

# CHAPTER I

## INTRODUCTION

### A. Background

Fuel oil is fuel obtained from the belly of the Earth in the form of crude oil which then undergoing a process of refining into fuel until it is ready to use. The results of the refining of crude oil are petrol (premium gasoline), diesel (IDO & ADO: industrial diesel oil & automotive diesel oil), kerosene, avtur. As well as some product, such as naphtha, light sulfur wax residue (LSWR) and asphalt.<sup>1</sup>Fuel oil is a basic requirement commodity that has important role in the economic activity, which affect many aspects in human life such as: industry, transportation, and commodity export-import.

Indonesia is currently experiencing problems about rising fuel prices. This is because of the higher demand of fuel oil rather than its supplies. The rise of the price of fuel oil in Indonesia has occurred because of the rising world oil prices. That makes the Government unable to sell fuel oil to the society at a price equal to the former price.

The oil price condition in Indonesia before Mr. Joko Widodo era according to Regulation of the Minister of energy resources and Mineral Resources Number 41 in 2008 is that, the Government lowered the retail price of premium gasoline, diesel

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<sup>1</sup>Nugroho, H. (n.d.). *Apakah persoalannya pada subsidi BBM?* Retrieved from Bappenas: [http://bappenas.go.id/files/5313/5078/8094/01ahanan11\\_\\_20091014130919\\_\\_2256\\_\\_0.pdf](http://bappenas.go.id/files/5313/5078/8094/01ahanan11__20091014130919__2256__0.pdf)

fuel type, and kerosene. Government regulations also set the evaluation of retail price of fuel oil types every month and set an upper limit for premium gasoline as much as Rp6.000 per liter and diesel oil for as much as Rp5.500 per liter.<sup>2</sup> On November 17<sup>th</sup>, 2014, President Joko Widodo announced a rise of fuel oil prices. Premium increase from Rp6.500 to Rp8.500, while solar from Rp5.500 to Rp7.500 per liter.<sup>3</sup>

In order to equalize the problem of rising fuel oil prices every year, the Government issued a policy of subsidizing fuel oil. The policy of subsidizing fuel oil aims at resolving overloaded state budget. Because otherwise, the state budget will certainly decrease which impacted directly on the stopping of national development.

Oil and gas consumption in the country is rising up from time to time. This increase could not be fulfilled from domestic oil and gas production results. As a result, Indonesia that was once known as an oil-rich country must now be regularly importing oil from abroad. The price of fuel oil has made the national problem in Indonesia. The demand of fuel oil in Indonesia is a big issue, because the demand

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<sup>2</sup>ESDM. (2008). *Harga Jual Eceran Bahan Bakar Minyak Jenis Kerosene, Bensin Premium, dan Solar Untuk Keperluan Rumah Tangga, Usaha Kecil, Usaha Perikanan, Transportasi, dan Pelayanan Umum*. Retrieved from Peraturan Menteri Energi dan Sumber Daya Mineral nomor 41 tahun 2008:

<https://www.minerba.esdm.go.id/library/sijh/Permen%2041%202008.pdf>

<sup>3</sup>Nahrillah, F. (2014, November). *Umumkan Harga BBM, Jokowi Dinilai Berani*. Retrieved from TEMPO.CO bisnis:

<https://bisnis.tempo.co/read/news/2014/11/18/090622792/umumkan-harga-bbm-jokowi-dinilai-berani>

of fuel oil itself is high but the supply is not enough. Therefore, the price of fuel oil is increasing.

