

ECONOMIC IMPACT OF RUSSIAN INVASION TO UKRAINE: INDONESIAN GOVERNMENT'S RESPONSE BY INCREASING FUEL PRICES IN 2022

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Abstract This study aims to explain how the response of the Indonesian government by increasing the price of fuel oil (BBM) because of the Russian invasion to Ukraine. By using the theory of the decision-making process, this article discusses how the Indonesian government formulates and implements policies regarding the increase in fuel prices as a result of the Russian invasion of Ukraine which resulted in a supply shock and an increase in world crude oil prices. This article may be the first article that discusses in detail the Indonesian government's response to the increase in world crude oil prices, along with a discussion of the response of the affected Indonesian people. This article uses a qualitative research method, with data collection techniques using literature, and data processing from Twitter is done with NVivo 12 Plus which produces Word Cloud data. The Indonesian government's response to the raising of subsidized fuel prices was caused by several rational considerations that had two sides, namely advantages and disadvantages. The advantage is that by increasing fuel prices, the government can reduce the burden that must be borne by the state budget. While the losses incurred are the burden on the lower middle-class people in meeting their needs for fuel, both for mobility and other needs. The Indonesian government adopts policies that maintain the stability of the country's economy for providing social assistance to the people so that people's fuel needs are still met.

Keywords: Russian Invasion to Ukraine, Fuel Oil (BBM), Indonesian Government response, Decision-Making process theory.

INTRODUCTION

Russia's invasion of Ukraine has created turmoil in the international market which brought a global crisis to new challenges to the world economy. The invasion heated up when Ukraine under President Zelensky asked the United States to join the North Atlantic Treaty Organization (NATO) after Russia held military exercises near the Ukrainian border in 2021. Russia invaded Ukraine on February 24, 2022 (Izzudin, Indrakorniawan, & Stiarso, 2022: 4). Historically, tensions between the two countries have been going on for a long time, especially when Russia annexed Crimea on the Crimean Peninsula in 2014, which annexation ultimately led to the escalation of the conflict between Russia and Ukraine to become heated (Babin, Chvaliuk, & Plotnikov, 2021: 34).

The increase in escalation also has an impact on how Russia's relations with other countries, such as the United States, the European Union, and Canada, where in 2014 (after the annexation was carried out), Russia was subject to economic sanctions by these countries in the fields of energy, banking and defense (Byers, 2019: 34). It then also leads to a confrontation in geopolitics, especially between Russia and western countries (Engvall, 2020: 250). Confrontation also occurred between Russia and the European Union, especially regarding the very limited policymaking within the European Union regarding the Ukraine crisis (Maass, 2020: 387). Therefore, it can be said that Russia has long focused its attention on securing the region, especially on the geopolitics between NATO and Ukraine.

At the beginning of 2022 in February, the entire world community was shocked by an event in the form of an invasion by Russia into its neighboring country, namely Ukraine. This event then became a hot topic in all the media because the invasion carried out by the Putin government turned the Ukrainian state upside down. Putin's concern over the years about whether Ukraine will join the NATO pact formed by the United States

or not has also been a fundamental factor that triggered Putin to carry out aggression and invasion of Ukraine (Mankoff, 2022: 439-440). Therefore, on February 24, 2022, President Putin declared his decision to release a military operation in Ukraine through three points of attack, namely air, sea, and land (Psaropoulos, 2022).

The Ukrainian government, through its president, Volodymyr Zelenskyy, responded directly to this by giving a statement of martial law in his country and encouraging mobilization to handle it. The European Union also responded to Russia's actions through the Special Meeting of the European Council. During the meeting, the EU issued sanctions against Russia in several aspects such as VISA policy, transport and energy, finance, and so on (European Council, 2022). This is similar to what was done by the EU and the United States when they sanctioned Russia due to the annexation of Crimea in 2014, at which time sanctions were given to 15 economic sectors, 12 financial sectors and 22 corporations (Sultonov, 2020: 1). Nevertheless, the European Union was affected by the sanctions and embargoes with a total loss of product exports to Russia of 226.850 million US dollars (Skvarciany, Jureviciene, & Vidziunaite, 2020: 15).

