foreign embassies and international organizations in Jakarta have appreciated Indonesia's active role in the G-20 process.
- Indonesia has also made serious attempts to meet her commitments to the G-20. Indonesia has made several adjustments to her national policies including the fiscal and banking sectors – to meet the G-20's Framework for a Strong, Sustainable, and Balanced Growth.
- However, there are some challenges that may hamper the improvement of Indonesia's role in the G-20 process. They include the problems in the inter-ministerial coordination, the changeful political situation, the question of Indonesia's understanding of the complex global financial structure, and the general doubt on Indonesia's membership in the G-20.
- Some respondents addressed their critiques to the extent to which Indonesia has attempted to implement the G-20 commitments. It is not only the question of Indonesia's competence to introduce strategic policies at national level within the G-20 framework, but also the issue of the economic and political conditions conducive for the implementation. Some reforms of domestic institutions are necessary so that Indonesia can fully become a part of the world's open economic community. Indonesia's government has also been criticized for being reluctant to have dialogues with civil society organizations.

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### **On ASEAN's representation in the G-20**

- The question of how Indonesia can take ASEAN on board of the G-20 is indeed very challenging. There are some constraints that evidently hinder Indonesia in playing her role to 'represent' ASEAN in the G-20. Even though Indonesia is a founding member of ASEAN and the only ASEAN member within the G-20, Indonesia cannot claim that it represents ASEAN in the G-20.
- Other constraints to Indonesia's regional role are linked to the way ASEAN members perceive the formation of the G-20 as a premier forum for international economic cooperation. Some leading members of ASEAN have shown formally their critiques in regard to G-20's legitimacy and organized collective actions to raise their concern to the UN. This could indicate that ASEAN members uphold different views towards the G-20.
- However there are opportunities which may create the right conditions for Indonesia to play a strategic role on the regional level. ASEAN has formally supported the idea of increasing the role of the G-20 to promote a strong, sustainable and balanced economic growth as indicated in the ASEAN leaders' statement on Sustained Recovery and Development in ASEAN in the 16th Summit in Hanoi in April 2010. The ASEAN members have agreed that ASEAN should contribute to the G-20 process.
- An opportunity also emerged from the way G-20 members see the importance of ASEAN in the global arena. The hosts of G-20 Summits have understood that the participation of ASEAN representatives in G-20 Summits will strengthen the G-20 legitimacy in regard to its self-claimed global mandate. Many leaders recognize ASEAN as one of the world's most influential regional organizations.
- The ASEAN Chair along with the Secretary-General have regularly observed the G-20 Summits since the London Summit. The G-20 leaders agreed that ASEAN should be one of the five permanent observers in G-20 Summits, besides the African Union and other selected nation states. This created a wide opportunity for Indonesia to promote ASEAN's interest in the G-20 process.
- ASEAN needs to ensure that G-20 will consider the interests of its members when deciding on commitments. The formation of the "ASEAN G-20 Contact Group" is an important step to guarantee that ASEAN's



voices will be heard by the G-20 leaders. Therefore Indonesia as the only ASEAN member that can participate at all levels of the G-20 could bring benefits to all ASEAN member-states particularly if Indonesia accommodates ASEAN member-states' standing positions.

### **On the relevance of Muslim countries' represented in the G-20**

- Indonesia's leaders recognize that the G-20 is not only an economic powerhouse, but also as a civilization powerhouse because the G-20 is a forum which accommodates all major civilizations. Indonesia, as the world's most populous Islamic state has thus perceived that its membership in the G-20 means not just to enhance national economic interests but also to demonstrate its link to global identity issues.
- However the research found some doubts in regard to the issue of Islam in the G-20. All respondents argued that the Islam issue has no relevance in the G-20 process. The G-20 is underlining its commonality shared by all member-states, regardless of their ideologies or civilizations. Respondents saw that both Muslim and secular countries have common interests to set up a global financial structure which will facilitate a strong, sustainable and balanced economic growth. Both have to find the best solutions to overcome obstacles that challenge the realization of the common objectives. Distinguishing the Muslim civilization from the Western world is thus entirely irrelevant for the G-20 process. The conception of representing the Muslim world is accordingly only very vague one.
- Rather than bringing civilization issues into the G-20, Indonesia should encourage the Organization of Islamic Conference (OIC) to present the moderate and friendly face of Islam and the readiness for promoting proactive cooperation with other countries. Reforms in each OCI member-state are clearly needed and in this respect, Indonesia can be encouraging.
- Some respondents yet suggested that actual there are issues which Indonesia, Turkey and Saudi Arabia could pursue in the G-20 process. The countries could together share their experiences in implementing an Islamic banking and finance system. The Islamic banking and finance system could be complementary to the existing conventional system which the G-20 leaders have attempted to reform since the first