According to PT. PERTAMINA (Perusahaan Pertambangan Minyak dan Gas Bumi Negara) state-owned enterprise in charge of managing the oil and gas mining in Indonesia, the total consumption of fuel oil in the Indonesia has been as much as 1.6 million barrels per day (bpd), only 850 thousand bpd which can be produced domestically, the rest is imported. Of 850 thousand bpd fuel oil produced at PT. PERTAMINA's refinery, only 60 percent of raw materials in the form of crude oil comes from oil field in the country. The rest, about 40 percent of the crude oil has been imported.<sup>4</sup>Indonesia imported crude oil from Saudi Arabia as the biggest importer. Not only from Saudi Arabia Indonesia also import crude oil from another country such as Brunei Darussalam, Nigeria, South Korea, Russia, Libya, Qatar, Liberia, Aljazeera, Turkey and Angola.<sup>5</sup>

“Subsidy is a benefit given by the government to groups or individuals, usually in the form of a cash payment or a tax reduction. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public.”<sup>6</sup>Fuel oil subsidy is financial assistance given by government to PT. PERTAMINA as the provider of fuel oil, due to the situations where the income

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<sup>4</sup>Wahyuni, N. D. (2015, July 9). *Kenapa Indonesia Harus Impor dan Cari Migas ke Luar Negeri?* Retrieved from LIPUTAN6: <http://bisnis.liputan6.com/read/2269013/kenapa-indonesia-harus-impor-dan-cari-migas-ke-luar-negeri>

<sup>5</sup>ESDM. (2012). *Impor Minyak Mentah & Kondesat*. Retrieved from Direktorat Jenderal Minyak dan Gas Bumi: <http://statistik.migas.esdm.go.id/index.php?r=rekapImporMinyakMentah/index>

<sup>6</sup>INVESTOPEDIA. (n.d.). *Subsidy*. Retrieved from Investopedia: <http://www.investopedia.com/terms/s/subsidy.asp>

earned from providing fuel oil PT. PERTAMINA in Indonesia is lower than the cost of the issue to provide the fuel oil.<sup>7</sup> According to UU no.44 1960 and UU no.8 1971 the government has formed a state company called PT. PERTAMINA Company as the holder of the power of oil and gas mining in Indonesia. Indonesia has an obligation to paid PT. PERTAMINA as the provider of fuel oil in Indonesia for the fuel oil subsidies.

The allocation of energy subsidies takes 25.05 percent of the government spending each year. In the period of 2009-2015, the proportion of energy subsidies against central government expenditures reached 25.05 percent annually and fuel oil subsidies portion is 16.78 percent.<sup>8</sup>

The proportion of subsidies on fuel oil continue to increase by year. In the period of 2009-2014, the trend towards fuel oil subsidies proportion of central government spending increase from annually. In 2009, the share of fuel oil subsidies were just as much as 7.16 percent and increased sharply in 2014 becoming 19.25% and in 2015 was 21.10%.

Since the year 2011, the income from oil and gas sector which is the income of the central government after reduced DBH oil and gas, has been only use for subsidies. The income from oil gas sector in 2011 amounted to Rp241.08 trillion and Rp255.61 trillion of energy subsidies, by which the difference reached minus

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<sup>7</sup>Nugroho, H. (n.d.). *Apakah persoalannya pada subsidi BBM?* Retrieved from Bappenas: [http://bappenas.go.id/files/5313/5078/8094/01ahanan11\\_\\_20091014130919\\_\\_2256\\_\\_0.pdf](http://bappenas.go.id/files/5313/5078/8094/01ahanan11__20091014130919__2256__0.pdf)

<sup>8</sup>ibid

Rp14.53 trillion. The difference in 2011 – 2014 was minus Rp14.53 trillion, Rp51.54 trillion, Rp87.80 trillion, and Rp33.47 trillion.<sup>9</sup>

The fund issued for subsidies has been extremely large. However, the realization of the fuel oil subsidies policy has not been effective to solve the problem. Decreasing fuel oil subsidies policy of increasing the price of fuel oil has always been avoided. These policies have been politically very unpopular in the eyes of the people. On the other hand, the overload fuel oil subsidies could be messing the state budget up and distorting the economy of the nation.

