

The Rise of China in the 21st Century on Belt and Road Initiative: The Implication to Indonesia Development

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Abstract: China's rise is in a high pace today. There is no doubt that the rise is followed by the expansion of China's foreign policy to other countries. With the great strategy on the Belt and Road Initiative (BRI), China perceives Southeast Asia region as a strategic base on its diplomacy, especially to Indonesia. China sees Indonesia as great power country in ASEAN, as well as a strategic country for China to be its partner in economic expansion. Therefore, this paper is questioning how Indonesia is affected by this great initiative through the implementation of China's BRI in Indonesia. Using neoliberalism as a theoretical framework, the paper analyzes how this international cooperation has created a high degree of interdependence among countries in the international system. The results show that international cooperation under the BRI Initiative provides assistance and assets for the future economic development of developing countries.

Keywords: Belt and Road Initiative, economic development, Indonesia.

INTRODUCTION

China's rise as an emerging power in international economic and political participation is absolute and inevitable. As an emerging economic power, China still has a long way to go to reach become one of the largest economies in the world today. Since 1978, when Deng Xiaoping introduced market-oriented economic reforms in an open economic system, China has become the world's fastest growing major economies. This breakthrough has directly made China's economic growth very significant, continuing to grow in recent years. China has now become the world's second-largest economic power after the hegemony of the United States, and have greater and more influence in Asia and globally. (Rosecrance, 2006).

China's rise as an emerging power is not measured only by its rapid economic growth; its active political engagement at the multilateral diplomatic level is also an important underpinning of China's emergence as a major power today. China is not only a participant, but also plays an important role as a defender and leader of the developing world at large. (Pu, 2011). China has created a joint economic platform called BRI. This is an institution made up of five developing countries, Russia, Brazil, India, South Africa and China, and is in line with China's goal of increasing its international influence. (Jones, 2013). However, as a member of the United Nations (UN) and the World Trade Organization (WTO), it demonstrates China's willingness to participate in the current international agenda. China's participation in the international community thus demonstrates its ability to lead the world and exert greater influence. The fact that China's power and foreign policy have a significant impact in regional and global affairs is significant and will continue to be.



In a bid to sustain and in an effort to expand economic growth globally, China is firmly engaged in international economic cooperation to create a new platform for the global economy, known as the Belt and Road Initiative (BRI). Chinese President Xi Jinping launched the famous Belt and Road Initiative in 2013. The main objective of the Belt and Road Initiative is to shape and expand China's vast economic power covering Asia, Europe, Latin America and Africa in the form of comprehensive cooperation in the form of free trade, cultural and social exchanges. (Huang, 2016)

China sees the Southeast Asia region as an important base for its diplomacy. The member of Association of South East Asia Nation (ASEAN) Community have great significant to success China initiative. ASEAN countries and China have great potential to collaborate in the infrastructure development and cooperation on cross-border trade. Rapidly growing across border trade will makes Southeast Asia an ideal market for China and provide opportunities for cooperation between ASEAN and China. (The State Council the People's Republic of China, 2015)

In the same time, Indonesia as one of ASEAN Community members takes a significant part by empowering its economy and maritime affairs. Indonesia geographically has a strong position and abundant natural recourses. Geo-economic in world trade road of Indonesia takes more as a Sea Lane of Communication (SLOC), and rush oil, gas and trade traffic lane (Pranoto, 2017). Since officially BRI launched in 2013, as part of ASEAN, Indonesia has been working more closely with China economically.

China is transforming into a more prosperous country and becoming an influential and important player in the international world and developing its economic strength significantly, which has implications for development in Indonesia. Then, this essay will elaborate in four parts to explain the significant effect. First part will provide a literature review explaining how the international cooperation shapes international system using neoliberalism theory. Second, after laying out the literature review, the paper will explain briefly the China's impact in international economic and collaboration on BRI. In the third section, the paper will investigate the implications of BRI to Indonesia. Finally, the conclusion about economic collaboration under China's BRI boosts economic growth in Indonesia will be provided in the last part.

RESEARCH METHODS

In this research, researchers are using qualitative research methods with literature studies. The technique used to collect data using library research is a method that aims to collect various kinds of information such as books, journals, articles, and so on about the research topic being focused. This technique used to analyze data uses descriptive analysis which attempt to collect news-based data and then describe, analyze and provide information about the research.

This review of literature will examine the international political economy through the case of the Belt and Road Initiative international cooperation and its effects on Indonesia's development. To gain a comprehensive understanding of this



international cooperation case, the author will use neoliberal theory to analyze the phenomenon.