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summit in Washington. However this recommendation should be first closely examined by Indonesia and the two other Islamic countries before being proposed to the G-20 .

### **On the role of CSOs in the G-20**

- Literature studies discovered the potential role Civil Society Organizations (CSOs) could play in the G-20 process particularly in pursuing issues dealing with the social impact of the financial crisis. The actual role of CSOs in the global forum is yet still very minimal.
- CSOs are divided into two different groups. The first group of CSOs recognizes that the G-20 can promote the interests of society and could achieve a balanced economic development in both developed and developing countries. But these CSOs still emphasize that some preconditions are necessary to ensure that the G-20 can carry out its global mandate. The second group sees the G-20 as a capitalist states' instrument to continue their hegemony in global economy and politics.
- Various approaches have been used by CSOs to exercise influence in the G-20. The approaches include the issuing of statements through press releases, campaigning for their position against the G-20 and organizing mass rallies or demonstrations. Some CSOs use more moderate ways for example by holding meetings with their governments or with delegates to the G-20 Summits. The approaches show how serious CSOs have tried to get engaged in the G-20 process and to push the G-20 leaders to consider their proposals.
- Most respondents to this research, who were representing governmental offices reminded that the G-20 is an intergovernmental forum, and civil society organizations accordingly do not have any formal place in the G-20 senior official meetings, ministerial meetings, Sherpa leader meetings and the Summits. However they welcome all initiatives to involve CSOs in pursuing relevant issues. So, there should be some mechanism to accommodate the willingness of the CSOs to contribute to the G-20 process.
- While the G-20 does not provide a formal place for civil society organizations, some hosts of past G-20 Summits have initiated informal meetings with civil society organizations prior or after the summits. Few governments have individually consulted with their national

CSOs to gather views that can be brought into the G-20 meetings. Other governments and CSOs leaders have agreed to make joint statements in response to particular issues which are being discussed in the summits.

- South Korea's initiative to host a "Civil G-20" prior to the Seoul Summit is seen as a new approach to engage CSOs in the G-20 process. Both CSOs and some member-state representatives recognized the importance of such a dialogue, particularly after the G-20 leaders decided to address also non-financial issues like the creation of quality jobs or general national development problems. However there are critics who claim that the "Civil G-20" is not truly a dialogue but just a one-way briefing by G-20 Sherpas, in which the G-20 Sherpas even differ in their views how to respond to the CSOs' initiatives. Therefore the "Civil G-20" has to be made more substantial.

Based on these findings, several recommendations can be proposed to enhance G-20's role in establishing a new global economic governance which could bring benefits to all nations of the world.

- The mechanisms for outreach consultations with non-members should be formalized by the G-20 leaders. Strategic and essential mechanisms are important to gain additional views and initiatives from non-G-20 member-states and to disseminate the agreements made by the G-20 leaders. Formalized mechanisms are important to strengthen the G-20's legitimacy as an exclusive forum that carries out a global mandate. So far the outreach mechanisms depended very much on the initiatives of the hosts of the G-20 Summits. There are strong reasons to encourage each member-state to consult with non-members through regional or bilateral meetings and coordinate such meetings with the summit host. The possible mechanisms include regional and interregional approaches through the establishment of regional contact groups and a close cooperation between the G-20 and the United Nations and other multilateral organizations. The regional and interregional approach requires especially formal contacts with the prominent existing regional organizations such as ASEAN, African Union and Mercosur. Every member-state is also encouraged to consult with civil society

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organizations which have been actively working on issues relevant to the G-20 agenda. The Korean government's initiative to host a consultative meeting with CSOs and the mass media in a formal forum should be seen as a positive step to broaden the participation of civil society components. The hosts of the next G-20 Summit should hold similar meetings and substantiate the consultations.