On January 1<sup>st</sup>, 2015, President Joko Widodo has officially removed fuel oil subsidies for the type of premium, and for diesel fuel set a fixed subsidy of Rp1.000. The price of Premium and diesel would be announced by the Government each month. Price calculation would use a formula that has been set by the Government referring to world oil prices, the exchange rate of the Rupiah against the U.S. dollar, as well as the factor of inflation. On January 2015, Premium price down from Rp8.500 to Rp7.600 while solar from Rp7.500 to Rp7.250 per liter.<sup>10</sup>

According to President Joko Widodo, about 71% fuel oil consumer were mostly from the rich people which made the purpose of subsidy itself has become targeted

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<sup>9</sup>ibid

<sup>10</sup>Michael, A. (2016, October 19). *2 Tahun Memimpin, Jokowi-JK Hapus Subsidi BBM Hingga Pangkas Izin Migas*. Retrieved from detikFinance: <http://finance.detik.com/energi/d-3324663/2-tahun-memimpin-jokowi-jk-hapus-subsidi-bbm-hingga-pangkas-izin-migas>

wrong.<sup>11</sup> It has made the policy become not efficient anymore. Subsidy is actually the aid addressed for the people who are proper in need.

According to the Directorate General of oil and gas of the Ministry of Mineral Resources, IGN Wiratmaja Puja revealed the most prominent reform of subsidies on fuel oil. Premium subsidies should be removed, then the solar subsidies should be made into a permanent subsidy of Rp1.000 per liter.<sup>12</sup> Pruning makes a Healthier state finances. There are Hundreds of Trillions of dollars that could be saved and can be allocated to a more productive expenditure.

## **B. Research Question**

Why did President Joko Widodo decide to decrease fuel oil subsidy and follow the fluctuation of world oil price?

## **C. Theoretical Framework**

### **1. Model of Decision making process David Easton**

According to business dictionary, “decision making is the thought process of selecting a logical choice from the available options. When trying to make a good decision, a person must weigh the positives and negatives of each option, and

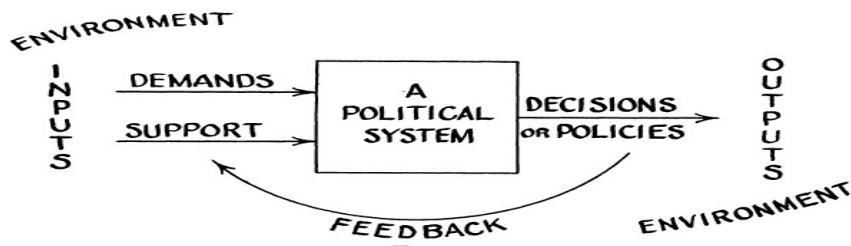
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<sup>11</sup>Prihandoko. (2014, November 4). *Jokowi: Subsidi BBM bebani Anggaran Negara*. Retrieved from TEMPO.CO: <https://m.tempo.co/read/news/2014/11/04/090619476/jokowi-subsidi-bbm-bebani-anggaran-negara>

<sup>12</sup>Michael, A, op. cit.

consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option and determine which option is the best for that particular situation.<sup>13</sup> David Easton try to explain about the decision making process in the political system in form of a model and he try to identified the major attribute.<sup>14</sup>

Figure 1.1: Model of decision making process system



Source: Easton, D. (1957). *An Approach to the Analysis of Political System*. In D. Easton, *World Politics*. Cambridge University Press.

In identifying a political system, there is must distinguish the political system either from other social system through unit's base or lines margin.<sup>15</sup> According to David Easton (Easton, 1957) there are 4 groups of decision making factors as described image above: inputs, political system, outputs and feedback environment.<sup>16</sup>

<sup>13</sup>BD. *decision making*. Retrieved from business dictionary: <http://www.businessdictionary.com/definition/decision-making.html>

<sup>14</sup>Easton, D. (1957). *An Approach to the Analysis of Political System*. In D. Easton, *World Politics* (pp. 383-400). Cambridge University Press.

<sup>15</sup>Mas'oed, M., & Andres, C. M. (2008). *Perbandingan Sistem Politik*. Yogyakarta: Gajahmada University Press.