In terms of the economy, Russia's invasion of Ukraine resulted in an increase in world crude oil prices which of course had an impact on global trade. This impact is of course also a domestic problem for other countries, especially for developing countries like Indonesia. With the rise in global crude oil prices, Indonesia has responded with various strategies to maintain national stability so that a domestic economic crisis does not occur. What's more, the social problems that exist in Indonesia are social facts such as economic inequality based on gender, education, and geographic areas that cannot be ignored, which will become a burden for the people of Indonesia if the fuel price increases (Sulistyaningrum & Tjahjadi, 2022: 243).

Therefore, this article aims to find out how the Indonesian government responds to rising fuel prices (BBM) as a result of the Russian invasion of Ukraine. This is important to discuss because Indonesia is a country with a very high need for oil for fuel, especially for the activities of its people who are highly dependent on fuel oil. Therefore, the research question that is the

focus of this article is how the Indonesian government will respond to the increase in fuel prices in 2022 as a result of the Russian invasion of Ukraine.

LITERATURE REVIEW

In this literature review, the author would like to discuss more deeply the theoretical framework, namely the decision-making process theory that the author uses to examine the issues in this article. Decisions are the result of solving a problem that must be faced firmly. Decision making is defined as selecting a decision or policy based on certain criteria. This process includes two or more alternatives because if there was only one alternative, no decision would be made (Save, 2006). Furthermore, James N. Rosenau stated that in the decision-making process, external events and internal demands are things that decision-makers need to consider.

Based on this statement, the author will explain the definitions of decision-making by decision-makers: every policy taken by a policymaker certainly goes through a process of consideration, coordination, and of course the energy and thinking that become the benchmark for the policy. This is one of the characteristics of democracy to determine and determine a policy that will be implemented by looking at structural coordination in the government of a country both at the central and regional government levels. Then, Graham T. Alison explained the decision-making process into three models, namely, Rational actors, the Organizations Process, and Bureaucratic Politics of Foreign Policy Making.

a. Rational Actor Model

This model emphasizes that a decision-making process will pass through the stages of determining goals, alternatives/options, consequences, and decision choices. This model states that the decision made is a rational choice that has been based on rational/intellectual considerations and profit and loss calculations so that it is believed to produce mature, appropriate, and prudent decisions.

b. Organizations Process Model

This model emphasizes that a decision-making process is a mechanistic process that goes through stages, procedures, and organizational mechanisms with standard operating procedures that have been in effect so far. The decisions made are viewed as the output of the organization that has taken into account the goals, objectives, and priorities of the organization.

c. Bureaucratic Politics of Foreign Policy Making Model

This model emphasizes that a decision-making process is formulated by various actors, groups, and interested parties through a process of tug of war, bargaining, mutual influence, and compromise between relevant stakeholders. The decision made is a resultant political process that has gone through a long and complex deliberation (Allison, 1971).

Based on those three models mentioned above, the author uses the Rational Actor Model in making decisions. In the rational actor model, the state is described as a rational individual actor, having perfect knowledge of the situation and trying to maximize values and goals based on the existing situation. The various actions of states are analyzed under the assumption that states consider all options and act rationally to maximize profits. In the policy-making process, the government is faced with various policies, and choices of these policy choices have consequences. The state as a rational actor will choose the policy alternative that has the highest consequences (beneficial) in meeting the goals to be achieved (goals and objectives) (Hara, 2011).