- On short term, the G-20 has to prove its competence in solving the most recent economic crisis in the world. Therefore the forum will continue to focus on how to recover from the financial crisis through fiscal policies, on the effectiveness of the stimulus policy, on the strengthening of the international financial institutions; and finally on the finding of an exit strategy from the crisis.

However the focus on the financial agenda should also include the principles of sustainable development. The implementation of the G-20 agreements should not bring any damage to other sectors (such as environment and energy) which could affect the life of future generations.

In its attempt to solve the economic crisis, the G-20 should pay more serious attention on the social impacts which have been experienced by societies, particularly in poor nations. The G-20 Summits should set up clear plan of actions on how to help the poor nations in pursuing their development agenda. The up coming summits in France and Mexico should evaluate the progress on the developmental issues and strengthen the commitments by addressing the issues more effectively. In the context of development issues, the CSOs could contribute positively to the G-20 agenda. The G-20 should welcome CSOs which have experiences in providing help to those people mostly affected at the grass-root level. To do that, CSOs have to be more open to the G-20 process.

- The governments of the G-20 member-states should hold inter-ministerial coordination meetings following the G-20 Summits to discuss how to apply the commitments made in the G-20 Summit effectively. This is important if the G-20 wants to ensure that the arrangements and the implementations of the commitments will meet with the interests of the people including those mostly affected by the economic crisis.

- Partnerships between emerging economies within the G-20 should be strengthened. There are strong reasons for the emerging economies to coordinate their positions and act in concert to pursue their interests within the G-20 process. It is important to speak with one voice and represent as well all those developing nations that cannot participate in the G-20 process. Such partnerships will also help the G-20 to address the critiques which suggest that the G-20 is merely an instrument of the industrialized countries to dominate the world.

**Several recommendations are proposed to enhance Indonesia's role in the G-20 process so that Indonesia can benefit from her active participation and can ensure that the G-20 will bring advantages to all developing nations in the world.**

- The Indonesian government should be aware and consistent in carrying out her national agenda amidst of her active engagement in international fora including the high profiled G-20. Indonesia has to accept that the membership in international fora will not automatically be the solution for all her national problems. In this respect, Indonesia should understand the core problems which hamper its national development and find the best solutions to these problems. What has been addressed in the G-20 Summits does not necessarily always reflect the core problems of Indonesia. So the solutions offered at the global forum does not always apply to the Indonesian case.
- Indonesia should be mindful of her obligation to articulate national interests especially those which have already been promoted in other multilateral cooperation and to articulate as well the common situation of nations in the South. Indonesia needs a comprehensive and integrative assessment defining her interests and objectives in a national blueprint.
- Indonesia has to prove her ability to keep her commitments made in the G-20 within the time-frame agreed. However, it is necessary for Indonesia to formulate the operational measures for the implementation of the commitments suitable for the domestic level. The implementations should first of all refer to the national constitution and be compatible with Indonesia's interests which have been promoted already in other international fora such as ASEAN, OECD and the World Trade Organization. A comprehensive understanding of the implications of

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the G-20 commitments at the national level is also necessary so that Indonesia can maximize its benefits from being a G-20 member.