<sup>16</sup>Easton, D, op. cit.

### **a. Input**

Input consist of demands and support. This input will become a source of information or issue which is would be proses in political system, and support to keep a political system operating. Input emerged from among the public that cannot all be fully satisfied against things or objects which become rare and difficult to attain. This was mentioned in point demands, which arise from the demands of the person or group in the society, and this can be input in the political system. Demand for prestige may find satisfaction through the status relation of society; claims for wealth are met in part through economic system; aspirations for power find expression in educational, fraternal, labor, and similar private organization. Input of demands alone are not enough to keep a political system operating. With support, demands could be satisfied or conflict in goal composed. The points of support serve to keep the system running, because when the requirement would affect the process of the relevant, it needs support from other parties.

In this case, the problem faced by Indonesia is that there has been over load state budget. According to ministry of finance in state budget 2015 Indonesia state budget was Rp1.793, 6 trillion while the state expenditure was Rp2.039, 5 trillion.<sup>17</sup> There was gap between revenue and the spending in which the difference reached minus Rp254, 4 trillion. Subsidy budget consumed about 20% from the state budget

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<sup>17</sup>Ministry of Finance. (2015). *Anggaran Pendapatan dan Belanja Negara Tahun 2015*. Retrieved from infografis APBN 2015: <http://www.kemenkeu.go.id/wide/apbn2015>



(APBN), or Rp414, 7 trillion of Rp2.039, 5 trillion. The impacts of the gap between revenue and spending are deficit budget, and economic growth.

In drafting the national state budget is usually held on two options, between a policy of deficit or surplus. Budget surplus policy aimed at controlling the growth rate of the economy then the Government will reduce its expenditure (contractive). Indonesia is a country that is still developing, and the reason why the Government always takes the budget deficit policy major options when the purpose of the macro economy is intended to create high economic growth, thus doing more government spending (expansive).

#### **b. Political System**

According to David Easton, *political system is part of a social system which has the role to execute the allocation of values in the form of a decision or policy in the form of an authoritative action and strengthened by a legitimate authority and binds society*.<sup>18</sup> All the actions that are directly related to the making of decisions that are binding on the society is political system. Political system as the proses of changing the *input* to become *output*. In political system there are several decision maker such as the government, political party, interest group, parliament, bureaucracy, jurisdiction, or we can call it the actor of the decision maker.<sup>19</sup>

Indonesia's political system embraced a presidential system or a congressional system, in which executive power was chosen through the elections and separated

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<sup>18</sup>Easton, D. (1957). An Approach to the Analysis of Political System. In D. Easton, *World Politics*. Cambridge University Press.

<sup>19</sup>ibid

with legislative powers.<sup>20</sup> Presidential system does not recognize the existence of the institution of the holder of the highest supremacy. State sovereignty is separated (separation of power) into the three branches of power, i.e. the legislative, Executive, and judiciary, which ideally is formulated as the "Trias Politica" by Montesquieu.<sup>21</sup> Concentration of power is on the President as head of State and head of Government. In a presidential system the Ministers are the aides of the President who appointed and accountable to the President.

People Consultative Council (MPR) as the incarnation of the people and is the holder of the supremacy of sovereignty was the highest State Government, organizer of the "holder" of executive power and the legislature. People Consultative Council (MPR) consist of the combination House of Representative (DPR), running the legislative power which serves as the legislative councils or assembly. While the President is mandatory in charge of running the Executive power together, the President and People Consultative Council devised laws. People Consultative Council and the President cannot hand down each other on presidential or parliamentary system.<sup>22</sup>

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<sup>20</sup>Evirizkirahmadani. (2012, Mei 30). *Sistem Pemerintahan Presidensial di Indonesia*. Retrieved from Pelaksanaan Sistem Presidensial di Indonesia: <https://evirizkirahmadani.wordpress.com/2012/05/30/pelaksanaan-sistem-presidensial-di-indonesia/>

