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Chinese FDIs and Indonesia's Foreign Policy on China

Citra Hennida[a*], Ali Sahab[b], [a]Department of International Relations, Faculty of Social and Political Science, Universitas Airlangga, [b]Department of Political Science, Faculty of Social and Political Science, Universitas Airlangga, Email: [a*]Citra.hennida@fisip.unair.ac.id

Based on data from the Investment Coordinating Board (BKPM), Chinese investment in Indonesia has increased significantly in recent years. The number of Chinese investments increased by 12 percent in 2017 and shifted Japan's position as the second-largest investor in Indonesia. Indonesia's foreign debt to China also increased. Between 2010 and 2016, Indonesia's debt to China increased six times. This situation raises concerns that Indonesia's foreign policy will benefit China significantly. From this issue, this research discusses whether the level of investment and an enormous debt to China will affect the independence of Indonesia's foreign policy. The study was conducted from 2014 to 2018, during Joko Widodo's presidency.

Keywords: *Dependency, Foreign aid, Foreign direct investment, Foreign policy.*

Introduction

Chinese investment in Indonesia is increasing. In 2019, the Investment Coordinating Board (BKPM) noted that China is the second-largest investor in Indonesia after Singapore, up from the eighth position five years ago (BKPM, 2019). Table 1 shows the increase of Chinese projects and Chinese investment value in Indonesia from 2013 to 2019.

Table 1. Percentage on Chinese Foreign Direct Investment (CFDI) and Foreign Direct Investment (FDI) based on project and investment value

Year	Project				Value (US$ Thousand)			
	CFDI	%	FDI	%	CFDI	%	FDI	%
2013	411	4.27%	9,612	100%	298,882.50	1.03%	28,617,503.40	100%
2014	501	5.63%	8,885	100%	800,029.60	2.80%	28,529,696.80	100%
2015	1,052	5.93%	17,738	100%	628,337.10	2.14%	29,275,934.10	100%
2016	1,728	6.84%	25,248	100%	2,665,297.10	9.20%	28,964,068.50	100%
2017	1,977	7.25%	26,257	100%	3,361,227.60	10.42%	32,239,737.50	100%
2018	1,562	7.10%	21,972	100%	2,376,536.60	8.10%	29,307,901.40	100%
2019*	634	6.06%	10,453	100%	1,159,488.30	16.11%	7,194,606.90	100%

*from January – June 2019
Source:
https://nswi.bkpm.go.id/data_statistik

China currently has much money and big markets. It is also geographically close to countries of the Association of Southeast Asian Nations (ASEAN). The ASEAN, which provides many low-cost manufacturing industries, is a market that continues to grow and is in line with the Xi Jinping Government's goal of reviving the silk trade route, which is the channel of intercontinental infrastructure linking Europe, Central Asia, South Asia, and Southeast Asia. ASEAN countries need China's investment to strengthen fiscal savings and infrastructure spending. The United States and Western European economies that have not fully developed due to the global crisis in 2008, left China as a significant player in global financing through the Asian Infrastructure Investment Bank (AIIB) and Foreign Direct Investment (FDI) flows. Moreover, China, through the Belt Road Initiatives (BRI) introduced in 2013 by President Xi Jinping, provides a lot of potential infrastructure cooperation, which includes the overland "Silk Road Economic Belt" and the sea-based "Maritime Silk Road." The BRI's proposals for the future include non-infrastructure investment, namely cultural ties and people-to-people exchanges (Hillman, 2018).

Indonesia’s President, Joko Widodo (Jokowi), captured this opportunity. He stressed the importance of infrastructure development to accelerate economic growth. On the occasion of meeting with the Chinese President, Xi Jinping, on 14 May 2017, Jokowi invited the Chinese Government to cooperate on three mega projects. They located in North Sumatra, namely the construction of the Kuala Tanjung Port facility and the Medan-Sibolga toll road; in North Sulawesi, namely the construction of road infrastructure, railways, ports and airports in Bitung-Manado-Gorontalo; and North Kalimantan, namely energy investment and the construction of a 7200-megawatt power plant. On the same occasion, the Government of Indonesia and the Government of China signed several documents, namely the 2017–2021 Indonesia-China Comprehensive Strategic Partnership, China Economic and Technical Cooperation, and the Jakarta-Bandung rapid train project.

