

# 6 ADALAH

Buletin Hukum & Keadilan

## Why did Indonesia's Foreign Policy Stop IGGI?

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### Abstract:

Indonesia's Foreign Policy has played an essential role in determining the direction of this country's international relations. One example is the termination of Indonesia's participation in the Inter-Governmental Group on Indonesia (IGGI) in 1992. This study analyses the factors underlying Indonesia's foreign policy decision to terminate the IGGI. Using a historical approach and foreign policy analysis, this research highlights the political, economic and strategic factors influencing these policies. The results show that Indonesia's termination of the IGGI was a response to regional and global political dynamics at the time and shifts in Indonesia's foreign policy priorities. The implications of terminating the IGGI on Indonesia's bilateral relations with donor countries and Indonesia's domestic political dynamics are also debated in this analysis. This study provides important insights into the relationship between Indonesian foreign policy and regional political dynamics in the past and its relevance in the current context of Indonesian foreign policy.

**Keywords:** IGGI; Foreign Policy; Stop.

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## A. PROLOG

Indonesia made a crucial move in 1992 when it withdrew from the Inter-Governmental Group on Indonesia (IGGI). This multilateral forum was intended to help Indonesia in its economic development. This decision exemplifies the significant importance that foreign policy plays in deciding the path that the nation's international relations will take.<sup>1</sup>

Indonesia, which only recently attained independence in the middle of the 20th century, was confronted with significant obstacles in terms of economic and national



development. The IGGI is one of the international platforms that Indonesia is utilising to solicit assistance from various donor nations to tackle this difficulty.<sup>2</sup>

The IGGI was established in 1967 as a multilateral forum consisting of key donor countries. Its intention was to provide Indonesia with economic and technical aid in its attempts to pursue development. However, Indonesia decided in 1992 to

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<sup>1</sup> Hamidi, J., & Lutfi, M. (2001). Dekonstruksi hukum pengawasan pemerintahan daerah: the turning point of local autonomy. Universitas Brawijaya Press.

<sup>2</sup> Aminah, S. (2016). Kuasa negara pada ranah politik lokal. Prenada Media.

withdraw from its involvement in IGGI, ending a partnership that had been going on for several years.<sup>3</sup>

In addition to the reasons that play a role in the decision to withdraw from participation in IGGI, the significance of Indonesia's foreign policy in shaping the course of its international relations is also considered. When viewed from the perspective of Indonesian foreign policy during that period, an analysis of the reasons for the end of the IGGI will provide a comprehensive understanding of the region's political dynamics as well as Indonesia's aspirations for national development during that period.<sup>4</sup>

## **B. DISCUSSION**

### **1. Indonesian Foreign Policy**

Since Indonesia gained independence in 1945, its foreign policy has undergone several transformations and developments. The anti-colonialism and anti-imperialism that were articulated in the Preamble to the 1945 Constitution (UUD) paragraphs I and IV were the primary focuses of Indonesia's foreign policy in the beginning. Indonesia is committed to combating the many different types of colonialism and putting an end to

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<sup>3</sup> Msi, G. M. G. M. S. Pembubaran Consultative Group on Indonesia: Tinjauan Melalui Perspektif Konstruktifisme.

<sup>4</sup> Sugiharto, R. T. (2017). Biografi Politik Habibie. Media Pressindo.

colonialism all over the world since it is not in line with the principles of humanity and justice.<sup>5</sup>

During President Soekarno's tenure, Indonesia's foreign policy was centred on free and aggressive ideals. President Soekarno underlined that Indonesia was not part of the group of superpowers, particularly the United States of America and the Soviet Union, that dominated international affairs during the Cold War. In addition, Indonesia is actively fighting against all forms of colonialism and contributing to establishing world peace.<sup>6</sup>

Indonesia's foreign policy during Joko Widodo's presidency was centred on the development of the nation through the pursuit of four primary goals: the prioritization of economic growth, the preservation of internal and regional stability, the protection of the country's territorial integrity, and the participation of the people in the formation of national politics and the maintenance of national security. Enhancing economic growth and the development of infrastructure should be the primary focus.<sup>7</sup>



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<sup>5</sup> Widodo, P. S. D. P. J. Kebijakan Luar Negeri Indonesia Pada Era Pemerintahan.

<sup>6</sup> Montratama, I. (2017). Quo Vadis politik luar negeri Indonesia. Elex Media Komputindo.

<sup>7</sup> Yadav, A. S. (2022). Indo-Pasifik: sebuah konstruksi geopolitik. Elex Media Komputindo.

