

THE DYNAMICS OF INDONESIA-CHINA'S RELATION IN JOKO WIDODO'S ADMINISTRATION

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Abstract

The diplomatic relation between Indonesia and China increasingly show their intensity during the administration of President Joko Widodo. The intensity can be seen when President Joko Widodo's visited China. Both countries are strengthening the cooperation in several strategic sectors, such as trade, finance, infrastructure, industry, tourism, politic, and security. In the era of President Joko Widodo, the economic cooperation between Indonesia and China is also very dynamic in various fields. President Joko Widodo's visit resulted joint statement of comprehensive strategic partnership. Furthermore, the two sides signed a few cooperation documents, which included MoU on Economic Cooperation between the Coordinating Minister for Economic Affairs of the Republic of Indonesia and the National Development and Reform Commission of China, MoU between State-Owned Enterprises of Indonesia and National Development Commission of China, MoU for Jakarta - Bandung High Train Development Project or *Kereta Cepat Indonesia Cina* (KCIC), etc. Various joint partnerships between Indonesia and China represent reciprocal relation.

Keyword : Joko Widodo, Indonesia, China, Diplomatic Relation

Preface

Bilateral relations between Indonesia and China have made rapid progress by increasing cooperation to become a Comprehensive Strategic Partnership in 2013. In fact, the economic development in Indonesia and in China has become the attraction of citizens of both countries, such as for trade, investment, tourism, education, and culture. With the increasing of human mobility's flow from- and to China, both countries need good management and cooperation. Meanwhile, Indonesia's economic relations with China as a major trading partner and potential investment source are colored by the Indonesian Government's efforts to encourage Chinese investment in the project of *Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia* (MP3EI) or Masterplan for the Acceleration and Expansion of Indonesian Economic Development. Indonesian and Chinese Government also promote economic liberalization for access of Indonesian products to China and vice versa (Indonesian Ministry of Foreign Affairs: 2014).

Then during the administration of President Joko Widodo, economic cooperation between Indonesia and China was also very dynamic in various fields. President Joko Widodo's visit has created a joint statement of a Comprehensive Strategic Partnership between Indonesia and China. Furthermore, both countries signed six cooperation documents, which included (CNN Indonesia, 2015):

1. MoU on Economic Cooperation between the Coordinating Minister for Economic Affairs of the Republic of Indonesia and the National Development and Reform Commission of China.
2. MoU on Industrial and Infrastructure Development Cooperation between the National Development and Reform Commission of China and the Minister of State-Owned Enterprises (SOEs) / BUMN.
3. MoU for Jakarta - Bandung High Train Development Project or *Kereta Cepat Indonesia Cina* (KCIC).

4. MoU between the Indonesian National SAR Agency (BASARNAS) and the Minister of Transportation of China.
5. Cooperation Agreement between the Government of Indonesia and China for the prevention of double taxation.
6. MoU between the National Space Development Agency (LAPAN) and the Chinese National Space Agency.

Then, in line with President Joko Widodo's foreign policy, the Government of Indonesia and China agreed on bilateral cooperation to synergize the idea of the World Maritime Axis and the 21st Century Maritime Silk Road initiative, known as 21st Century Maritime Silk Road. The idea of global maritime axis was agreed to realize maritime connectivity in the region through infrastructure development. Preferential buyer's credit from China has been used USD 1.8 billion and the commitment of additional loans is USD 4 billion. Indonesian and Chinese State-Owned Enterprises (SOEs) formalized the grand plan for the Jakarta-Bandung High Speed Railway (HSR) or known as *Kereta Cepat Indonesia Cina* (KCIC) development. KCIC is planned to begin construction in early 2016 and it is completed in quarter I-2019. Indonesian and Chinese SOEs form a joint venture subsidiary named *PT Kereta Cepat Indonesia Cina*. This collaboration is carried out through a subsidiary of SOEs, namely PT Pilar Sinergi BUMN Indonesia (PSBI) and China Railway International Co. Ltd. PSBI is a joint venture of Indonesian SOEs consortium consisting of PT Wijaya Karya, PT Kereta Api Indonesia, PT Jasa Marga and PT Perkebunan Nusantara VIII. Construction and rails to signaling will be provided by Indonesia, while procurement of rolling stock or trains is supplied from China. China Development Bank (CDB) has financed 75% of the total investment of USD 5.5 billion and the rest was supported by its own capital from the consortium of Chinese-Indonesian SOEs, namely *PT Kereta Cepat Indonesia Cina* (KCIC) (VOA Indonesia, 2015).