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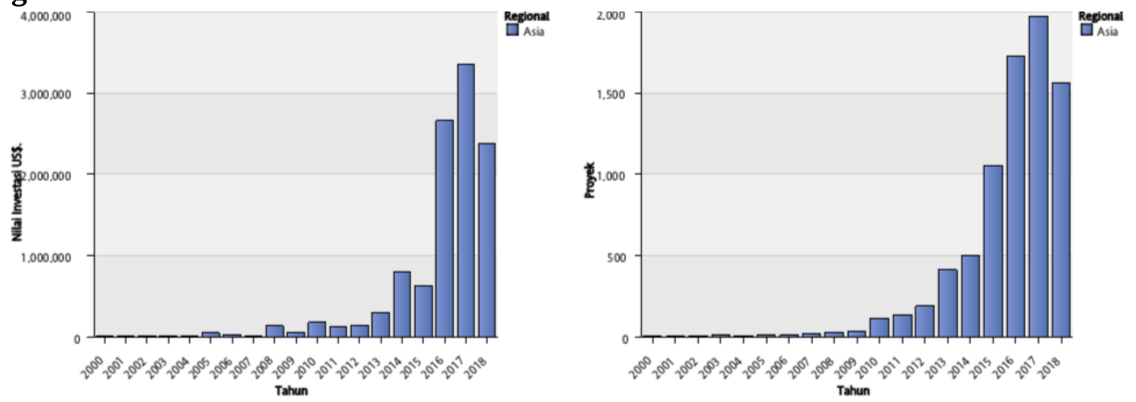
Figure 1.



Based on BKPM records from 2004–2015, there are about 2,500 direct investment projects from China. This amount is even more enormous. It is considering that Chinese companies are also channeling their investments through Hong Kong and Singapore. Besides, the Belt and Road Initiative (BRI) will also spread to sectors outside of mining, such as property and e-commerce. Figure 1 shows that much of this increase occurred during the Jokowi administration, which began in October 2014. Jokowi focussed on infrastructure development in the first period of his administration (2014–2019). In that context, he sought to attract as much foreign investment as possible. To that end, his Government has introduced a range of liberal reforms in Indonesia's a trade and investment policies, including tariff and non-tariff relaxation.

The magnitude of Chinese foreign investment and aid has led to consequences, such as the increasing number of Indonesia's foreign debt to China, which rose by six times between 2010 and 2016. It is the most considerable increase compared to the average increase in debt to other countries outside of China, which is only 1.3 times. Second, Chinese contractors and sub-contractors seek and obtain raw materials and equipment from suppliers in China and do not use local suppliers. Third, about half of the Chinese experts working in Indonesia employe in the construction sector (Kong et al., 2018). Additionally, the dominance of investment and debt is feared to affect the independence of Indonesian foreign policy.

Further, the study analyzes the correlation of Chinese investment domination and Indonesia's foreign policy independent on China. This study was limited to Jokowi’s first term presidency. During his presidency (2014–2019), Chinese investment in Indonesia and Indonesia’s debt to China increased rapidly. The study found that Indonesian foreign policy tends to be pragmatic and utilizes its position as a middle power.

With this position, Jokowi is more hedging in the face of China. The obscurity of threat signals in the international system and the domestic political situation influence Indonesia's hedging attitude. The response of countries to Chinese investment and aid varies. Countries in Southeast Asia responded by hedging, balancing, bandwagoning, and a combination of these. Meanwhile, at the domestic level, the Jokowi's political opponents mostly play the issues of China and Chinese Indonesians by utilizing the still high stereotypes over China and Chinese Indonesians in public and domestic elites.