Neoliberalism is defined as a theory in international relations that explains concepts such as rationality and the social deal and more focused on the relationship between institutions and organizations in international politics. The main principles of neoliberalism reflect a outline. for international cooperation characterized by global markets and free enterprise trade. (Harvey, 2017). Robert O. Keohane, in his books, After Collaboration and the Hegemony of Discord in the World Political Economy, he explains that cooperation through international organizations is the logical way to proceed in the international political economy. (Keohane, 1984). Similarly, Martin adds in his book Theory, Discipline, and Diversity in International Relations that international organizations play an important role in the international political economy because they can lead to a large-scale distribution of wealth and power. Therefore, these organizations are crucial for the formation of interdependent and cooperative relations between countries.

Although it is generally accepted that international organizations play an important role in the global political economy, however, there is disagreement about the influences that shape this cooperation. On the one hand, Keoghan argues that international cooperation is the result of common interests among actors. The existence of common interests leads to international economic interdependence, which can be seen as a desirable trend. An example is the interdependence of market economies between developed and developing countries. Since the main purpose of such cooperation is to maximize welfare, such participation leads to economic mutual benefit between the countries involved.

Different from Keohane, Ruggie advocates for norms and ideas as determinants in the creation of international cooperation. Ruggie explained that States must organize their interdependence policies within the international system on the basis of ideas, norms, rules, principles and decision-making programs in order to successfully shape international cooperation. (Ruggie, 1982). Such ideologically centered arrangements can result in sustained cooperation because they generate consensus among States. Based on this premise, Keoghan proposes a theory that summarizes the power that states possess as primary actors. This theory is known as hegemonic stabilization - the idea that a dominant state can establish a system of international domination. (Keohane, 1984, p. 31). Moreover, the hegemony in international politico-economic terms can be characterized as a "material resource advantage" (Keohane, 1984, p. 32), where it can must also be recognized as the total control of the ruling state over material, market, capital resources and quality products. (Kindleberger, 1973). Thus, having such a strong power, the hegemonic state is able to control the competitiveness of the market.

Diametrically different perspectives on the determinants of power have also emerged. Keohane views state or the government regulation as the primary actor (Keohane, 1984, p. 50), Another argument put forward by Ruggie is that in addition In



addition to states, non-state entities like the International monetary fund (IMF) and world banks should also be looked into since they also play an important role in global economic development cooperation. (Ruggie, 1982, p. 407). This view coincides with the theory of open political economy put forward by David Lake. He suggests that political economy should not focus only on the policy role of domestic institutions, but should also look fully at the international system. Thus, by taking into account both actors, countries would greatly benefit through multilateral cooperation, as economic growth could be accelerated. (Lake, 2009, p. 225).

Based on the analysis of the literature above, China's BRI Initiative is considered an important platform for economic collaboration in the contemporary world. China has huge economic capital, so the project can proceed as planned and achieve mutual advantages through the construction of infrastructure projects.

RESULTS AND DISCUSSION

China Great Design Economy Policy on Belt and Road Initiative

In October 2013, Beijing held the Peripheral Diplomacy Work Conference, attended by the leading policy makers and all standing committee of politburo. This important domestic meeting was the first major global foreign policy conference since 2006 and the first on neighboring countries' policies. During the meeting, Chinese President Xi said that China's neighboring countries are of great strategic value. He hoped to improve China's relations with neighboring countries, strengthen economic ties and deepen security cooperation. (Cai, 2017)

"Preserving environmental stability is a main objective of China's environmental diplomacy. It is necessary to participate in the integration process of regional economies and accelerate the process development of infrastructure and connectivity. We should together establish the 'Silk Road Economic Belt' and the '21st Century Maritime Silk Road' and build a new global economic order. "Xi Stated. (Cai, 2017)

Aftermath, The BRI initiative was formerly known as the Silk Road Initiative or One Belt, One Road (OBOR). This mega-project and ambitious strategy of Chinese foreign policy was initiated by Chinese President Xi Jinping during two visits in 2013. The first was a visit to Kazakhstan and the second was a state visit to Indonesia. It declared about the promotion of 21st Maritime Silk Road to Indonesian Parliament.

