



Implications of Indonesian Economic Globalization and Economic Development in 1945–2014

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Abstract. For 69 years (1945–2014), Indonesia has been led by six presidential figures, namely Soekarno (1945–1967), Suharto (1967–1998), Baharuddin Jusuf Habibie (1998–1999), Abdurraman Wahid (1999–2001), Megawati Soekarno Putri (2001–2004), and Susilo Bambang Yudhoyono (2004–2014). This study presents a qualitative descriptive description with a discussion based on a literature review on historical aspects and theoretical foundations sourced from various books by experts relevant to this research with the following results. Each president in his leadership period has planned and implemented economic development programs with different systems and levels of success. In the early days of independence with the government of President Soekarno, Indonesia's level of economic development was included in the low category. Characterized by the economic growth of only 0.6 percent in 1966, the state treasury was empty. Getting into the new order era under the leadership of President Soeharto, the level of economic development in Indonesia from the beginning of his administration until 1985 included in the high category with an average of 7 percent. However, at the end of his leadership in 1998, Indonesia experienced a monetary crisis with an economic growth rate of minus 13 percent. There is much damage to natural resources. The equitable distribution of national wealth is lacking. Indonesia's attention during the 'old order' and the new order was more focused on diplomacy in politics and security, so diplomacy in the economy was still low. Entering the reformation period, Indonesia's complicity in economic globalization began to experience a significant increase. However, compared to other ASEAN countries, Indonesia's complicity in economic globalization is in a low category. Meanwhile, Singapore, Malaysia, and Thailand are aggressively increasing their exports.

Keywords: Economic · Globalization · Indonesia's Economic Development

1 Introduction

The proclamation of Indonesian independence on August 17, 1945, is a milestone for the Indonesian people to carry out national development in the context of realizing a just and prosperous society based on Pancasila as mandated in the Preamble to the 1945 Constitution.

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Apart from being busy with the efforts to maintain independence, political problems that arose in the two decades after independence were obstacles to implementing development, especially the Indonesian economy in the ‘old order’ era under President Soekarno’s administration.

Starting in 1966, Indonesia was only seriously carrying out economic development under the administration of President Soeharto in the New Order era. Starting to invite foreign investors to Indonesia to manage natural wealth shows that Indonesia has entered the global economy.

Indonesia does not yet have a sustainable long-term economic development strategy and the ability to create superior products that compete in the global market, which is needed for every developing country that wants to upgrade its status to a new industrial country and pay attention to its foreign policy.

Based on the background of these problems, the formulation of the problem is as follows: first, what is the level of Indonesia’s economic development from 1945–2014?, and second what are the implications of economic globalization on the level of Indonesia’s economic growth from 1945–2014?

The purpose of this study: is first to describe the level of economic development in Indonesia from 1945–2014, and second to describe the implications of economic globalization on the level of Indonesia’s economic growth from 1945–2014.

2 Method

1. Data Collection Method

To explain the level of Indonesia’s economic development in 1945–2014 and to analyze the process of economic globalization in Indonesia’s development in 1945–2014 based on the library method.

2. Data Analysis Method

The data will be analyzed by using the descriptive-analytical method. The writer will explain the level of Indonesia’s economic development from 1945–2014 by using the descriptive method and analyze the implications of economic globalization and Indonesia’s economic development from 1945–2014 using the analytical method.

3 Results and Discussion

Development is defined as the progress achieved by society in the economic field (Arief Budiman, 1995, p. 1) [1]. The success of economic development is measured based on the community’s economic growth and the wealth distribution owned by all residents in the community (Arief Budiman, 1995, p. 2) [1]. The economic system as the direction of Indonesia’s economic development is an economic system based on Article 33 of the 1945 Constitution. Mubyarto and Sri Edi Swasono use the term Pancasila economic system (Elli Ruslina, 2013, p. 299) [2].

Globalization has a negative and positive impact as an opportunity that must be used to increase economic growth and people's welfare in every country (Aleksius Jemadu, 2014, p. 8) [3]. Globalization is the increasing interdependence between state and non-state actors on a global scale so that social relations in a society are significantly shaped and influenced by the broader dimensions of social relations on a world scale. Globalization in the economic field, where economic interdependence, whether symmetrical or asymmetrical, intensifies (Aleksius Jemadu, 2014, p. 176) [3].

There are five economic activities involved in globalization. First, there has been rapid growth in international financial transactions. Second, there is high growth in the volume of trade in goods and services, especially between multinational companies. Third, there is a rapid increase in Foreign Direct Investment (FDI) by multinational companies. Fourth, the formation of a global market that reduces market segmentation through price convergence on a global scale, and Fifth, the spread of technology throughout the world through transportation and communication systems that shorten space and time (Aleksius Jemadu, 2014, p. 177) [3].

Economic globalization with economic development is an effort by the state to cooperate to improve the people's welfare and the nation's dignity through increased cooperation with foreign countries.

Throughout the 69 years (1945–2014), Indonesia's economic growth has experienced both high and low growth. This description and discussion of Indonesia's economic growth are based on a review of the existing literature.

The economic situation was terrible at the beginning of Indonesia's independence. The state treasury is empty. There is no money to pay the salaries of the president, vice president, prime minister, and all government employees. It is said that Sultan Hamengkubuwono IX, then Minister of Defense, helped the government with funds from the Yogyakarta sultanate's assets (Budi Sudjijono, 2014, p. 15) [4].

