

Impact of the War in Ukraine on Indonesia's Political Economy

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Introduction

The Russo-Ukraine war is not only affecting those two Eastern European nations fighting with each other, but also the war is impacting almost all countries in the world, even though the countries that are geographically far from Russia and Ukraine. Indonesia is one of those countries. Today visible impact of the war on Indonesia is food insecurity (noodle crisis and cooking oil shortages). Furthermore, disrupted global supply chains and rising commodity prices have resulted in (long-term) inflation, which comes on top of the inflation caused by the pandemic. According to a June 2022 report from Statistics Indonesia (BPS, 2022), annual inflation rose to 3.55 percent in May, the highest inflation rate since December 2017 (Reuters, June 2022).

The world economy is in trouble, filled with uncertainty about global economic growth and the open conflict involving Ukraine and Russia in Eastern Europe region is still raging since the end of February 2022. In the end, many countries are also threatened with bankruptcy due to high domestic inflation rates, food security issues and corruption problems.

However, the possibility of Indonesia's economic condition is still safe and continues to generate related to the support of public consumption and balance of trade surplus. Recently, President Joko Widodo as the Indonesian leader is known, had more than one concern on his travels: most obviously, the threat to food security (Marques, 2022). It is a longstanding headache for Jakarta that's only worsened since Russia's troops began streaming over the border into one of the world's largest grain exporters, bombing silos and farmland, disrupting logistics and driving up prices. The Indonesia government under Joko Widodo is attempting to solve negative effects of the Ukraine war on Indonesia's economy and trying to solve emerging global crisis in the wake of Ukraine war with its comprehensive peace initiatives.

Russia-Ukraine War's Economic Impact on Indonesia

Russia's conflict with Ukraine has had an impact on the global economy, and Indonesia is no exception. In the end, the prolonged conflict has affected the trade performance between Indonesia and the two countries. The main export commodity to the two countries is believed to be Indonesia's main commodity in crude palm oil / CPO and its derivatives, while 25.91% of wheat flour imports come from Ukraine. Obviously, the Indonesian economy is clearly affected by the conflict involving Russia and Ukraine. Suppose, the global economic growth will slow down if the peace efforts of the two countries are not implemented in the near future.

Ukraine is known as the breadbasket of Europe. At the same time, it is "noodle basket" to Indonesian people. When it comes to wheat, Indonesia buys the majority of its imported wheat from Ukraine. In 2020, Indonesia imported 2.96 million tons of wheat from Ukraine. Although

wheat isn't Indonesia's staple food, it is used to make one of the country's most popular local cult foods; Indomie noodles. With over 15 billion packets of Indomie produced annually, you can imagine that considerably reduced activity in Ukrainian ports due to the war has had a significant effect on the supply of wheat around the globe, which has impacted the availability of noodles in countries on the other side of the world, including Indonesia.

In fact, one of the severe impacts is the increase in global energy prices. This increase has put more pressure on Indonesia's domestic fiscal conditions and national state expenditure budget in relation with the boost in government subsidies for the daily use of fuel and liquefied petroleum gas (LPG). Each increase in the price of crude oil of US \$ 1 per barrel has an impact on the increase in subsidies for LPG of around IDR 1.47 trillion, kerosene of IDR 49 billion, and fuel compensation expenses of more than IDR 2.65 trillion (Permana, 2022). Additionally, an increase in Indonesia crude price (ICP) of US \$ 1 per barrel has an impact on additional subsidies and electricity compensation of IDR 295 billion.

The Ukraine Conflict: Indonesia's Efforts in Resolving Food Crisis

President Joko Widodo visited the two warring countries on a mission to pave the way for peace. As one of the leaders of countries in the Asian region, especially Southeast Asia, Jokowi's visit to the both countries is considered a breakthrough in pursuing peace settlement. It is due to the current war between Russia and Ukraine also has a wide impact on other countries significantly.

The prolonged conflict has finally prevented Ukraine from exporting grain products such as wheat which is a source of food in a number of countries. Suppose if the agricultural products are not delivered, it is believed that there will be a food crisis in the world. The food crisis could spread to cause socio-political turmoil that will make world conditions even more difficult in the midst of the COVID-19 pandemic. On the other hand, Jokowi's visit to the two countries is a manifestation of Indonesia's impartial diplomacy practice. Indonesia is trying to be neutral or not leaning towards any bloc so that it hopes to be well received by all conflicting parties.

Meanwhile, the efforts of the United Nations (UN) to reintegrate Russian and Ukrainian food commodities into global supply chains is absolutely supported by Jakarta. Therefore, for the sake of humanity, support the UN's efforts for the reintegration of Russian food and fertilizer commodities and Ukrainian food commodities to re-enter the world supply chain. In particular, to secure the export route for Ukrainian food products through the strategic sea route, as the Russian government has given security guarantees to pass over.