In addition, trading activities are also in the priority list of the Chinese and Indonesian Government. China has become Indonesia's main trading partner. Trade value has increased in the last five years with an average increase of 19.58% (2011: USD 49 billion, 2012: USD 51 billion; 2013: USD 52 billion) (Indonesian Ministry of Foreign Affairs: 2014). Furthermore, the dynamics of China and Indonesia's relation will be analyzed more comprehensive in terms of economic, political, and security.

Discussion

Diplomatic relations between Indonesia and China can be analyzed through the cooperation theory. The bilateral partnership between Indonesia and China has been established for a long time. Cooperation is a series of relationships that based and authorized by law, such as in international organizations or institutions. Cooperation occurs because of the adjustment of behavior by actors as a response and anticipation of choices that implemented by other actors. Cooperation can be implemented in a negotiation process (Dougherty & Pfaltzgraff, 1997: 418). Cooperation can also arise from an individual's commitment to mutual welfare or as an effort to meet personal necessity. An important key to cooperative behavior is how far each person believes that the other party will be beneficial partner. So, the main issue of the cooperation theory is the fulfillment of personal interests. The results that are beneficial for both parties will be obtained through cooperation, rather than trying to fulfill their own interests by self-employment or by competing (Dougherty & Pfaltzgraff, 1997: 418-419).

Nowadays, international cooperation has become a common thing in international relations. International cooperation is a way for actors to achieve their interests. One of them is state as the main actor in international relations. States realize international cooperation because of the necessity of citizens. According to Mochtar Kusumaatmadja, international cooperation has a very important role. Relations and cooperation between states occur because of imbalance of natural wealth and industrial development. This condition has forced states to build international cooperation in various sectors.

There are three main approaches to international cooperation. The first approach is neoliberalism. This approach considers that the international cooperation must focus on the role of international regime. By relying on international regimes, state can understand common interest (Hasenclever et al, 2000: 7). For neoliberals, international cooperation (in the form of company or enterprise) for state is a beneficial investment. Through international cooperation, states are able to acquire more benefits to guarantee their existence in international scope. This is very consistent with the existence of neoliberals as forming opportunist states that pursue absolute gains. The role of regime is to control state behavior, in order to maintain the existence of the regime (Hasenclever et al, 2000: 8). Then this paper will focus on the discussion of two cooperation projects between Indonesia and China, namely *Kereta Cepat Indonesia Cina* (KCIC) and One Belt One Road (OBOR).

1. The Project of *Kereta Cepat Indonesia Cina* (KCIC)

National railroad necessities up to 2030 are contained in *Rencana Induk Perkeretaapian Nasional* (RIPNAS), which contains several things, such as the policy direction and the role of national railways in all transportation modes, estimates of goods- and people movement, facilities plan and infrastructure necessary, and human resources needs. In 2030, it is estimated that people travel to 929.5 million people per year including within the province and inter-provincial travel. The largest number of person trips occurred on the island of Java to Bali, amount to 858.5 million people per year (92%) and the rest spread in other provinces. Therefore, the Jakarta-Bandung fast train service, in collaboration with the Chinese Government, is a necessity for Indonesia (Ministry of Transportation, Directorate General of Railways, 2011: 12-13). Indonesian railways currently still use technology that is adapted to the old technology in the Dutch era. This old technology is very expensive and inefficiencies, so that the Indonesia Government needs to modernize facilities and infrastructure that are in harmony with the development of world rail technology (Ministry of Transportation, Directorate General of Railways, 2011: 10).

Several policies of the Government of Indonesia in realizing technology transfer and development of the national railway industry, namely (1) Development of the technology and railway industry roadmap; (2) Mastery of infrastructure technology, especially signaling technology, control systems, and maintenance tools; (3) Mastery of high-speed railroad technology (fast trains); (4) Mastery of international standard technology; (5) Standardization of railroad industry products in order to protect domestic industries; and (6) Regulatory support for marketing (Ministry of Transportation Directorate General of Railways, 2011: 46-47).

The condition of Indonesian railways above encouraged the Indonesian Government to cooperate with the Chinese Government. China promises 100% of technology transfer through the construction of rolling stock factory which is built in Purwakarta, West Java. SOE Minister, Rini Soemarno emphasized, that the technology transfer could increase Indonesia's independence in the development of modern train transportation.