Indonesia's connections with other countries, both bilateral and multilateral, have been developed ever since the country gained its independence. Indonesia is a member of the Association of Southeast Asian Nations (ASEAN) as well as the United Nations (UN), and it is also an active participant in the Organization of Petroleum Exporting Countries (OPEC), also known as the Organization of Petroleum Exporting Countries. The diplomatic and economic cooperation established between Indonesia and other nations has resulted in the development of bilateral relations that have enhanced regional security and stability.<sup>8</sup>

Beginning with the country's independence and continuing until the 1960s, Indonesia's foreign policy has seen several shifts and developments. Initially, it was centred on anti-colonialism and anti-imperialism. Subsequently, it shifted its attention to ideals of freedom and activity, and lastly, it turned its attention to the nation's development. Since the beginning of Indonesia's independence, the country has been involved in developing bilateral and multilateral



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<sup>8</sup> Sembiring, I. H. R. U., & Rohimah, I. (2021). *Daya Saing Indonesia di Era Globalisasi*. Media Nusa Creative (MNC Publishing).

connections, which have improved regional security and stability.<sup>9</sup>

## 2. The Role of IGGI in Indonesian Development

The IGGI was established in 1967 to assist Indonesia in overcoming the economic crisis that it was experiencing during the New Order. The reason that Indonesia was having trouble paying off international debts acquired from the Old Order was the impetus for establishing IGGI. It is difficult for Indonesia to get creditors and donors due to the load on the foreign balance of payments due to debt inherited from the Old Order.<sup>10</sup>

The primary goal of IGGI is to offer economic and development aid to Indonesia. This aid encompasses financial loans provided to Indonesia, technical support, and discussions aimed at facilitating the country's economic development. IGGI serves as a diplomatic forum to aid Indonesia in

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<sup>9</sup> Nindya, A. P., & Abiyya, R. A. (2022). Pengaruh AUKUS terhadap Stabilitas Indo-Pasifik dan Sikap Indonesia [The Influence of AUKUS to Indo-Pacific Regional Stability and Indonesia's Stance]. *Jurnal Politika Dinamika Masalah Politik Dalam Negeri dan Hubungan Internasional*, 13(1), 67-84.

<sup>10</sup> Suparno, B. A. (2012). *Reformasi dan Jatuhnya Suharto*. Penerbit Kompas. Sunandar, A., Purnomo, B., & Siregar, I. (2020). *Perekonomian Indonesia Dalam Pemikiran Widjojo Nitisastro 1966-1998* (Doctoral dissertation, Universitas Jambi).

addressing the economic crisis and enhancing the balance of foreign payments.<sup>11</sup>

In the "Survey of Recent Developments" (1966) published in the Bulletin of Indonesian Economics Studies, Arndt and J. Panglaykim elucidated that Indonesia lacked the financial capacity to meet its obligations of repaying instalments or interest on its foreign debt. Bank Indonesia could not fulfil its obligation to pay the letters of credit and had to delay payments on international trade credits amounting to 177 million US dollars. IGGI was founded to assist Indonesia in overcoming the economic crisis and enhancing the balance of foreign payments, given the prevailing circumstances.<sup>12</sup>



The impact of IGGI's economic and technical assistance on Indonesia's economic and social development at that time can be seen in several aspects:

First: Stopping Hyperinflation. IGGI played a crucial role in helping Indonesia curb hyperinflation

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<sup>11</sup> Rieuwpassa, J. P. (2017). Peran Diplomasi Ekonomi Indonesia di Forum G20 Dalam Pemenuhan Kepentingan Nasional (Doctoral dissertation, Perpustakaan).

<sup>12</sup> Panglaykim, J. (1968). Marketing organisation in transition. Bulletin of Indonesian Economic Studies, 4(9), 35-59. Sari, D., & McCawley, P. (2020). Kemajuan Perekonomian Indonesia Setelah 50 Tahun Kerja-Sama: Perspektif ADB (Indonesia's Economic Progress After 50 Years of Cooperation: ADB's Perspective).

during the Old Order period. By leveraging IGGI's assistance, Indonesia can enhance its foreign payment equilibrium and mitigate the detrimental effects of hyperinflation on its economic framework.<sup>13</sup>

Second: Infrastructure Development. IGGI assists Indonesia in developing the necessary infrastructure to enhance economic growth. IGGI supports infrastructure development, such as roads, bridges, and other facilities, to improve Indonesia's production capacity and boost income.<sup>14</sup>

Third: Human Resources Development. IGGI provides technical assistance and consultancy to strengthen Indonesia's human resources. IGGI includes training and education to enhance the skills and talents of Indonesia's workforce, enabling them to improve production capacity and boost income.<sup>15</sup>

Fourth: Economic Development. IGGI supports Indonesia's economic development by providing loans and technical assistance. IGGI support focuses on fostering the growth of vital economic sectors, including agriculture, industry, and

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<sup>13</sup> Sunandar, A., Purnomo, B., & Siregar, I. (2020). *Perekonomian Indonesia Dalam Pemikiran Widjojo Nitisastro 1966-1998* (Doctoral dissertation, UNIVERSITAS JAMBI).