Methods

This study focusses on the relationship between foreign investment and foreign policy. This type of research uses descriptive research type to explain and interpret a particular phenomenon, problem, or behavior. In this study, the authors aim to explain how the dominance of foreign investment affects the independence of the foreign policy of the recipient country to the donor country. The FDI in question is the FDI from China. The foreign policy in question, is the foreign policy of Indonesia during Jokowi's reign of China, both bilaterally and multilaterally. The research uses primary data and secondary data. The primary data was obtained from institutional reports, institutional survey results, and public officials' statements. Secondary data was obtained from books, journals, and news in the media. The data analysis technique used in this research is qualitative analysis. Qualitative analysis in a study emphasizes the interpretation of data and statements obtained from secondary data collection and primary data, which is then associated with theories, concepts, and prepositions that have been determined by the researchers. This qualitative analysis consists of three activities simultaneously: data reduction, data presentation, and conclusion or verification.

Discussion

Table 1 shows that the number of Chinese FDI in Indonesia is increasing, and so does Indonesia's debt to China. Indonesia's loan to China through the Asia Infrastructure Investment Bank (AIIB) increased from US $800 million in 2007 to US $15.7 billion in 2017. Loan composition for the private sector of 92 percent, and Government of 8 percent. The portion of the debt to China has increased from 0.6 percent in 2008 to 4.5 percent in 2017. Meanwhile, debt to Japan, which has been the traditional partner of Indonesia, declined from 23.8 percent in 2008 to 8.3 percent in 2017 (Negara et al., 2018). Based on data from the Bank Indonesia in April 2018, Indonesia's debt to China doubled to US $16.7 billion (Haswidi, 2018).

Before Jokowi's administration, China involved in projects such as the Surabaya-Madura Bridge, an electric generator project, and the construction of the Jatigede dam. In the Jokowi period, China was involved in the construction of hydropower, and the Jakarta-Bandung highway project. Indonesia also secured a US $2.4 billion loans from the AIIB. This loan was to finance programs to improve urban transport infrastructure, improve slum areas, cheaper housing, and dam construction and irrigation. The financing distribution comprised US $217 million to the National Slum Upgrading Project, US $100 million to the Regional Infrastructure Development Fund, and US $125 million to the Dam Operation Improvement Project (Das, 2018).

Chinese companies are also investing in the upstream industry development of mineral purification. The construction of a stainless-steel factory in Morowali, Central Sulawesi, has received much attention. There are two factories built there. One started construction in 2015 and was completed by 2018. Both plants are built by a joint venture company PT Dexin Steel Indonesia, which is 45 percent owned by Delong Steel Singapore Projects Pte Ltd (a subsidiary of China's Delong Holdings Ltd), 43 percent owned by Shanghai Decent, and 12 percent owned by PT Indonesia Morowali Industrial Park (The Jakarta Post, 18 June 2017). Several joint venture agreements also took place: (1) alumina smelter in Ketapang, West Kalimantan established by China's Hongqiao Group Ltd, and Harita Group. It values of the US $1 billion; (2) Nickel smelter in South Sulawesi built by China's Hanking Group Ltd and Bumi Makmur Selasar Group for US $500 million; and (3) the industry in Cikarang, West Java by China's Shenzen Yantian Port Group Co., Country Garden Holdings Co. and Lippo Group with a value of US $14.5 billion (Negara et al., 2018).

A widely circulated issue is the presence of workers from China in the region and local partners who are overseas in china (Chinese Indonesians). The Chinese Government considers Chinese Indonesians as part of an overseas China (Negara & Suryadinata, 2018, 23). Chinese investment is not only in financing, but also in project management, equipment supplies, construction materials, and workers (Das, 2018). Concern also arises that China is building up projects that the recipient country does not need and is only burdening the foreign debt of the recipient country to China (Faulder et al., 2018).

Donor countries and foreign investors influence foreign policymaking. Hattori (2001) sees foreign aid as a foreign policy tool. Foreign aid is defined as symbolic power politics between donors and recipients. Foreign aid is seen as a form of giving as a type of resource allocation, or as symbolic domination. Foreign aid has an indirect effect as a form of donor country domination to the recipient country (Belle et al., 2017). Partner countries expect the existence of diplomatic solidarity and economic benefits in return for foreign aid and investments (Mawdsley, 2012).