China's BRI Initiative focuses on improving the economic and maritime Silk Roads, creating new trade routes, linkages and business opportunities with China along a route that passes through more than 60 countries in Europe, Africa, the Middle East and Asia. OBOR's goal is to expand multiple economic sector corridor connecting China with Russia and Mongolia, Southeast Asia and Central Asia. It creates new opportunities for partnerships and Collaboration between China and developing countries, and strengthens integration, connectivity and economic development along the route. (State Council the People's Republic of China, 2015)



The BRI Initiative encourages China to develop a broader intention not only to sustain and expand its own impressive economic strength, but also to shoulder more responsibility in the global economic exchange system. The vision of the BRICS Initiative is to connect the peoples of the world politically, economically and culturally, while realizing coordination of policies between partner countries, infrastructure building to enhance connectivity, facilitating trade, promoting financial cohesion and improve relations between the partner countries' communities. (Md Nazirul Islam Sarker, 2018).

As an initiative aimed at enhancing connectivity to strengthen China's economy, which includes a large number of investment projects to promote international trade, China has developed a broad management plan that incorporates the Initiative's priorities. The five main areas of cooperation and investment under the BRI Initiative are "harmonize construction wisdom, establish infrastructure and equipment connections, reinforce trade and investment relations, increase monetary collaboration, and strengthen cultural and social exchanges". (Johnston, 2018)

Through this project, China's economic cooperation with most developing countries can be seen as an assertive way to boost its economic ambitions. By exporting large quantities of goods, China has been able to promote its "China model" market policy. (Cai, 2017). It is claimed that China will reap huge economic benefits as a result.

The State Administration and Bank for Foreign Exchange has appropriated funds for large-scale projects under the BRI Initiative. These grants would be used to expand industrial and infrastructure development projects to improve the economic connectivity between BRI Initiative member countries. The infrastructure construction focuses immediately on roads, ports, airports and railways. In addition, to ensure that China's goals under the initiative are realized as planned, China has established new finance organization, the Asian Infrastructure Investment Bank (AIIB). This organization is supposed to finance all BRI Initiative projects and replace the International Monetary Fund (IMF) and the World Bank as reliable sources of funding for the two main institutions. Thus, through the large-scale cooperation of the BRI Initiative economic platform, China could benefit from substantial investments throughout the region, thereby significantly enhancing its economic growth.

The Asian International Investment Bank (AIIB) was established one month after the launch of the One Belt, One Road Initiative, a project of the New Silk Road. The financial institution plays a crucial role in ensuring that a large number of economic integration schemes are realized through the Belt and Road Initiative. As an important financial support system, the Asian Infrastructure Investment Bank has provided substantial funding for the construction of various forms of infrastructure, thereby successfully connecting China to the trade markets of the Belt and Road Initiative member countries. (Mishra, 2016). For example, some of the projects overseen by the Asian International Investment Bank include high-speed rail, railroads and ports. So, BRI and The AIIB have been considered as two supporting system that China establish duo to achieve its goal in international sphere.

The Implication of BRI to Indonesia Economy Development

In 2013, China strengthened its economic cooperation through the BRICS Initiative, which created new business opportunities by establishing new trade routes with China in Asia, Africa, the Middle East and Europe. This has indeed created new opportunities for China to gain partners, cooperate with various developing countries and strengthen



integration, connectivity and economic development along the routes. With the establishment of BRI, China regards Indonesia as one of its most cherished partners.

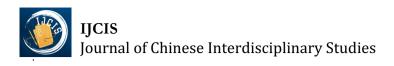
In April 13th 1950, Indonesia and China establish democracy and diplomatic relations for the first time. Bilateral relations among two countries have gone through ups and downs. China and Indonesia have sustained good organization and collaboration in both international and regional affairs. Some historical problems between the two countries have been resolved to a certain extent. After Restoration of foreign diplomatic relations between two countries, bilateral relations have growing steadily. Leaders of both sides have sustained reciprocal visits and communications. As a result, mutual comprehension and confidence between the two countries have increased.

China recognizes Indonesia's considerable bargaining position related to developing its maritime goals and were considered as potentially beneficial for cooperation by China in achieving its own connectivity ambitions. It was depicted since Chinese President Xi Jinping first declared about the promotion of 21st Maritime Silk Road known as BRI to Indonesian Parliament. China regards Indonesia as a crucial base within a significant powerful for its geopolitics, economy, and diplomacy in ASEAN, thus it is a strategic country for China to penetrate its expansion either through economic influence.