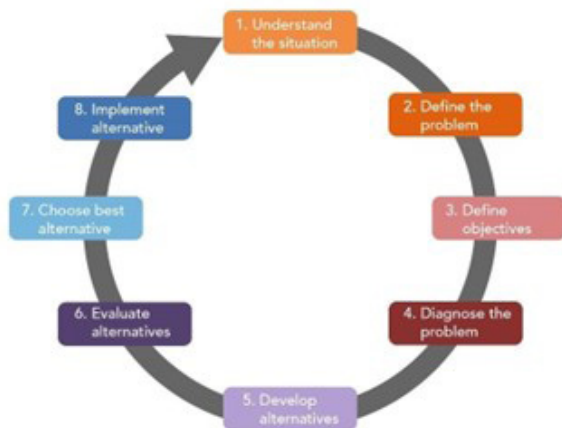


Figure 1 The rational actor model decision making process
Source: Organizational Behavior and Human Relations (2022).

In the issue of Russia's invasion of Ukraine which has an impact on Indonesia. Indonesia decided by considering all the consequences. Referring to Figure 1 above, the Indonesian government has understood the situation that occurred and the conditions that have affected Indonesia so that Indonesia has issued a response by deciding. In responding by deciding on this issue, the Indonesian government is a rational actor where the actor is only a government that behaves singly and rationally by making considerations to choose the most effective alternative. This is also of course to safeguard the national interest in which the Indonesian government wants to prosper its people, maintain national stability, and avoid an economic crisis from this impact.

METHODOLOGY

In this study, the authors used a qualitative research approach. In general, qualitative research is an approach that focuses on studying how a social phenomenon is explored in accordance with related aspects, namely aspects of time, place, actors, and phenomena (Satori & Komariah, 2017: 22). So, in other words, qualitative research emphasizes how researchers interpret

the surrounding social phenomena in a narrative or descriptive way. For data sources, this study uses secondary data sources such as books, journal articles, news newspapers, reports from an institution, or private letters from an institution (Creswell, 2016). In this study, the authors used sources such as books and journal articles to support the writing and analysis process. This is the reason for the author to take a qualitative research approach.

The author also uses an application called NVivo 12 Plus to assist in the process of analyzing the data that the author has collected. NVivo is a software created and developed by a company called QSR International, which this company has long focused on developing qualitative research software for (Wong, 2008: 15). NVivo makes it easy for researchers to be able to process qualitative data using several working mechanisms, such as coding, analyzing using nodes and cases, and so on. In this study, NVivo was used to analyze how the public's response through social media Twitter is related to rising fuel prices in Indonesia through tweets made by existing accounts. The data to be presented is in the form of a word cloud. Therefore, the authors chose to use NVivo as a tool because they believed it would make it easier for writers to process the data obtained.

RESULTS AND DISCUSSION

Oil Purchase of Indonesia

Indonesia is one of the countries that imports oil from several oil-exporting countries in the world, both crude oil and refined oil products. This is because Indonesia's oil production is still lower than oil consumption so far. The value of Indonesia's crude oil imports is not always the same every year, Indonesia has even experienced a decline in imports from 2017 to 2020 (see Figure 2 below). In the last five years from 2017 to 2021, 2017 was the year with the highest number of imports compared to the following years. The Central Statistics Agency (BPS) noted that Indonesia's total oil imports reached 17.9 million tons in 2017, but then decreased in 2018. In 2019, the number of imports again experienced a drastic decline with a total import of 11.7 million tons in 2020 became the year with the most decreased total imports compared to previous years.

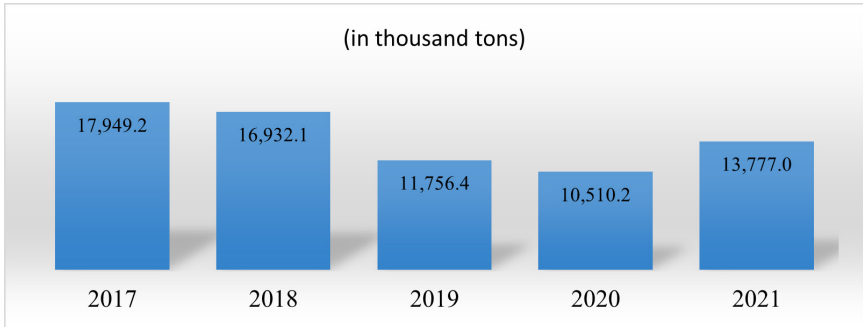


Figure 2 Data Indonesian import data on crude oil (2017-2021)