The recipient country follows the interests of the donor country in exchange for foreign assistance. From the recipient country's perspective, economic factors are the main driving force of the state receiving foreign aid. The recipient country is more focused on the package or program of foreign assistance offered than the political interest intentions of the donor country because of these economic factors. However, economic dominance without social dominance does not necessarily make the foreign policy of the recipient countries follow or support the donor countries (Burawoy, 2012). For that matter, perception and acceptance need to be considered. Here, soft power plays its function. Soft power gives rise to symbolic dominance. China applies this symbolic dominance in four ways (Saidi et al., 2011; Mawdsley, 2012). First, by developing a discourse that the world today is unfair and inequitable. Globalization offers more challenges and risks than opportunities in developing countries. Therefore, it needs south to south cooperation so that the agenda of international institutions is more aligned to developing countries. Second, China emphasizes the value of non-interference to domestic interests. China also encourages the south-south cooperation through investment cooperation, joint ventures, banking, and technology transfer. Last, China claims to be the driving force behind the emergence of peaceful multilateralism and peaceful negotiations on international issues. It can be said, in realizing the symbolic dominance of China, it utilizes the discourse of the southern states as a sovereign state of anti-colonization, anti-postcolonial hegemony, and disliking the hierarchical dichotomy between the north and south. Only through south to south cooperation, will that development collaboration benefit both parties. Traditional donors prioritize charity, social development, and benevolence (Saidi et al., 2011). Meanwhile, donors from these southern states offer solidarity, mutual benefit, and shared identities (Mawdsley, 2012).

However, China's soft power capability is still low when compared to its hard power capabilities. China's economic power is ranked second after the United States. However, China's military spending is still far from US military spending, but Chinese military spending is equivalent to a combination of Japan, Taiwan, and South Korea (Gilley, 2011). Meanwhile, China's soft power is low. It was ranked 24^{th} in 2000 (Gilley, 2011). A survey compiled by Pew Global Attitudes found that about 51 percent of surveyed respondents believe that China will replace the United States as a leading superpower. A public opinion poll conducted by the Lowy Institute Poll in 2006 revealed that Indonesians trust Japan (76 percent) more than China (59 percent). It also revealed that 64 percent of respondents felt more positive about Japan as a neighbor than China (58 percent). A survey conducted by the Center for China Studies conducted in 2014, also shows that among countries that provide substantial investment in Indonesia, China is less favorable (71 percent) than Japan (86 percent), the United States (74 percent), and India (72 percent).

This symbolic dominance makes China economically but not politically trusted. Domination requires the same values and interests (Gilley, 2011). In Indonesia, negative perceptions of China, especially Chinese Indonesians, among the public domestic and elite, are still high. Based on a survey conducted by the ISEAS Yusof Ishak Institute and the Indonesian Survey Institute of 508 members of the provincial legislature (DPRD), it found that 46 percent believe that Chinese Indonesians have a significant influence in Indonesian politics. Fifty-five percent of the elite surveyed objected if Chinese Indonesians held a political office. The Islamic parties show a significant percentage: PAN is 82 percent, PPP is 81 percent, PKS is 73 percent, and PKB is 65 percent (Fossati & Warburton, 2018). Similar to public perception, the elite also argues that Chinese Indonesians have a significant influence on the economy. The percentages are all above 60 percent. In sequence, PAN is 95 percent, PKS is 86 percent, Demokrat is 85 percent, Gerindra and PKB are equal to 83 percent, Golkar is 73 percent, Hanura is 72 percent, NasDem is 71 percent, PPP is 67 percent, and PDI-P is 65 percent (Fossati et al., 2018).

Public perception is also unfavorable to China. Based on the ISEAS-Yusof Ishak survey of 2017, negative perspectives on China are largely shaped by fears of foreign invasions from China, and economic control by China and Chinese Indonesians. China and Chinese Indonesians are considered to have a close relationship. As many as 48.4 percents of respondents stated that Chinese Indonesians only care and think about themselves. When asked whether Chinese Indonesians still have loyalty to China, 47.6 percent of respondents stated that Chinese Indonesians are still loyal to China. In economic terms, 62 percent of respondents see that Chinese Indonesians have a significant influence on the Indonesian economy. Chinese Indonesians are considered to have more privileges than any other citizen. The survey found that 68.1 percent of respondents stated that Chinese Indonesians have a talent for more success, and 59.8 percent of respondents agree that Chinese Indonesians are richer than other Indonesians (Fossati et al., 2017).