Under Indonesia President Joko Widodo, Infrastructure is a priority for promoting national economic development, especially to strengthen infrastructure including sea, land and air transportation, and to revitalize maritime history by expanding infrastructure development and maritime transportation. For developing countries like Indonesia, BRI is committed to accelerating their economic development; these mega-projects are seen as an avenue to utilize China's enormous monetary and technological capabilities. (Suryadinata S. D., 2018, p. 1). Indonesia is currently undergoing large-scale infrastructure development, so financing of BRI with the scheme Asian Infrastructure Investment Bank (AIIB) is considered a good alternative source of financing. As developing country, Indonesia needs loan and investment to enhance the infrastructure. Indonesia is able to get a new source to get loan from AIIB due to develop infrastructure. Furthermore, Indonesia has benefit in using loan to overcome the challenge in infrastructure financing.

In the course of its implementation, Indonesia has joined China's initiative to to be a new Asian Infrastructure Investment Bank member. Indonesia hopes that this partnership will not only allow for more economic activities such as trade and investment between the two sides, but also provide more support and assistance to strengthen Indonesia's economic base. Subsequently, Indonesia joined the China-led Asian Infrastructure Investment Bank (AIIB) in 2015 as one of the major shareholders. Indonesia contributed \$672 million to the newly established multilateral bank, with an average shareholding of 3.7 percent. (Kompas.com, 2015). To date, AIIB lending remains relatively small, at about \$2.4 billion. Overall, however, China lending to Indonesia has gradually increased from about \$800 million in 2007 to \$15.7 billion in 2017. According to Bank Indonesia, China's external debt as a share of Indonesia's total external debt has increased over the past two years. In terms of China's external debt as a share of Indonesia's total external debt, it has increased from about 0.6% in 2008 to 4.5% in 2017. (Suryadinata S. D., 2018, p. 10)

Infrastructure is essential to support social and economic development, because good quality infrastructure increases the efficiency and effectiveness of the business and



environmental communities. With sufficient infrastructure, the cost of production, transportation, communication and logistics are decreased, production increases and business profits increase, which can increase people's income. Infrastructure availability also accelerates equitable development, as infrastructure development is tailored to the needs of each region and between regions, thereby encouraging new investment, new employment opportunities, increased incomes and community well-being.

In the beginning of 2015, the Chinese Government officially conveyed its wish to support the construction of railway projects and especially the development of maritime infrastructure in Indonesia, beyond any other offers for the project the aerospace lighthouse. Then, in February 2015 China has expressed its full support development of Special Economic Zones Bitung, especially on port infrastructure.

As for President Jokowi, his first year of office has led to speculation that Indonesia's future foreign service is drifting heavily toward the China to entice more business investment and economic ties, rather than pursuing a broad foreign policy. Jokowi's inexplicable preference for China rather than Japan, after initially stating that he was canceling the high-speed rail project, is just one example of the shift in policy that is being demonstrated. (Pattiradjawane, 2016).

Jakarta-Bandung High Speed Railway Project is one of the leading China's BRI projects to Indonesia. The bidding process was obtained by Japan and China. With the more attractive approach by financing scheme no any government guarantee, China succeeds to run Jakarta-Bandung High Speed Railways Project (Suryadinata S. D., 2018, p. 14). However, the progress of the HSR project has been extremely slow so far, mainly due to the protracted land acquisition problem. According PT Kereta Cepat Indonesia China (KCIC) as project developer, the clearance permit of the land is located in the city of Bandung within around 1,000 square meters. In addition to land issues, there were electrical towers hampered the HSR project to be the hindrance which made the project postpone for several months, despite KCIC convinced in the end of 2019, a half of total project will be accomplished. (Sukmana, 2019)

In investment side, in midterm 2016 Foreign Direct Investment China to Indonesia rose up 532% than previous year. Vice Chairman and Secretary General of the China Chamber of Commerce in Indonesia hope that China commits to be the first most significant investor Indonesia (Murdaningsih, 2017). Media informed in term of establishing and developing Indonesia port, State-Owned Enterprises of Indonesia, PT Port Indonesia (Pelindo) IV gain on joint partners with PT. China Communication Construction Engineering Indonesia to develop on the potential port in Eastern Indonesia (Primadhyta, 2017).