Source: Badan Pusat Statistik (2022)

Based on data obtained from BPS, the amount of Indonesian oil imports from Saudi Arabia is much higher when compared to the US. Figure 3 and Figure 4 below will show the amount of Indonesia's oil imports and their results from Saudi Arabia and the US in the period 2017 to 2021. Over the past five years, the amount of Indonesia's oil imports from Saudi Arabia has indeed fluctuated, while Indonesia's oil imports from the US consistently increased from 827 thousand tonnes (US\$ 422 million) in 2017, 1.8 million tonnes (US\$ 1,068 billion) in 2018, 2.5 million tonnes (US\$ 1.1 billion) in 2019, 2.8 million tonnes (US \$1.091 billion) in 2020 and 4 million tons (US\$ 2.5 billion) in 2021.

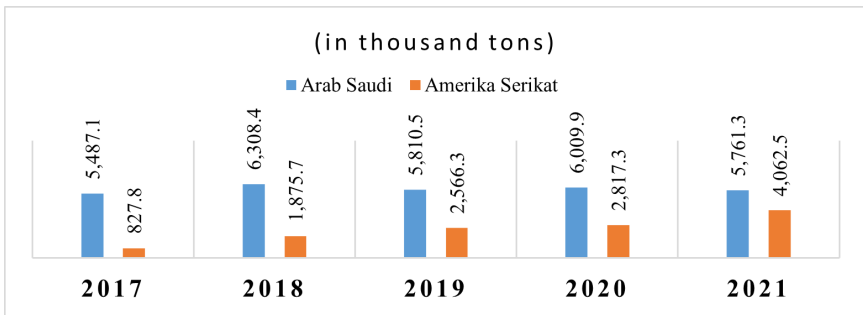


Figure 3 Data on Indonesia's imports of crude oil and its products (2017-2021)

Source: Badan Pusat Statistik (2022)

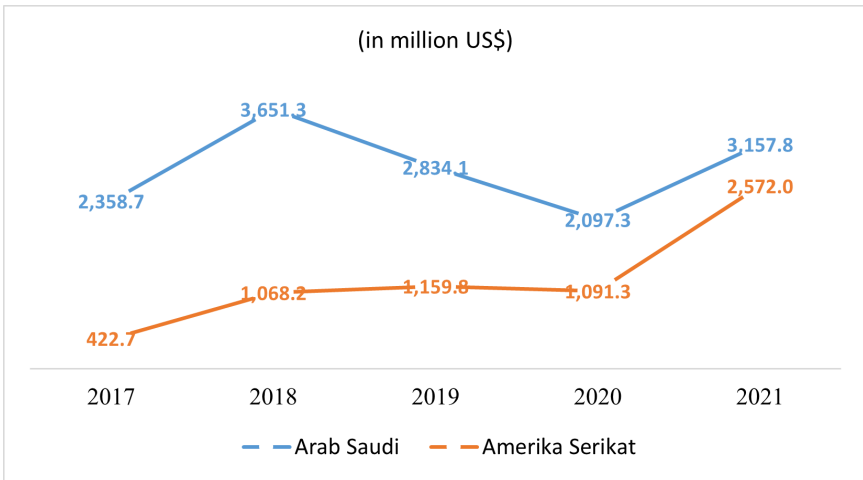


Figure 4 Data on Indonesian income on crude oil imports and their products (2017-2021)

Source: Badan Pusat Statistik, (2022)

Increasing in the price of fuel oil (BBM) as a result of Russia’s invasion to Ukraine

The conflict that occurred between Russia and Ukraine had a very serious impact on various aspects of life, considering that Russia itself is the third largest oil producer and exporter in the world, the second largest natural gas exporter, and the third largest coal exporter (Bakrie, Delanova, & Yani, 2022: 65). As one of the third largest oil producers and exporters in the world after the US and Saudi Arabia, it is undeniable that if the conflict that occurred between the two countries then resulted in Russia itself being subject to international sanctions in the form of limiting the ability to export oil and gas, it is certain that the next escalation will be price increases world energy and declining confidence in financial markets (Dano, 2022: 261-269).