Additionally, some Western countries leaders led by the US view there is a link between the conflict in Ukraine and Russia and the disruption of global food and fertilizer supply chains which are likely to have a severe impact on hundreds of millions of people in the world, in developing countries particularly. Meanwhile, the G20 summit in November 2022 will be holding by Indonesia in Bali at most difficult time when one of its members, Russia is engaged in war and various developed nations threaten to boycott the event. G20, or Group of Twenty, is a strategic multilateral forum comprising 19 countries and the European Union (EU). This is the first time Indonesia is holding the presidency of G20 (Basu, 2022). Governments around the globe have imposed heavy sanctions against Moscow decision but have stopped short of

direct intervention for fear of sparking a wider conflict (Nikkei Asia, 2022). Thereafter, rising geopolitical risks and volatile energy and financial markets have rocked Asian political economy stability gradually.

However, during the meeting of the state official visit to Kyiv and Moscow, President Joko Widodo and President Vladimir Putin have discussed the problem of disruption of food and fertilizer supply chains that could affect hundreds of millions of people in the world, in developing countries in particular. President Joko Widodo's visit to Ukraine to meet with Ukrainian President Volodymyr Zelensky and Russian President Vladimir Putin clearly emphasized Indonesia's impartiality position in responding to the Russia-Ukraine war. Indonesia does not take sides at all or remains as a non-aligned country and is committed to taking sides with the decisions of the non-aligned movement that Indonesia needs to maintain continuously.

The Ukrainian Conflict and Indonesia's Global Role

The visit of the Indonesian leader to Kyiv and Moscow is clearly an achievement for President Jokowi, as the first Southeast Asian head of state to visit the Eastern European country at a time when the Ukraine and Russia conflicts were still raging (CNN Indonesia, 2022). President Jokowi state official visit has reflected that the only leader in Asia and Southeast Asia who can make visits to two places in a series of visits to Ukraine and Russia amid a prolonged conflict and it is still unclear when it will end. While in Kyiv, President Joko Widodo and the first lady visited the ruins of the war in an apartment in the city of Irpin, and provided medical equipment assistance, then met with President Volodymyr Zelensky. In a meeting at the Zelensky palace, Indonesia's president encouraged a peaceful constructive dialogue between Russia and Ukraine. As for their trip to Moscow and Kyiv, President Widodo and Foreign Minister Marsudi's stated aim was to persuade Russia and Ukraine to restart grain exports on humanitarian grounds. President Jokowi's these initiatives affected positively to overall image of the country in the global arena.

The series of visits by Indonesia's number one leader clearly aims to carry out a peaceful mission, to discussing global food security, especially due to the the prolonged crisis that hit various parts of the world. The visit was also aimed at securing and succeeding in holding a meeting of leaders of a number of G20 countries chaired by Indonesia in front of the international communities that will be held in November 2022 in Bali. Interestingly, Indonesia is the only country in Southeast Asia that is a member of the G20, apart from being the first developing country to host a meeting of heads of state/government in the G20 forum. The current existence of the G20 represents more than 60% of the earth's population, 75% of global trade, and 80% of the world's GDP. Indonesia encourages the synergy and collaboration of the G20 countries to challenge global uncertainty in the wake of the Ukraine crisis. All G20 countries need to work together to overcome various world problems such as inflation that tends to continue to increase, rising food prices, to the scarcity of containers.

Indonesia attempts to be the peace initiator and mediator between Ukraine and Russia to keep the country's neutrality in this conflict and the most importantly to save Indonesia's G20 presidency, which is great chance for the country to play important role in the global agenda. For Indonesia, this diplomatic mission's main objective is to reduce conflict's consequences

for security in ASEAN region and its impact on Indonesia's current, one-year G20 presidency. With nearly 280 million population, the biggest country in South-East Asia and the region's only G20 member state, Indonesia does have some foreign policy clout. By engaging in Ukraine war peace initiatives and G20 presidency, it also aims to be a leading player within the ASEAN regional bloc. (Hans Mathieu, 2022)

In order to secure successful host of G20 Summit, which is crucial important for Indonesia's foreign policy, President Jokowi has departed for East Asia tour. On July 26 2022, President Jokowi visited Beijing to meet his Chinese counterpart Xi to discuss the G20 summit and Jakarta's important balancing act amid rifts between the West and Russia over the Ukraine war. Following the visit in Beijing, President Jokowi on July 27 has a meeting with Japanese Prime Minister Kishida Fumio in Tokyo and on July 28 with Korean President Yoon Suk-yeol in Seoul to discuss the upcoming G20 summit and global issues.

Conclusion

The impact of the conflict between Russia and Ukraine and the EU's sanctions against Russia can occur through several transmissions, including uncontrolled spikes in global commodity and energy prices followed by disruptions in the supply chain shock. The impact of the Ukraine and Russia war on the Indonesian national economy is certain to be detrimental to the global economy and disrupt the recovery process of the world economy, including Indonesia. The protracted conflict between Ukraine and Russia has forced the Indonesian government to optimize state revenues, streamline energy subsidies, and support a number of efforts to boost national oil production, which in turn can encourage its sustainable national economic growth.

Global uncertainty must be faced together with synergy and collaboration, working together to control inflation that tends to increase, anticipating food shortages and rising prices, efforts to overcome scarcity of containers and other logistics chains, along with a commitment to prevent food crises. Indonesia has absolutely no interest whatsoever in the conflict involving Ukraine and Russia, except to see that the conflict can be resolved soon and the global food, fertilizer, and energy supply chains can be immediately remedied.

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