Economic control by the ethnic Chinese is inseparable from the long history of the existence of Chinese Indonesians. Chinese Indonesians have close relationships with elites, especially the military's elite. During Soeharto's era, the military's elite had a strong position in the Government. Many of them were senior political figures. As senior political figures, they had access to many government projects. They became accustomed to their contracts, licenses, credits, and other government projects. As they had a lack of business skills, they engaged with Chinese Indonesians to manage their business. Chinese Indonesians could only be involved in the economy sector and because they were useful in business (Bowie & Unger, 1997, 48). Soon, personal relationships between individual business people and senior political figures became the dominant pattern of business interest representation. Chinese Indonesians offered military and indigenous politicians and officials, cash and shares, seats on their Boards of Directors, or profitable business opportunities. The Chinese Indonesians found that their commercial success correlated closely with how high up in the Government their patrons ranked. Those are connected to the highest levels of income subsidies and rent opportunities, which enable them to accumulate capital for business expansion rapidly.

Soon, Chinese Indonesians dominated the Indonesian economy. According to a Far Eastern Economic Review investigation in 1998, Chinese Indonesian businesses controlled 80 percent of Indonesian wealth while only two percent of the total population (Far Eastern Economic Review 28 May 1998 cited in Purdey, 2006). Chinese Indonesians were associated with corruption. They were targeted and victims of political and economic nationalism sentiments in May 1998, when mass protests in Jakarta demanded reformation and Soeharto's resignation. The riot caused many Chinese Indonesians' businesses to be closed, and they fled to China. More than two decades after the reformation, the stereotypes among Chinese Indonesians have remained. Based on a survey by ISEAS Yusof-Ishak in 2017, most respondents (62.4 percent) considered Indonesia to only benefit slightly from China, despite their close economic ties (Fossati et al., 2017).

The issue of China has been played a lot by Jokowi's political opponents, although China has invested heavily and worked on infrastructure projects in the previous presidential period. The use of issues surrounding foreign investment by political opponents is often found in countries with established democracies. The political competition made the issue shift from formerly industrial relations to political contestation (Robertson et al., 2011). The issue surrounds the flood of labor from China at the blue-collar worker (non-skilled workers). For example, at a cement factory in Lebak Banten, there are rumored to be about 800 non-skilled workers from China. There are 400 workers from China employed because the industry requires special skills from them. The Minister of Labor, Hanif Dhakiri, and Vice President, Yusuf Kalla, have denied the rumor (Kompas, 17 July 2017). Jokowi's political opponents also wrapped up the issue by exploiting the MoU (Memorandum of Understanding) with China containing the Government's target to bring in 10 million Chinese tourists until 2019. The target to bring in tourists was then repackaged as a statement to bring in 10 million workers from China (Kompas, 3 October 2016).

Chinese investment raises concerns in the Indonesian public. Issues of domination, outdated technology, use of resources, and labor from China, are some issues that characterize public discourse. The public sees that investment from China does not bring much benefit to Indonesia. Based on a national survey conducted by the ISEAS-Yusof Ishak Institute in Indonesia in 2017, 62.4 percent of the respondents thought that the economic closeness between Indonesia and China would not bring many benefits to Indonesia (Fossati et al., 2017). The experience of flooding cheap goods from China when the ASEAN China Free Trade Area (ACFTA) was implemented in January 2010 has caused many industries to go bankrupt and created substantial unemployment. They worry that Chinese investment will also harm Indonesia, as well as trade with China (Anwar, 2019).

The stereotypes of China and Chinese Indonesians among the domestic public and the elite have made Indonesia's policy towards China pragmatic to gain many benefits and avoid confrontation. At the same time, Indonesia is also trying to expand its policy possibilities. Indonesia's attitude is more to hedging. Hedging is defined as a strategy aimed at avoiding situations where the state is not biased to firmly define behavior, such as balancing, bandwagoning or neutrality. Hedging provides a space for a country to cooperate without taking parties from one of the competing parties, so there is a high ambiguity in the direction of the hedging country's policy.