The existence of international sanctions in the form of economic sanctions imposed by the US along with several other European countries regarding the embargo on Russian oil will eventually trigger a supply shock, resulting in consequences for rising prices on the global market (Khudaykulova, Yuanqiong, & Khudaykulov, 2022: 44-52). As the third largest oil producing country, which sells most of its crude oil and provides

two-fifths of its gas supply to Europe, this conflict only makes it more difficult for sellers and European oil companies to obtain energy supplies from Russia (Ozili, 2022: 1-27).

The difficulty in obtaining energy supply then reduces the value of exports and hinders the distribution of energy not only to Europe, but also throughout the world. As a result, there is a high demand for energy commodities due to scarcity and causing an increase in commodity prices. One of the most felt increases in commodity prices was crude oil, which could reach \$150 per barrel during the Russia-Ukraine war and the US-EU embargo on Russian oil imports (Morrow, 2022). The increase in oil prices will then push up inflation and cause global economic growth to stall. This was conveyed by the coordinating minister for the Economy of Indonesia, Airlangga Hartarto, who stated that the increase in food and energy prices had pushed inflation to the highest level in the last 40 years in developed countries. This will be followed by the tightening of monetary policy. Increasing interest rates and tightening liquidity will certainly affect the performance of global economic recovery in developed countries and then have an impact on developing countries.” (Natalia, 2022).

In addition, an increase in global oil prices has the potential to increase the cost of commodity imports and depress a country's fiscal condition due to the increasing burden of government subsidies to maintain the stability of energy use from the oil and gas sector. Based on the explanation above, economic relations between countries around the world had the same impact on the war and one of them was Indonesia. Indonesia is a country that depends on Russian oil commodities because of its geographical location which is not too far away when compared to the US. In addition, 64% of Russia's exports to Indonesia are dominated by oil, gas, and petrochemical commodities. In fact, rubber and foodstuffs are also the largest commodities in the country's exports (Suryana, Fariyanti, & Rifin, 2014: 29-40). Based on data from the Ministry of Trade, it was recorded that the total trade value between Indonesia and Russia had increased from USD 1.9 billion in 2020 to USD 2.74 billion in 2021 (Permana, 2022: 19-24).



Figure 5 Development of Indonesia-Russia Trade Performance (2017-2021)

Source: Permana (2022)

Another factor affecting Indonesia’s dependence on imported Russian oil is also due to several types of energy projects Russia is carrying out in Indonesia, such as: building a 1.8-gigawatt power plant worth \$2.8M, developing traditional nuclear power plants, developing offshore oil fields. in the Java Sea, as well as developing a new oil and petrochemical refinery complex in East Java worth \$15M. Even so, the capacity to produce oil in Indonesia is still less than 700,000 barrels per day. In fact, Indonesia’s own national fuel consumption reaches 1.4 million-1.5 million barrels per day (Mediana, 2022).

Indonesian People’s Responses to Fuel Price Increases

In looking at how the response of the Indonesian people is related to the increase in fuel prices, the authors take data originating from social media Twitter, by using the hashtag (#) which reads “#BBMNaik” and the phrase “BBM Rising” itself as search keywords. In other words, the Indonesian

people's response to the increase in fuel prices can be seen in how the Twitter community reacts. In this context, the author retrieved 50 Twitter tweets in the period 3 September 2022 to 23 January 2023 which the author processed with NVivo 12 Plus. The processed results are in the form of a Word Cloud and can be seen in Figure 6 below.