- Indonesia has to develop an effective coordination between various ministries by forming a joint secretariat. The secretariat should include all relevant offices such as the Fiscal Bureau, the Bank of Indonesia, Bappenas, Ministry of Trade, Ministry of Manpower and Foreign Ministry. The Foreign Ministry could become the coordinator of this inter-ministerial cooperation; the Ministry of Finance can continue its role in pursuing the economic issues in the G-20, but it is necessary to have regular consultations with the relevant bureau in the Foreign Ministry. The Head of Indonesia's Sherpas could also play a leading role in the joint secretariat.
- The G-20 is a forum which is attended by Finance Ministers and Governors of Central Banks; however the commitments made by the G-20 will implicate various other sectors at the national level. Therefore the inter-ministerial coordination has to be broadened with the support from coordinating commission within the House of Representatives. Unfortunately the consultative mechanisms between government and the House of Representatives are still 'sectional' and not comprehensive; as it is for example the case with the DPR's Commission I and the Ministry of Foreign Affairs on foreign cooperation issues; the Commission VI and the Finance Ministry on financial issues including Indonesia's participation in the G-20; the Commission IX and the Trade Ministry on trade policies. The function of the joint secretariat could help the commissions in parliament to be more aware on developments of 'multi-sectoral' foreign relations.
- Indonesia has to be more pro-active in outreaching to non-G-20 members. Indonesia should consult with non-G-20 member-states in the Southeast Asian region. The Foreign Affairs Minister, the Head of Indonesia's G-20 Sherpas, and the Joint Secretariat (if established) could take a role in the outreaching activities through debriefing meetings or formal meetings in ASEAN. Indonesia's leadership in ASEAN should be maximized to synergize the promotion of the national agenda and the regional interests in global fora such as the G-20.
- Besides consulting with non-member-states in the region, the Indonesian government, through the Joint Secretariat (if any) and the

Head of the G-20 Sherpas or through the Finance Ministry, the Foreign Affairs Ministry, the Trade Ministry, and other related ministries should organize consultative meetings with Civil Society Organizations which are concerned with the G-20 process. Such a dialogue could assist in getting the discussions on development issues in the G-20 more in touch with the basic needs of people at the grassroots.

- There is an urgent need to initiate an Indonesian “Government-CSOs Contact Group” to take the CSOs on board. The formation of such a contact group could facilitate the dialogue between government and CSOs. The initiative to set up such a contact group could be promoted by either the government or the CSOs or both. It could as well be initiated by academics. Once it is established, the national contact group could also engage with the “Civil G-20” which had been initiated by Korean government.
- The formation of a G-20 research group to support Indonesia's role in the G-20 process is also needed. Besides examining the implications of G-20 commitments on national policies, such a think-tank could help in assessing new initiatives that can be pursued in the G-20 process.
- An Indonesian bureaucracy reform is needed to make the bureaucracy more effective and efficient to support an open economy policy as well as to guarantee a policy coordination, the implementation of regulations and the supervision in accordance with the G-20 framework and principles. Through the reform, a “one door service”, for instance, could be established to attract foreign investors without the hassle of uncertain regulations and overlapping offices.

**Some recommendations are proposed to take ASEAN on board so that the G-20 brings benefits to all ASEAN members.**

- The “ASEAN G-20 Contact Group” should maximize its function. The group is important to maintain ASEAN's interests in the G-20 process. It can be an effective consultative mechanism for the G-20 as well as for ASEAN to develop common interests and views and to ensure that non of the commitments made at the G-20 will contradict ASEAN's measures to promote economic cooperation in the region.
- To support the function of the “ASEAN G-20 Contact Group”, the ASEAN inter-finance-ministerial meetings should pursue the deliberations on

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issues being discussed by the G-20. It is important to substantiate the ASEAN Chair's participation as permanent observer at G-20 Summits. The ASEAN Chair could then ensure common positions of ASEAN in G-20 Summits.

- As a permanent member of the G-20, Indonesia needs to coordinate closely with the ASEAN Chair prior or during the G-20 Summits. Together with the ASEAN Chair, Indonesia is responsible to ensure that the G-20 commitments made at summits are reflecting ASEAN's interests and will not hinder ASEAN's commitment to promote regional integration.
- Indonesia's role in the G-20 and in ASEAN could further be enhanced when Indonesia takes charge of the ASEAN chairmanship in 2011. This will constitute a unique role for Indonesia as it will link the regional and global cooperation. There should be first of all chances for more compromises between the national agenda, regional interests and the global mandate of the G-20. The development agenda could become a meeting point of issues on which Indonesia, ASEAN and the G-20 should concentrate in the years ahead. Food scarcity, missing job opportunities, malnutrition and poor sanitation, debt traps and other development issues will continue to haunt developing countries and this is a reminder that the nations of the South may not be able to achieve the Millennium Development Goals (MDGs) as targeted for 2015.