Another factor for why Indonesia chose a hedging approach was because of the ambiguity of the international situation in providing signals. Hedging is an alternative strategy of balancing, bandwagoning, and neutrality (Cheng-Chwee, 2008). Hedging is usually also called the middle position. Hedging is done by not taking sides with any one party, or in other words, taking a middle position. With this middle position, for countries with secondary power, they can avoid the risk of an alliance dilemma that must be faced when choosing a balancing and bandwagoning strategy (Koga, 2017). This description fits with Indonesia's situation, which has to face an uncertain international situation and provides a middle ground for differences in perceptions by political elites towards the international system. Indonesia, against the BRI China, shows the hedging strategy because it shows the actions of the five components above.

Clarity has three components: (1) the level of threat and opportunity; (2) the time of threat and opportunity; and (3) is there any clarity about the policy options that can be taken. This clarity is typical in the wake of multipolar post-cold war conditions. For threat clarity, first, it can be seen whether threats can interfere with core interests. Second, economic and military capabilities that can threaten the country. Third, a sense of immunity, such as the expectation that the opponent can use his capabilities as a threat shortly.

Meanwhile, the clarity of opportunity can be seen from the following three components, first, evidence that other countries support its relative capabilities. Second, evidence that the other consequential parties do not have the determination to reject the movement taken. Finally, evidence that the action is taken will not happen again, so it is essential to do it as soon as possible. The second element of clarity is clarity about time, which is often difficult for leaders to estimate due to the need for accurate knowledge of the capabilities and intentions of opposing countries. The third element is the clarity of options, which rarely happens in international politics. The variation in a country's policy choices will be low if the more systemic variables are under the above elements. Conversely, the more the lack of clarity, the higher the room for private parties, such as leaders, to pursue solutions based on their preferences (Ripsman et al., 2016).

According to Cheng-Chwee (2008), in the context of Southeast Asian relations, hedging consists of five constituent components. First, indirect balancing is caused by unclear threat signals from the opposing country. If the actions of the opposing country become clear and categorized as a threat, the country will change its actions to direct balancing. Second, is denial dominance or rejection of the dominance of other countries. Rejection of dominance is usually done by countries with relatively smaller powers to deal with countries with relatively higher power. Rejection is made by making alliances or cooperation with other countries whose strength is also relatively higher. Third, is economic pragmatism, namely how a country continues to maximize its benefits through economic cooperation, even though its relationship with the country is not right in other fields. Fourth, is the binding engagement, namely the efforts of a country to integrate pre-eminent countries to enter a particular order to neutralize the goals of revisionism and influence the country's policies. Fifth is limited bandwagoning (LB), that is, bandwagoning, which only involves the practice of political cooperation on specific issues and is flexible or not bound by the zero-sum scenario. Countries that carry out LB can cooperate with rising power, but on the other hand, can maintain relations with the status quo country. Countries that carry out limited bandwagoning tend to avoid over-dependent situations.

Domestic public perceptions and unclear threat signals in the international system make the Government tend to be cautious in dealing with China. The Government determines only certain areas that can be entered by China (Negara et al., 2018). This offer was delivered at the BRI Forum I in 2014 and the BRI Forum II in 2019. When meeting with Xi Jinping on 14 May 2017, Jokowi offered to collaborate on three mega projects located in North Sumatra, North Sulawesi, and North Kalimantan. The projects offered in North Sumatra included the construction of the Kuala Tanjung Port facility and the construction of the Medan-Sibolga toll road. There are road, railroad, port, and airport development projects in Bitung-Manado-Gorontalo, North Sulawesi. Energy investment and the construction of a 7200-megawatt power plant in North Kalimantan. The Governments of Indonesia and China also signed the Comprehensive Strategic Partnership, China Economic and Technical Cooperation, and the Jakarta-Bandung fast train development project.