Figure 6 Indonesian People's Response through Tweets on Twitter social media

Source: Processed by the author via NVivo 12 Plus

Based on the data that the author has processed with the NVivo 12 Plus, there appears to be a negative trend in responses via the Indonesian people's Twitter tweets. The response of the Indonesian people to the increase in fuel prices has raised concerns, as well as new frustrations for the people, especially in terms of the increase in the price of the fuel itself. This can be seen in how people complain about the increasing needs of the community, especially fuel which is also one of their basic needs. This can also be seen in how based on 50 Twitter tweets which were processed into Word Cloud data, it was found that the words most frequently tweeted were "naik" (up), "BBM" (oil fuel), and "harga" (price).

Not only limited to complaints like that, but the Twitter tweet also reflects the public's disappointment with the Indonesian government which is currently being held by Joko Widodo. This is reflected in several tweets that directly carry the name of President Jokowi, as well as his government. Therefore, it can be concluded that based on the disappointment of the Indonesian people after the increase in fuel prices, the focus was more on their disappointment with the government, so this is also a major concern for the Indonesian government.

Indonesian Government's Response and Strategy regarding Fuel Price Increases

From Russia's invasion of Ukraine on February 24, 2022, which had an impact on the economy, especially the increase in world crude oil prices, it continued to have an economic impact on several other countries, one of which is Indonesia. The rise in world crude oil prices started when Russia stopped distributing oil. The termination resulted in a scarcity. On the other hand, this also happens because Russia has a very important role in oil distribution. Russia is the world's third largest oil producer and exporter, second largest natural gas exporter, and third largest coal exporter (Connie Rahakundini Bakrie, 2022).

The increase in world crude oil prices which was the result of Russia's invasion of Ukraine became an issue for Indonesia. Thus, the Indonesian government responded to this issue with several strategies. The form of strategy carried out by the Indonesian government is in the form of policy. Lasswell and Kaplan define policy as a program of achieving goals, values, and directed actions. Furthermore, Rajasataya defines policy as a tactic and strategy directed to achieve a goal. Then, Friedrich defines policy as a series of actions proposed by a person, group or government in a certain environment by indicating the obstacles and opportunities for implementing the proposed policy in order to achieve certain goals. The government issues many policies which are outlined in various forms, such as *beleidslijnen* (policy lines), *het beleid* (policy), *voorschriften* (regulations), *richtlijnen* (guidelines), *regelingen* (guidelines), *circulaires* (circulars), *resolutions* (resolutions), *aanschrijvingen* (instructions), *beleidsnota's* (policy notes), *reglemen*

(ministerial or ministerial regulations), beschikkingen (decisions), and en bekenmakingen (announcements) as the last (Ridwan, 2003).

Prior to the Indonesian government's response in the form of several strategies, Russia had already offered crude oil to Indonesia 30% cheaper than the international market price. Although it is cheaper, Indonesia has not taken up the offer because there are concerns about the sanctions embargo by the United States and it could extend to its western alliance as happened with Russia. The Minister of Tourism and Creative Economy, Sandiaga Salahuddin Uno, is of the opinion that the embargo from the United States still has an impact on Indonesia. Apart from being embargoed, banks from Indonesia have the potential to be kicked out of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system. So that Indonesia may not be able to transact with US dollars. SWIFT is a system to connect various world financial institutions that function to send and receive transaction messages quickly and safely between countries and even continents. If it is removed from SWIFT, Indonesia will not be able to use the US dollar to transact with Russia which will ultimately impact on Indonesia's trade which will be disrupted (Andrianto, 2022).