<sup>14</sup> Astuti, W. D. (2009). Analisis undang-undang nomor 25 tahun 2007 tentang penanaman modal kaitannya dengan kontrak alih teknologi dalam rangka pengembangan industri.

<sup>15</sup> Sembiring, I. H. R. U., & Rohimah, I. (2021). *Daya Saing Indonesia di Era Globalisasi*. Media Nusa Creative (MNC Publishing).



services, which are crucial for driving economic development.<sup>16</sup>

IGGI's economic and technical aid had a substantial influence on Indonesia's economic and social progress during the New Order era. IGGI support contributes to the stabilization of Indonesia's economy by effectively addressing hyperinflation, promoting the construction of essential infrastructure, enhancing the development of human resources, and fostering overall economic growth.<sup>17</sup>

### **3. Factors Underlying the Termination of IGGI by Indonesia**

Indonesia's development priorities have undergone multiple changes throughout the 1990s. At first, Indonesia's development objectives were centred around achieving substantial economic growth and raising the national income per person. Nevertheless, due to alterations in policy and strategy, Indonesia's development ambitions have shifted towards a more comprehensive and long-lasting approach.<sup>18</sup>

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<sup>16</sup> Ariadi, N. E., & Sugiarto, D. (1999). Studi Sistem Ekonomi Islam Sebagai Sistem Ekonomi Alternatif (Telaah Kritis Terhadap Pola Kebijakan Ekonomi Orde Baru). *Bulletin of Monetary Economics and Banking*, 2(1), 23-46.

<sup>17</sup> Setia, N. (2023). Keterlibatan Amerika Serikat dalam Upaya Pembangunan Ekonomi Indonesia Era Soeharto 1966-1980. *Journal of Indonesian History*, 11(1), 44-54.

<sup>18</sup> Kharisma, B. (2014). Good Governance Sebagai Suatu Konsep Dan Mengapa Penting Dalam Sektor Publik Dan Swasta (Suatu Pendekatan Ekonomi Kelembagaan). *Jurnal Buletin Studi Ekonomi*, 19(1), 1-34.

During the 2000s, Indonesia placed its development objectives on poverty reduction and enhancing the well-being of its population. The Indonesian government is also beginning to give greater importance to the advancement of wider areas such as education, health, and infrastructure.

During the 2010s, Indonesia's focus shifted towards more targeted development goals, including the enhancement of human capital, the advancement of technological skills, and the promotion of community engagement in the development process. Indonesia's development agenda in the 2020s is around sustainable economic growth, enhancing the well-being of its citizens, and bolstering its technological prowess. The Indonesian government is currently placing greater emphasis on the advancement of targeted areas, including energy, ecology, and security.<sup>19</sup>

The shifts in Indonesia's development priorities are pertinent to the requirement for foreign aid. Indonesia's foreign aid has been subject to fluctuations in line with shifts in development goals. At first, the foreign assistance received by Indonesia primarily focused on the development of infrastructure and the augmentation of national income per capita. Nevertheless, due to alterations in policy and strategy, the foreign assistance received by

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<sup>19</sup> Mulyana, A. (2011). Eksplanasi Teoritik untuk Kebijakan Pro-Kesejahteraan di Indonesia. *Jurnal Hak Asasi Manusia*, 7(7), 113-141.

Indonesia has shifted towards a more comprehensive and enduring approach.<sup>20</sup>

Regional political and security factors influenced Indonesia's decision to discontinue IGGI. Some things to pay attention to are:

First, the ASEAN regional political dynamics that occur in Southeast Asia and globally influence Indonesia's decisions. ASEAN has demonstrated its ability to uphold regional peace and stability while promoting advancements in the well-being of its people. However, obstacles persist due to the ongoing competition for power and interests between the People's Republic of China (PRC) and the United States (US).<sup>21</sup>

Second, regional security has become very important in regional political dynamics. Being strategically located in Southeast Asia, Indonesia plays a crucial role in upholding regional security and stability. Indonesia is a founding member of ASEAN and holds a significant position within this organization. Through its involvement in ASEAN, Indonesia promotes regional security cooperation and conflict resolution. Indonesia endorses the Declaration of the Zone of Peace, Freedom and

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<sup>20</sup> Sahban, M. A., & Se, M. M. (2018). Kolaborasi Pembangunan Ekonomi di Negara Berkembang (Vol. 1). Sah Media.

<sup>21</sup> Umar, A. R. M. (2014). Dari Politik Pembangunan ke Regionalisme ASEAN: Melacak Genealogi Politik Luar Negeri Indonesia Kontemporer. Vol. 6 No. 2, September 2014, 6(2), 1. Mulyono, H. (2017). Geostrategi Indonesia dalam Dinamika Politik Global dan Regional. Jurnal Lemhannas RI, 5(1), 19-30.