At the BRI Forum II, the Indonesian Government offered four main corridors. The first corridor is the North Sumatra corridor, which consists of four projects, namely: (1) the port and Kuala Tanjung international industrial area hub; (2) Sei Mangkel industrial estate; (3) Sei Mangkei gas power plant with a capacity of 250 megawatts; and the (4) strategic partnership of Kualanamu International Airport, Medan. The second corridor is North Kalimantan, which consists of 13 projects: (1) Industrial estate and Tanah Kuning international port; (2) the integrated economic zone of Indonesia Strategic Industry (ISI) Tanah Kuning; (3) ASK Gezhouba Tanah Kuning industrial park, Mangkupadi; (4) industrial area infrastructure and Tanah Kuning public facilities; (5) Tanah Kuning international port; (6) state grid integrated solution for Mentarang parent and Kabama parent; (7) kayan hydro energy, Bulungan Regency; (8) Sembakung Hydroelectric Power Station, Lumbis Ogong District, Nunukan Regency; (9) coal power plant with a capacity of an 1000 megawatts Industrial area and the international port of Tanah Kuning, Mangkupadi; (10) Idehei and Gezhouba hydropower, Kayan River and Bahau River; (11) PT Prime Steel Indonesia, Tanah Kuning, Bulungan Regency; (12) Dimetyl Ether industrial area and international port, Yellow land, Mangkupadi, Bulungan Regency; and (13) PT Indonesia Asahan Aluminium (Inalum) aluminium cluster project, Tanah Kuning. The third corridor is in Bali, which consists of a project to build a Turtle Island technology park. The fourth corridor in North Sulawesi, consisting of two projects, namely: (1) Likupang tourism area, Tanjung Pulisan, North Minahasa, and (2) Bitung industrial area. In addition to offering projects in four main corridors, Indonesia also offers six other projects spread across Java, Bali, and Central Kalimantan. The eight projects are (1) two 350 megawatt Coal-Fired Power Plants in Celukan Bawang, Bali; (2) medium-scale power plants in various locations on Java; (3) Kalselteng three Mine Mouth Coal-Fired Power Plants with two 100 megawatt capacity and Kalselteng four with two 100 megawatt capacity, Central Kalimantan; (4) construction of the Signature Tower Building; (5) the Indonesia-China exclusive economic zone in Jonggol, West Java; (6) Ketapang integrated industrial area, East Java; (7) poverty alleviation and replanting of oil palm; and (8) Meikarta Indonesia-China international collaboration, Bekasi.

In the BRI Forum II held in Beijing from 26–27 April 2019, Maritime Coordinating Minister, Luhut Binsar Pandjaitan, said that the Government had tightened the conditions for all Chinese businessmen investing in Indonesia. Firstly, the use of workers from Indonesia. To make the workforce's expertise by following the needs of the industry, the Government built a special polytechnic in Morowali, Central Sulawesi. This region was highlighted because of the large number of Chinese workers employed in the turnkey project investment model. The Indonesian Government claimed that the construction of this special polytechnic had reduced the workforce from China from the original 80,000 workers to 3,000 workers. Second, the goods produced must have added value, especially for mining materials, which must have been processed in Indonesia. Third, there is a requirement for technology transfer to local workers. Fourth, investment is prioritized to be business to business rather than Government to Government. In 2017, the share of private-sector loans was 92 percent, while government loans to the AIIB were only eight percent (Haswidi, 2018). Fifth, the industry built is environmentally friendly (Fitriani, 2019).

Conclusion

The number of Chinese investments and loans in Indonesia increased rapidly during Jokowi's presidency. It raises concern that Indonesia is becoming dependent upon China. Instead of bandwagoning, Indonesia chose to be hedging in its foreign policy towards China. It is evident from Indonesia's stance on the Belt Road Initiative. No projects have been financed under the BRI's mechanism concerning the Belt Road Initiative. Besides, the proposed Indonesian projects that are offered are not all within the BRI's line of business. Indonesia also invited investors from other countries to the BRI and non-BRI lines.

Indonesian foreign policy tends to be pragmatic and utilizes its position as a middle power. With this position, Jokowi is more hedging in the face of China. Indonesia's hedging attitude is influenced by the obscurity of threat signals in the international system and the domestic political situation. At the international level, the response of countries to Chinese investment and aid varies. Countries in Southeast Asia, for example, give mixed responses by hedging, balancing, bandwagoning, and a combination of these. Meanwhile, at the domestic level, the Jokowi's political opponents mostly play the issues of China and Chinese Indonesians by utilizing the still high stereotypes over China and Chinese Indonesians in the public and domestic elites.

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