In addition, if Indonesia accepts the offer, this step has the potential to damage Indonesia's reputation in the eyes of Western countries because Indonesia can be seen as participating in financing the Russian invasion of Ukraine when Western countries are trying to reduce energy dependence on Russia in response to the invasion of Ukraine. On the other hand, when Indonesia accepts the offer of crude oil at a lower price than Russia, it does not mean that domestic fuel prices can also be cheap. This is because it depends on how much oil you buy, a little will not have a significant effect (BBC, 2022).

Nevertheless, President Joko Widodo is considering several things to be able to fulfill national interests. Thus, the Indonesian government responded to the increase in world crude oil prices in several strategies, namely:

a. Gradually increase the price of subsidized premium fuel. The increase in world oil prices also affected the price of Indonesian crude oil

or the Indonesian Crude Price (ICP), which since February 24, 2022, has reached US\$95.45 per barrel. Meanwhile, the ICP assumption in the 2022 State Budget is only US\$63 per barrel. The increase in oil prices affected the condition of the state budget. This is because the increase in ICP causes the price of fuel oil (BBM) to increase thereby increasing the burden of fuel and LPG subsidies as well as fuel compensation in the state budget. One alternative to reduce the burden on the state budget is to reduce fuel subsidies, namely by increasing fuel prices. There are at least several strategies for raising fuel prices, namely: increasing gradually (slowly and not drastically) and taking into account/taking into account the latest national economic momentum or condition (Dano, 2022, p. 266). The increase in fuel prices was finally announced by the government. The rising fuel prices include subsidized fuels such as Pertalite and Solar as well as non-subsidized fuels, namely Pertamina. The Minister of Energy and Mineral Resources (ESDM), Arifin Tasrif, stated that the increase in the price of fuel for the three types of fuel oil took effect from 3 September 2022. The price of Pertalite fuel increased from IDR 7,600 per liter to IDR 10,000 per liter. Then diesel from IDR 5,000 to IDR 6,800 and Pertamina from IDR 12,500 to IDR 14,500 per liter. In September 2022, at a press conference on the Transfer of Fuel Subsidies at the Merdeka Palace, Jakarta, President Joko Widodo stated that in fact Joko Widodo wants domestic fuel prices to remain affordable by providing subsidies from the state budget, but the 2022 fuel subsidy and compensation budget has increased tripled from IDR 152.5 trillion to IDR 502.4 trillion (Santia, 2022).

b. The government provides support through various additional social assistance in the form of shifting the subsidy policy so that the impact of the increase in fuel prices does not burden the community. Deputy Minister of Finance, Suahasil Nazara, said that if the price of fuel goes up without any bearing, poverty will increase. The Minister of Finance, Sri Mulyani, said that the government would provide three social supports as a form of diverting fuel subsidies with a total of IDR 24.17 trillion. This policy is expected to be able to maintain the purchasing power of people who have been affected by price spikes that have occurred globally. This additional social cushion will be provided to 20.65 million beneficiary groups or families in the form of direct cash assistance (BLT). In addition,

the regional government also provides assistance from the regional budget (Indonesia, 2022).

Based on the explanation above, the author wants to analyze the strategy carried out by the Indonesian government regarding the increase in world crude oil prices as a result of the Russian invasion of Ukraine, which led to rising fuel prices (BBM) in Indonesia. The author examines the strategy that has been carried out by the Indonesian government from two sides, namely losses (cost) and benefits (benefits). When viewed from the deficiency or cost side, the first most significant loss is from the increase in fuel prices. The Indonesian government basically doesn't want to increase the fuel price, which of course will put a huge burden on the community. This is a loss for the Indonesian government because it hinders the Indonesian government from realizing prosperity in society. Then, the second disadvantage is that people find it difficult to get fuel because the price is very high, so it is not affordable for people with low incomes. This misery and loss can also be seen in how the results of the Word Cloud data resulted in criticism and complaints being directed at the rising price of fuel itself.