### **Some recommendation are addressing issues of the Muslim world:**

- Indonesia should be mindful of the fact that the divide between the West and the Islam or other civilizations is not relevant to the G-20. It should also be recognized that the G-20 is not the only forum where different civilizations meet. By highlighting G-20's role as a civilization powerhouse, Indonesia may undermine the role of United Nations whose membership is even more diverse in political, socio-cultural and ideological terms as well as in the economic realm.
- Indonesia and other Islamic countries within the G-20 could make a serious assessment on Islamic financial and banking systems as complement to the existing conventional systems. It has been acknowledged that the G-20 has attempted to restructure the conventional financial and banking system in order to make it stronger and resilient from economic



crises. Indonesia and other Islamic countries should first of all prove the effectiveness of alternative systems in responding to the crisis as well as prove the benefits for other nations.

**Several recommendations are proposed to promote the role of CSOs in the G-20 process so that the G-20 could bring benefits to the grassroots of all societies in the world.**

- It is highly recommended that the Indonesian government and the other G-20 members welcome consultative meetings which involve civil society organizations through formal Government-CSOs contact groups. The contact groups could function as a channel to communicate with the governments. The meetings can promote common understandings about the G-20's major issues and the governments' position toward these issues. In this respect the governments, the CSOs and research institutions could formulate substantive recommendations for the G-20.
- The formation of a Government-CSOs contact group is not possible if the CSOs are not inclined to moderate and objective views, but instead to radical opposition, vice versa the government's policy and the G-20's role. CSOs have to transform their image from a vocal critique to a partner of the government jointly pursuing development issues. Such a positive image could help the government to welcome a constructive dialogue with CSOs. Rather than opposing the government's role in the G-20, CSOs could contribute positively to help the government to gain maximal benefits from its membership in the G-20.
- CSOs should have clear visions and well-grounded empirical studies to support their recommendations to the national governments and the G-20. CSOs also need to create an effective network of cooperation amongst themselves. The networking will help to unify the CSOs voices on particular agendas and thus could help developing nations to achieve their MDGs. Such an approach could restore the images of CSOs which are considered as divided and more interested in their own programs and activities.
- The "Civil G-20" which was initiated by the Korean government prior to the G-20 Summit in Seoul as well as other initiatives to hold consultative meetings with civil society and mass media should be maintained and

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substantiated. There should be mechanisms to ensure that the CSOs' and the journalists' views will be positively looked at by the G-20 leaders in their summit meetings. The next hosts of the G-20 Summits (France and Mexico) should accept consultative meetings with CSOs and the media as positive contributions to strengthen the G-20's global role. In order to substantiate the dialogue between CSOs and the G-20, the meetings should be held far before the G-20 Summit is being held. There should be more opportunities for CSOs to present their proposals and for the Sherpas to respond so that a "CSOs G-20 Forum" will not just work in one direction but conclude with constructive initiatives to be delivered to the G-20 leaders' meeting.

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# Profile

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Dr. Yulius Purwadi Hermawan has been a lecturer in the Department of International Relations, Parahyangan Catholic University since April 1993. He holds a Bachelor's degree in International Relations from Gadjah Mada University, Yogyakarta, an MA in Politics with concentration on East Asian Studies from Monash University and a Ph.D from Leeds University, UK. He teaches International Organisation, and International Relations in Europe at undergraduate level; International Organisation and Law, and Political Economy of Democracy, and Conflict Management and Resolution at Master level.