Neutrality (ZOPFAN), which seeks to maintain Southeast Asia's independence from the influence of significant nations and safeguard regional security.<sup>22</sup>

Third, Indonesia's free-active foreign policy also influenced the Indonesian government's decision to terminate the IGGI. Indonesia's decision to suspend IGGI was primarily motivated by criticism from the Netherlands over Indonesia's internal policies, particularly in relation to human rights and governance matters. The Indonesian government, led by President Soeharto, perceived criticism and pressure from the Netherlands as a type of intervention that infringed upon Indonesian sovereignty. Indonesia believes that economic aid should be provided without any meddling in its internal issues.<sup>23</sup>

The dynamics of the international system reveal that state power cannot be addressed merely by national security and resilience but by additional factors that sustain national sovereignty. Additional factors such as economics, diplomacy, technology, and socio-culture also substantially impact the preservation of national sovereignty. Preserving the nation's independence requires both stability and robust economic growth. A nation possessing a solid economy can finance its defence requirements and

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<sup>22</sup> Santoso, G., Karim, A. A., & Maftuh, B. (2023). *Kajian Ketahanan Nasional melalui Geopolitik dan Geostrategi Indonesia Abad 21*. *Jurnal Pendidikan Transformatif*, 2(1), 184-196.

<sup>23</sup> Mulyono, H. (2017). *Geostrategi Indonesia dalam Dinamika Politik Global dan Regional*. *Jurnal Lemhannas RI*, 5(1), 19-30.

guarantee the well-being of its populace, hence bolstering political and social stability. Moreover, incorporating it into the global trading system enables nations to capitalize on international markets and enhance their foreign exchange reserves. The country's ability to withstand global economic volatility is strengthened by its robust exports and economic diversity.<sup>24</sup>

Indonesia's bilateral relations with donor countries have an important role in Indonesia's foreign policy decisions regarding the IGGI. The following are several examples of the role of bilateral relations that influence Indonesia's decisions:<sup>25</sup>

First: Economic Partnership. Indonesia has solid economic partnerships with donor nations such as Japan, the United States, and the European Union. These relationships encompass the provision of technical support, investment, and loans to enhance economic growth and improve the well-being of the Indonesian population.

Second: Providing Aid. Indonesia receives aid from donor nations such as Japan and the United States in the form of technical assistance, investment, and loans. The goal of this assistance is to boost

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<sup>24</sup> Satria, A. (2020). Politik sumber daya alam. Yayasan Pustaka Obor Indonesia.

<sup>25</sup> Mohsin, A. (2019). Politik Luar Negeri Republik Indonesia Masa Lampau, Kini dan Masa Depan: Suatu Tinjauan dan Saran Kedepan. Ilmu dan Budaya, 41(62).

economic growth and improve the welfare of the Indonesian people.

Third: Long-term commitment. Indonesia's bilateral relations with donor countries include a long-term commitment to collaboration in various domains, including politics, economy, security, environment, energy, education, and other aspects of life.

Fourth: Human Capital Development. Indonesia's bilateral relations with donor nations also contribute to the development of its human resources. This is accomplished through the provision of technical assistance, education, and training to enhance the capabilities of Indonesia's human resources.

Fifth: Infrastructure Development. Indonesia's bilateral relations with donor countries contribute to the development of its infrastructure by giving technical help, investment, and loans to enhance its infrastructure capacities.

Indonesia's diplomatic connections with donor nations significantly influence its foreign policy decisions on the IGGI. This reciprocal relationship enhances economic growth and prosperity among the Indonesian population through technical support, investment, and loan provisions.<sup>26</sup>

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<sup>26</sup> Rieuwpassa, J. P. (2017). Peran Diplomasi Ekonomi Indonesia Di Forum G20 Dalam Pemenuhan Kepentingan Nasional (Doctoral dissertation, Perpustakaan).

### **C. EPILOG**

Indonesia's decision to end its membership in the IGGI has significantly impacted the country's foreign policy. Despite eliciting diverse reactions from multiple stakeholders, including counterparts in other IGGI nations, this decision signifies a shift in Indonesia's diplomatic agenda and approach.

Despite several years following its membership termination, Indonesia remains steadfast in its dedication to fostering more comprehensive regional and international collaboration. The focus broadened to encompass a more thorough and strategic diplomatic framework, entailing wider collaborations with nations across different regions.

IGGI's existence has become a historical fact, and the decision to discontinue IGGI has laid a solid groundwork for developing a more sophisticated and efficient Indonesian diplomacy. This nation remains committed to actively and positively contributing to establishing a more stable and sustainable global political system while respecting its national sovereignty. However, it is essential to note that when the efforts of IGGI members to assist end up interfering with Indonesia's internal policies, caution must be exercised.

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