Various infrastructure achievements that have been realized including Palembang Light Rail Transit (LRT), Kertajati Airport Bandung, to the latest is Mass Rapid Transit (MRT) which can now be enjoyed by Indonesia societies. Meanwhile there is a paradox in the context of infrastructure development, especially in Eastern Indonesia where the infrastructure project was apparently not going as the economic rise of the people in the region. (Pinter Politik, 2019)

A large amount of investment comes from China to meet infrastructure needs. China's infrastructure development is very important for Indonesia as it helps the flow of



goods and effectively promotes economic growth. This, after all, shows the positive aspects of the BRI initiative. Despite the opportunities, the BRI initiative also shows the costs that Indonesia needs to bear. China has sent a large number of laborers to participate in the project, affecting the employment opportunities for domestic employees. This has led to a doubling of unemployment in Indonesia. (Suryadinata S. D., 2018, pp. 26-27)

Indonesians are very concerned about the large amount of mainland Chinese people working in Indonesia. The rumors about 10 million Chinese 'migrant workers' emerged by such social media which apparently committed by opponents of Joko Widodo to stage campaigns and to discredit his government. On September 6, 2015, Tempo, an influential weekly news magazine in Jakarta, magazine published a dedicated edition on Chinese labors in Indonesia. The news contained a special survey on Chinese laborers in Indonesia. The cover of the issue featured a cartouche of Indonesian Chairman Joko Widodo wearing a Chinese worker's shirt and wielding a hammer, with a headline as follows: "Laborers from China are welcome": "Chinese workers welcome". The newspaper reported irregularities in the recruitment of Chinese workers in several shared projects and argued that many Chinese workers were actually blue-collar laborers who could be replaced by domestic workers. (Suryadinata L, 2017). The general public more suspicious at the rising mainland 151.054 Chinese tourist gained the first rank among other countries visiting Indonesia in 2016. There is speculation that tourists from China are actually working in Indonesia despite using tourist visas. (Suryowati, 2016).

By the instruction of Indonesia president to minister of Manpower due to clarify Chinese worker in Indonesia, the minister stated the number of Chinese workers are annually around 1400-1600 which is equivalent to foreign workers from other countries who work in Indonesia. In addition, Indonesian Vice-President Jusuf Kalla subdued this rumors by clarification He pointed out that the Chinese employed in Indonesia are here for dedicated projects and they are not necessarily taking employment away from Indonesians. He also opined that, on the contrary, projects with China have actually created more employment for Indonesians. (Suryadinata S. D., 2018).

Despite the problems facing Indonesia's relationship with China, economic cooperation under the BRI Initiative continues to be beneficial to both countries. On the one side, the construction of infrastructure can boost Indonesia's domestic economic growth. On the other side, Indonesia is the country with the most development potential in Southeast Asia, and China can benefit from it by strengthening its economic ties with Indonesia. Therefore, mutual benefits through such cooperation are significant and inevitable.

CONCLUSION

The BRI, established by emerging economic power China, has been described as an ambitious Chinese economic platform that has had considerable effect on the development economy of its members. The platform emphasizes the participation of powerful countries in international economic collaboration and cooperation. Through the large-scale cooperation of the BRI economic platform, China's economic growth in the region has increased significantly.

To support and ensure that the objectives of the BRICS initiative are realized as planned, China has established new financial organization, the Asian International



Investment Bank (AIIB). Through the AIIB, China hopes to accelerate infrastructure development, which is a key determinant of economic equality.

China perceives the neighbor countries as an important base for its diplomacy. As a neighbor, The South-East Asian region is of great strategic importance and the need to strengthen its engagement with China, enhance administrative and economic relations, and strengthen security collaboration. ASEAN countries are a market for China, including cooperation in infrastructure development and cross-border trade, and China, through the BRI initiative, is committed to promoting and participating in the course of economic regional development and accelerate the development of connectivity and infrastructure.

Indonesia is one of the countries positively affected by the BRICS initiative. As a major force in South-East Asia, Indonesia has strengthened and expanded its infrastructure while also promoting the development of its national economy, China has likely placed Indonesia in more and more prestigious position as partner under the BRI platform.

Indonesia perceives BRI as keen to accelerate the economic development. By BRI, Indonesia has benefited greatly from this initiative, receiving significant Chinese investment for infrastructure development. The infrastructure as the priority of Indonesia's government today, These large-scale projects are therefore seen as an chance to capitalize on China's enormous monetary and technological capabilities. Jakarta-Bandung High Speed Railways Project, Palembang Light Rail Transit (LRT), Kertajati Airport Bandung, and Mass Rapid Transit (MRT) as well as increasing China FDI to Indonesia are some of the examples of the emergence BRI in Indonesia.

Despite the emerging of issues in Indonesia like the Chinese worker expansion, BRI remains a significant economic cooperation platform for Indonesia. The rise of Indonesia economic development by the infrastructure growth shows that the presence of BRI provides more opportunities than cost.

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