<sup>21</sup>Nuzulia, I. F. (2015, January 18). *Charles de Montesquieu, Alasan di balik Trias Politica Eropa (II)*. Retrieved from Pesantren Global Tarbiyyatul Arrifin: <http://www.pesantrenglobal.com/charles-de-montesquieu-alasan-di-balik-trias-politika-eropa-ii/>

<sup>22</sup>Evirizkirahmadani,op.cit

The characteristic of presidential system are:

- a. Headed by the President as the head of Government and the head of State.
- b. President is the sole Executive accompanied by Vice President. Appointed on the basis of people's democracy and is elected directly by the people.
- c. President has the prerogative right (privilege) to appoint and dismiss ministers leading departments and non-departmental.
- d. Ministers are only accountable to the Executive power (not to the legislative power)
- e. The executive power is not accountable to the legislative power and vice versa.
- f. The executive power cannot be handed down by the legislature.

President as the highest state authority, the holder of the decision making process in this case Mr. Joko Widodo as the president of Republic Indonesia have a privilege policy to implemented in the state. As the writer mentioned previously that the political system can be form of political action, so that the political action taken by Mr. Joko Widodo as the president of Republic Indonesia apply constant subsidy for diesel and kerosene, then withdraw subsidy for premium by following the fluctuation oil price and rupiah exchange rate.

The policy taken by President Joko Widodo invited pro and contra in society. The society are afraid about the fluctuation especially when the price is rising.

Nevertheless, the reason behind the decision of President Joko Widodo will be analyzed by the writer in the following chapter.

### **c. Output**

Output consist of value, which is the result of a process of political system which has been in the form of decisions or policies, or actions of the Government against a problem in society.<sup>23</sup>

Fuel oil subsidy consume Rp276, 0 trillion or about 10% from state budget expenditure. The budget for subsidy itself is Rp414, 7 trillion from Rp2039, 5 trillion state expenditure it makes fuel oil subsidy become the largest consumption in subsidy budget. President Joko Widodo said that about 71% fuel oil consumer were mostly from the rich people which made the purpose of subsidy itself become targeted wrong.<sup>24</sup>

In this case, subsidy for fuel oil should be decreased for diesel and kerosene and follow the fluctuation oil price for premium. By decreasing subsidy for fuel oil and follow the fluctuation of oil price state can save and use the state budget (APBN) for other state expenditure.

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<sup>23</sup> Easton, D. (1957). An Approach to the Analysis of Political System. In D. Easton, *World Politics*. Cambridge University Press.

<sup>24</sup>Prihandoko. (2014, November 4). *Jokowi: Subsidi BBM bebani Anggaran Negara*. Retrieved from TEMPO.CO: <https://m.tempo.co/read/news/2014/11/04/090619476/jokowi-subsidi-bbm-bebani-anggaran-negara>

#### **d. Environment**

This point explains how environment influence the decision making proses and its position was outside the boundaries of the political system. According to David Easton *the function of environment in the political system is to conceive of a political system as having a boundary in the same sense as a physical system. The boundary of a political system is defined by all those actions more or less directly related to the making of binding decisions for a society.*<sup>25</sup> And feedback from the output that includes decisions or policies that already implement.

The oil import and the oil price fluctuation are part of the environment in this case. Importing crude oil is to support the supply to fulfill the demand of fuel oil in the society and the fluctuation of oil price as the indicator of the government in increasing or decreasing fuel oil price.

In the last few years the crude oil price has been uncertain, starting from price which increased to US \$90 per barrel in 2011, then in 2012 increased to above US \$125 per barrel, decreased in 2013 to US \$100 per barrel, above US \$100 per barrel in 2014<sup>26</sup>, then drop below above US \$ 48 per barrel in 2015, Until a drastic price drop below US \$30 per barrel in 2016.<sup>27</sup> The change of oil price fluctuations in the last 5 years tends to decrease. However, it was rising in 2012.