Indonesia's economic development from 1945–1965 under the leadership of President Soekarno failed, where economic growth did not develop properly, and there was no equitable distribution of development results. Achieving a just and prosperous society based on Pancasila as Indonesia's development goal at that time could not be realized.

After President Soekarno stepped down from power, he left a chaotic domestic political and economic situation with very high inflation and foreign debt that weighed on the lives of millions of Indonesians. Indonesia must rebuild from the rubble of economic collapse under President Soeharto's new leader (Aleksius Jemadu, 2014, p. 62) [3].

What has been practiced so far in Indonesia is the combined elements of capitalism and socialism contained in the economy's system. as can be traced from the history of economic development of the New Order teaching about economic liberalization, releasing economic isolation toward market mechanisms, and promoting the principles of freedom and competition. The effort is the most critical change feature since President Soeharto took the reins of government power (Budi Sudjijono, 2014, p. 21) [4].

This crisis has made the Indonesian economy suffer a profound setback. The economic development carried out by President Soeharto for approximately three decades only led to the economic crisis in 1997, which then created a multidimensional crisis that brought the nation down in various fields (Aleksius Jemadu, 2014, p. 62) [3]. A year

after the crisis, economic growth was minus 13 percent. After that, there was growth, but the level was relatively small (Kacung Marijan, 2012, p. 274) [5].

The failure of the New Order government to achieve the goals of economic development, namely a just and prosperous society based on Pancasila, encouraged people to try to give birth to a new era known as the reform era. Suharto's resignation from the presidency in 1998 could be interpreted as a sign of the New Order government's end and the reform era's start.

In the reform era, the B J. Habibie government and the Gus Dur government had short tenures, so the economic improvement programs they had planned could not be fully realized.

The end of Megawati's reign was marked by the improvement in the country's economy. Indonesia's economic growth to 4.1 percent. Generating foreign exchange to offset the previous government's foreign exchange earnings. The rupiah exchange rate is stable at around Rp. 8,500 per USD. A populist economic system has begun to develop, resulting in stable prices of essential commodities and the proliferation of lower-level businesses (Budi Sudjijono, 2014, p. 9) [4].

Susilo Bambang Yudhoyono, commonly known as (SBY) is the sixth president of the Republic of Indonesia. He served for two periods. The first period is 2004–2009 and the second period is 2009–2014.

Indonesia's economic conditions improved during 2004–2009, showing an extraordinary macro performance from an international perspective. In 2004 GDP growth touched 5 percent. In 2005 it rose to 5.7 percent. In 2006 it fell to 5.5 percent. In 2007 it touched the figure of 6.3 percent. The year 2007 was the highest growth in the last decade. In 2008 it fell to 6.1 percent. That is the picture of economic indicators in the first period of SBY's tenure (Budi Sudjijono, 2014, p. 78) [4].

Compared to the previous leadership period, the SBY administration has succeeded in creating political stability and security and has seriously tried eradicating corruption, collusion, and nepotism. However, the economic development that has been implemented has not achieved the desired target. If previous governments have achieved economic growth in the range of 7 percent, the SBY administration has only achieved growth in the range of 5 percent.

The problem of Indonesia's economic development throughout the history of the Indonesian nation after independence on August 17, 1945, cannot be separated from the Indonesian government's inappropriate development strategy. Among them is the strategy of the implication of economic globalization in Indonesia's economic development.

Since Indonesia gave priority to economic development at the beginning of the New Order government, Indonesia has integrated itself into the global economy by opening itself up to foreign investment. However, at first, it only relied on exports of primary commodities (oil and gas). Since the early 1980s, Indonesia has begun to rely on non-oil exports. In line with that, the Indonesian government carried out a series of deregulation and debureaucratization programs to adapt to the demands of the global market (Aleksius Jemadu, 2014, p. 174) [3].

Since the early 1990s, Indonesia has been noted to have liberalized international trade after ratifying the Agreement Establishing the World Trade Organization (WTO).

The WTO is a multilateral trade organization that regulates the course of world free trade. The WTO regulates trade in goods, services, and intellectual property rights (Elli Ruslina, 2013, p. 146) [2]. Liberalization is not only in the trade sector but in all sectors of economic activity, including industry, and foreign investment freely moves to the natural resource sector, especially mining and strategic sectors (Budi Sudjijono, 2014, p. 34) [4].

Apart from the things mentioned above, Indonesia's economic diplomacy is very much dominated by state actors, and there are no concrete efforts to build synergy between the government and private economic actors in taking advantage of the opportunities offered by the global market. The crisis that hit Indonesia at the end of the 1990s showed that Indonesia was powerless in the face of globalization.

4 Conclusion

National economic development, which includes increasing economic growth (GDP) and equitable distribution of national wealth, is a top priority for the Indonesian people in the context of realizing the nation's welfare.

Indonesia's economic development from the beginning of independence until today is inseparable from the influence of economic globalization. In each period of their leadership, Indonesian presidents always try to develop economic policies connected to the global market. Indonesia is always involved in global market competition in the high or low category.

The future challenge for Indonesia is the need to formulate a vision and strategy for Indonesia's economic diplomacy that guarantees justice for fighting for the national interest. It is supported by a political framework of government and an efficient functional bureaucracy, as well as creating and strengthening economic, political, and bureaucratic institutions that impact economic growth, including restructuring the relationship between government and business.

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