Since 2000 Purwadi has had a particular interest in the work of international organisations in promoting democracy and global governance. He has worked with international NGOs on political education and peaceful integration programs designed particularly for ex-combatants of the Free Aceh Movement since 2006. His major research interests are in Indonesia and G-20 institutionalisation, and ASEAN integration. He is editor of *Transformasi dalam Studi Hubungan Internasional: Isu, Aktor dan Metodologi* (Yogyakarta: Graha Ilmu, 2007); *Membangun Demokrasi, Perdamaian, Keadilan dan Kesejahteraan* (Jakarta: FES, 2009) and co-author with Gordon Crawford of "Whose Agenda? "Partnership" and International Assistance to Democratization and Governance Reform in Indonesia" (Contemporary Southeast Asia, 24, 2, August 2002); and contributor to *Democracy in Indonesia: Challenges of Consolidation* (co-edited by Bob Sugeng Hadiwinata & Christoph Schuck, Baden-Baden: Nomos, 2007). Purwadi is currently Head of the Department of International Relations.

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Wulani Sriyuliani holds a Bachelor degree in International Relations from Parahyangan Catholic University (Unpar) in 2009. She is now active in a variety of social and community organizations and is currently working at AKATIGA Foundation, which focuses on the social research about the rural and urban area problems including issues of land, labour, small and micro entrepreneurship and social movements. Wulani is now pursuing Master studies at Department of International Relations, Padjajaran University Bandung.

During her study at Unpar, she was active in organising student activities such as Head of the national writing competition organising committee in 2008 and Chief Editor of *Sentris*, Student's Academic Journal (2007-2008).

## Getruida H. Hardjowijono, S.IP

Getruida H. Hardjowijono, usually called by the nickname of Trudy, studied at the Department of International Relations, Parahyangan Catholic University (Unpar) and graduated in 2009. She is now working at the ASEAN Centre for Energy.

Her interest in Indonesian foreign policy and diplomacy inspired her to write her thesis, entitled *Indonesia's Diplomacy in Restoring Its Image under the Presidency of Susilo Bambang Yudhoyono (2004-2008)*. Her other interests include political psychology and the politics of Indonesia.

During her studies in Unpar, Trudy was active in many student organizations. Among them were as President of the International Relations English Club (IREC) and as Head Director of the Parahyangan Model of the United Nations



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(PMUN) in 2008. At the moment, she is the treasurer of the Unpar Alumni Association (Ikatan Alumni Unpar) for the Jakarta, Bogor, Depok, Tangerang and Bekasi area of the 2009-2012 period. In her leisure time, Trudy enjoys reading, travelling Indonesia and softball.

## Sylvie Tanaga, S.IP



Sylvie Tanaga is a graduate of Department of International Relations, Parahyangan Catholic University, Bandung. After graduation, she worked as an editor of *Suara Baru* magazine, owned by Perhimpunan Indonesia-Tionghoa (INTI) whose branches covers all regions in Indonesia. She is now a freelance biography author, an editor of *TravelWan* magazine and an NGO activist.

She has recently completed the writing of a biography of Agus Supangat, the first Indonesian researcher that conquered Antarctic; the biography will be shortly published. Sylvie has undertaken interviews with 30 Tionghoa leading figures whose views and role have been globally recognized; the interviews have been compiled in a book (shortcoming). Sylvie is now writing a book that compiles short biographies of six Asian musicians including two Indonesian Jazz musicians, Alvin Lubis and Indra Azis.

Sylvie has very strong interests in NGO and its role in society empowerment as well as social cultural issues and democracy. Since 2009, Sylvie has joined doctorSHARE (Yayasan Dokter Peduli), an NGO that has very serious concern with the malnutrition alleviation. The NGO has established *Theurapeutic Feeding Centre* in Kei, Maluku Tenggara and in cooperation with *Care Channels Indonesia* found *Community Feeding Centre* for children in Semper, Jakarta Timur. The NGO has been involved actively in providing free medical treatment in various places in Indonesia.

Sylvie has written and published various opinions in the electronic and printed mass media. Some publications can be accessed through <http://sylvietanaga.wordpress.com/>.

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