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<sup>25</sup> Easton, D. (1957). An Approach to the Analysis of Political System. In D. Easton, *World Politics*. Cambridge University Press.

<sup>26</sup>[www.money.cnn.com](http://www.money.cnn.com), Oil prices surge above \$106, gasoline tops \$ 3.50, September 29, 2014

<sup>27</sup>[www.bloomberg.com](http://www.bloomberg.com), Crude Falls Below \$30 a Barrel for the First Time in 12 Years, January 13, 2016

The oil price fluctuation has influenced, Indonesia as the importer of the crude oil will bought the oil cheaply. Right now, decreasing oil price will be beneficial for Indonesia, according to PT. PERTAMINA from following the fluctuation of oil price which is now oil price decreasing PT. PERTAMINA get profit around Rp22.1 trillion.

OPEC play a big role in the fluctuation of the oil price in the world with around 80% oil share world crude oil reserve as the exporter crude oil around the world, from the member countries that join OPEC are: Algeria, Angola, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia UAE and Venezuela.<sup>28</sup>

With OPEC, Indonesia is a country that import crude oil and is one of the largest oil importing countries, therefore Indonesia requires OPEC to ease oil supply with better guarantee. There is also a chance of countries who have trillions of dollars deposits such as Kuwait and Qatar on OPEC members, Indonesia could attract them to infuse investment. Therefore, the incoming investment would be a lot more.

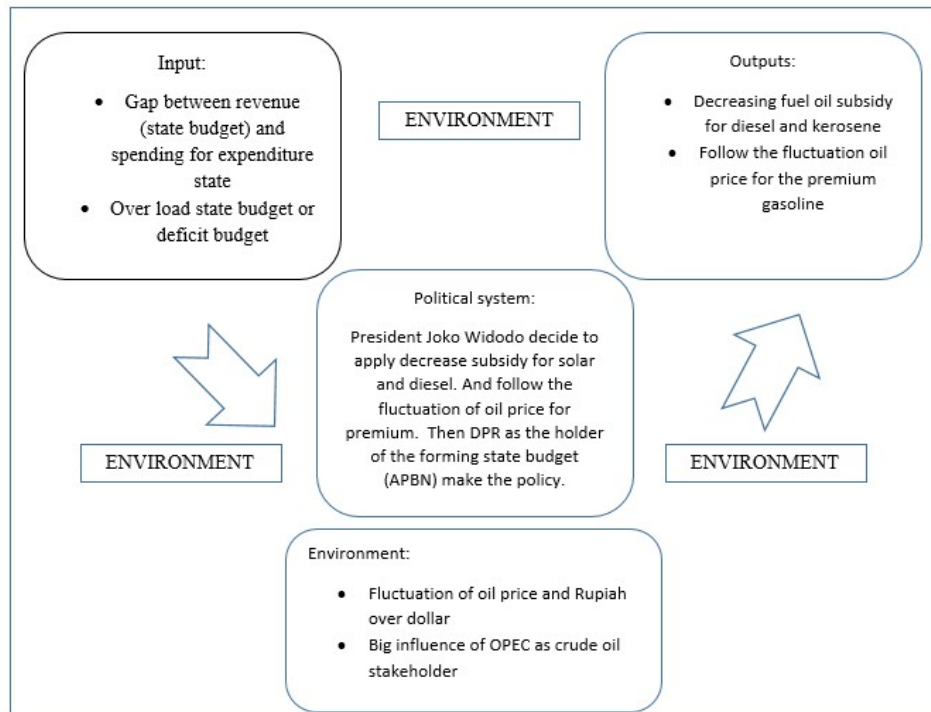
The feedback taken from the reduction and follow fluctuation oil price policy is that the policy will contribute back to the society itself to make prosperity in the society comfort place to living. The state can save and continue the national development, as well as can achieve economic growth. The subsidy for the full oil

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<sup>28</sup>OPEC. (2016). *OPEC share of world crude oil reserves, 2015*. Retrieved from OPEC Annual Statistical Bulletin 2016: [http://www.opec.org/opec\\_web/en/data\\_graphs/330.htm](http://www.opec.org/opec_web/en/data_graphs/330.htm)

or gas can be used for anything else that can more useful such as development and construction in the country.