In a prolonged crisis like what Indonesia is currently experiencing, these nominalist groups will certainly experience economic difficulties. On the other hand, what is required in a crisis like today, even in normal conditions, is a society with a substantial mindset. A substantialist society is a society that looks at it from the point of view of income value or purchasing power, so it is very possible that even though people's income has increased, with an increase in prices that is higher than the increase in income, this community has experienced a decline in purchasing power. Substantial society will be able to anticipate and respond to the economic crisis that occurs.

As is currently happening, the increase in fuel prices in Indonesia will certainly have an impact on increasing the inflation rate and decreasing people's purchasing power, the impact is mainly felt by people with low purchasing power and the poor, including those in urban and rural areas. Then, it can also be understood that the increase in fuel prices will have exponential implications for the Indonesian

economy (Wadian Wardani, 2022: 7). This is certainly a problem that has a direct impact on people's lives in fulfilling their needs because fuel is used in almost all community activities.

On the other hand, the increase in fuel oil also provides benefits, for the government and the community. The first advantage is that the increase in the price of fuel oil makes state revenues increase significantly. With soaring fuel prices, the state budget expenditure for subsidies will be higher. Thus, the solution from the Indonesian government is to increase the fuel price. By increasing fuel prices, the fiscal condition of the Indonesian government in the State Revenue and Expenditure Budget (APBN) is not burdened. This is of course caused by the increasing price that must be paid by the public in obtaining fuel, so that the amount of income that the state gets also increases (Suryadi, 2015: 7).

The second advantage is that the Indonesian people get additional social support in the form of Direct Cash Assistance (BLT). BLT is one of the government's programs in an effort to reduce poverty as compensation for reducing fuel subsidies. The BLT program in its implementation must directly touch and provide direct benefits to people who are categorized as Target Households, namely households that fall into the very poor, poor and near-poor categories. The BLT is in the form of a certain amount of cash. The BLT program has been implemented since the issuance of Presidential Instruction No. 12 of 2005 concerning "Implementation of Direct Cash Assistance to poor households" and Presidential Instruction No. 3 of 2008 concerning "Implementation of Direct Cash Assistance for Targets". BLT assistance really helps the community to meet their needs and reduce the burden on society, especially to meet fuel needs to support daily activities (Saputri & Sari, 2020).

This issue is implemented using the decision-making process theory. Based on this theory, it is found that the Indonesian government has understood the situation in the global political dynamics that occurred as a result of the Russian invasion of Ukraine, where the impact of the invasion caused a supply shock and hampered the distribution of the economy in oil commodities. Realizing this situation, the Indonesian government took a

policy by considering the various options available, especially considering the benefits and costs of the implemented policies. By using the rational actor model, the Indonesian government made two policies, namely increasing the price of subsidized fuel, and providing BSU to the community. This policy was made by the Indonesian government based on various considerations by choosing the least negative consequences. This is done to maintain the stability of the domestic economy and the welfare of the Indonesian people.

CONCLUSION

Russia's invasion of Ukraine on 24 February 2022 became a global issue. The invasion had an impact on world crude oil prices which experienced an increase. The increase in world crude oil prices also had an impact on Indonesia. To maintain the stability of the country, the Indonesian government has responded with various strategies. The Indonesian government's strategy is to gradually increase the price of premium fuel oil (BBM) in order to reduce the burden on the state budget and the Indonesian government provides support through various additional social assistance in the form of shifting the subsidy policy so that the impact of the increase in fuel oil (BBM) prices is not burdensome. Public.

By using the decision-making process theory, the authors found that the Indonesian government made two policies as a response to the increase in fuel prices. This policy is quite effective because by increasing the price of subsidized fuel, the state budget is not burdened because it has to bear the financing of subsidized fuel. Nevertheless, this policy still causes losses, especially for the lower middle class Indonesian people. This is due to the heavy costs that must be borne by the community to meet their needs for fuel, both for economic mobility and other needs. Therefore, the limitation of this article is further study regarding the future impact of the increase in fuel prices, so it is very important to do further research regarding the continuation of the policy which is the response of the Indonesian government.

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