*Figure 1.2 implementation of the decision making process model*



Source: Easton, D. (1957). Implemented by the writer

The problem that to face by Indonesia there is over load state budget. According to ministry of finance in state budget 2015 Indonesia state budget is Rp1.793, 6 trillion while the state expenditure was Rp2.039, 5 trillion.<sup>29</sup> There was gap between revenue and spending the difference reached minus Rp254, 4 trillion. Subsidy budget consume about 20% from the state budget (APBN), or Rp414, 7 trillion from

<sup>29</sup>Ministry of Finance. (2015). *Anggaran Pendapatan dan Belanja Negara Tahun 2015*. Retrieved from infografis APBN 2015: <http://www.kemenkeu.go.id/wide/apbn2015>

Rp2.039, 5 trillion. The impact of the gap between revenue and spending are deficit budget and economic growth.

President Joko Widodo decided to apply decrease subsidy for solar and diesel. And follow the fluctuation of oil price for premium. Then policy should get the approval from the House of Representative as the holder of Budget rights to set the budget income and expenditure the country/area, to make a draft for setting the budget of national state budget. To maintain the stability of national economy in Indonesia.

The OPEC play a big role in the fluctuation of the oil price in the world with around 80% oil share world crude oil reserve as the exporter crude oil around the world, with OPEC Indonesia as the country that import crude oil and the one of the largest oil importing countries, therefore Indonesia requires OPEC to ease getting oil supply with more assured.

In this case subsidy for fuel oil should be decreased for diesel and kerosene and follow the fluctuation oil price for premium. By decreasing subsidy for fuel oil and follow the fluctuation of oil price state can save and use the state budget (APBN) for other state expenditure.

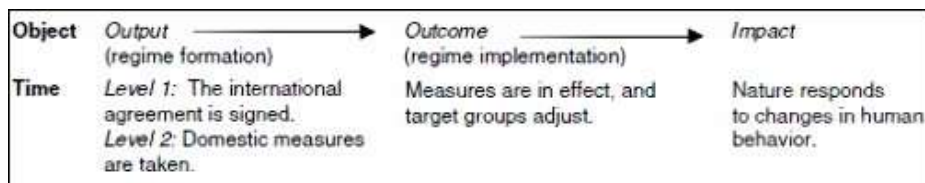
## **2. International Regime Concept Arild Underdal**

International regimes emerged as a major focus of empirical research and theoretical debate within international relations. The interest in regimes sprang from



a dissatisfaction with the dominant conceptions of international order, authority, and organization. The sharp contrast between the competitive, zero-sum "anarchy" of interstate relations and the "Authority" of domestic politics in explaining cooperative Seemed overdrawn behavior among the advanced industrial states.<sup>30</sup>Defined as the rules, norms, principles and procedures that focus on expectations regarding international behavior.<sup>31</sup>The effectiveness of the regime as the dependent variable has three components, which consist of outputs, outcomes, and impact that exists within the regime.

Figure 1.3 Environmental Regime Effectiveness



Source: Underdal Arild. *Environmental Regime Effectiveness: Confronting Theory with Evidence*

**a. Output**

The output is the policy, program, and organizing set by members to operationalize the provisions in the regime, so things that previously only the shape of the deal could be realized. The output of the process of formation, usually written but could also not written such as conventions, rules of law, treaty, Declaration, it

<sup>30</sup>Haggard, S., & Simmons, B. A. (2017, February 9). *Theories of International Regimes*. Retrieved from Digital Access to Scholarship at Harvard: [https://dash.harvard.edu/bitstream/handle/1/3117934/Simmons\\_TheoriesInternational.pdf?sequence=2](https://dash.harvard.edu/bitstream/handle/1/3117934/Simmons_TheoriesInternational.pdf?sequence=2)

<sup>31</sup>Carlsnaes, W., Risse, T., & Simmons, B. A. (2015). *Handbook Hubungan Internasional*. (M. Rizal, Ed., & I. Baheqie, Trans.) Bandung: Penerbit Nusa Media.

could also be the norms, principles and others. The signing of the regime and the onset of the country's domestic measures associated regime occurred during this object.

**b. Outcome**

Outcomes are the changes the behavior of the subject which is the provision in the regime or regime implementation, whether it be the cessation of actions taken prior to the regime's standing, as well as actions before the regime's standing is not done. Domestic measures that State resources were beginning to be felt in effect at the time of this object.

**c. Impact**

This object creates the visible changes in the habits of a country to follow or not to follow the international regime which follow.

According from the model above the writer implemented that, the output is an international challenge in oil sector which is OPEC as 70% exporting crude oil stakeholder maintaining the world oil price by oil stoke that OPEC have, OPEC policy is to control the price of exporting crude oil in the world in order to maintain the stoke that OPEC have which is effected in the country that still importing crude oil, especially the country which is still developing country like Indonesia that around 40% crude oil imported from other country to fulfill need of demand in the country.

The outcome is the change of human behavior of Mr. Joko Widodo as the president of Republic Indonesia where Indonesia is still importing crude oil country that depends on the crude oil from another country take the decision to following the fluctuation oil price in the global market to respond the international challenge in oil sector nowadays and adjust the price of exchanging rate Rupiah value.

By following the world fluctuation of oil price, the country can be autonomous and experience for the next step to become a developed country. The impact taken by the country which is importing crude oil from another country or from the member country of the OPEC have to arrange extra national budget for unstable world crude oil price if the oil price is increasing but can also take benefit if the oil price is decreasing it will give the surplus for the national budget itself.

International issue or international challenge right now in trend fluctuation of world oil price Indonesia will follow the flow which is following the fluctuation of the world oil price and adjust the price in the country.

#### **D. Hypothesis**

From the understanding of background, research question and the theoretical framework, the hypothesis from the research question.

- President Joko Widodo decide to decrease fuel oil subsidy and following the fluctuation world oil price to maintain the stability of national economy in Indonesia.
- To respond the international challenge in oil sector which is OPEC as 70% crude oil stake holder by following the fluctuation.

- The influence of OPEC as 70% stake holder of the exporting crude oil intervening domestic policy and fluctuation world oil price Rupiah over Dollar US.

### **E. Methodology**

In this proposal, the writer uses the explorative-descriptive method. The writer conducts some researches through collecting, data retrieval is done by organizing question and answer, observation, collects some data from articles, journal, papers, books, internet and other thesis that can be used for answering the research question and to complete the data that are needed for the thesis, and collect some facts that can support the data of the research.

### **F. Purpose of Writing**

To explain the policy taken by President Joko Widodo which is to decide decrease fuel oil subsidy and follow the fluctuation of oil price.

To answer the problem formulation that exists with relevant theories well as the evidence and facts.

## **G. System of Writing**

The system of writing this research was arranged as:

**Chapter I.** The writer explained about problem background, followed by research question, theoretical framework, hypotheses, scope of research, methodology, range of research, purpose of research, and outline of research.

**Chapter II.** The writer explained about the input or source of the problem followed by subsidy in Indonesia, national state budget. The cause of Joko Widodo changing policy.

**Chapter III** The writer explained about the supporting factors of Mr. Joko Widodo changing policy, environment that affecting the decision making process including OPEC the actor involved, table of the OPEC member, figure of the OPEC structure, history of OPEC, history of world oil price, OPEC crude oil determined the price of oil price.

**Chapter IV.** The writer examined the political system of President Joko Widodo changing policy. How policy decrease fuel oil subsidy and follow the fluctuation of oil price decision making process.

**Chapter V.** The writer provided conclusion