The fast train construction will at least absorb 87 thousand people in the area around construction, namely during the three-year construction period of 39 thousand workers, in the construction period of Transit Oriented Development (TOD) reaching 20 thousand workers for 15 years and in the TOD operational period or the new areas development will involve 28 thousand workers. This big amount of labor absorption occurs because of 60% of the work will be realized in Indonesia (China Indonesia Fast Train, 2016).

The KCIC project was realized by two consortiums, namely from China and Indonesia, with 75% loan fee from China Development Bank with a repayment period of 40 years. While

the rest of costs will be burdened by the Indonesian consortium. So, this project is not financed by *Anggaran Pendapatan dan Belanja Negara* (APBN) or Indonesian Budget. The President Director of *PT Kereta Cepat Indonesia Cina* (KCIC), Hanggoro Budi Wiryawan, argued that the Jakarta-Bandung train projects or KCIC would provide benefits for national economic growth through the emergence of new economic growth areas. These areas would create new jobs in Jakarta, West Java, and its surroundings. In addition, the presence of this fast train infrastructure will be a tool of developing new economic centers in the corridors of Jakarta and Bandung. It will be one of Indonesia's mainstay transportation modes and pride in facing the ASEAN Economic Community (AEC) (VOA Indonesia, 2016).

2. One Belt One Road (OBOR)

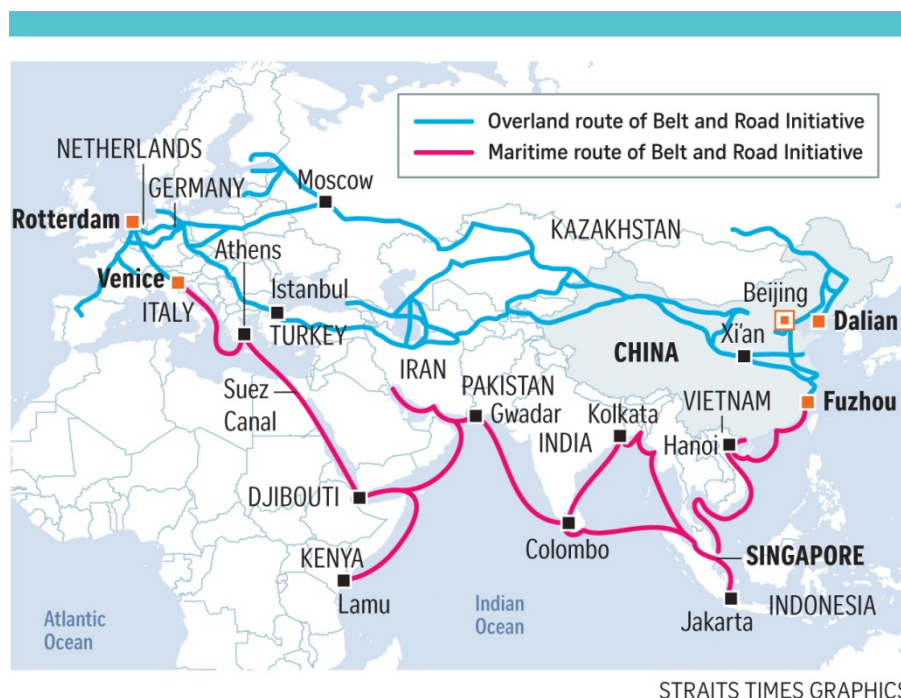
Besides KCIC project, cooperation between Indonesia and China was also realized in the One Belt One Road project or better known as OBOR. In fact, the efforts to open an intercontinental trade route known as the silk route have been carried out for thousand years. This ancient silk route was a trade route that connected China with countries in Europe, Asia, and Africa through a spirit of peace, cooperation, openness and inclusiveness, mutual learning and mutual benefit, with the main commodities of silk. In the same spirit, Chinese President Xi Jinping revived the concept of the modern silk route with OBOR Program during his visit to Kazakhstan in 2013. The initiation of OBOR was understood by the Chinese Ministry of Commerce merely as an export solution for the steel manufacturing sector to western region of China, but later successfully became China's foreign policy to create an economic corridor by combining the geopolitical power and geo-economics of middle power countries in Europe, Asia and Africa, with China as its center. China provided funds of USD 124 billion to support the infrastructure, such as the construction of high speed railways on land lines and the seaports development on sea lines (DPR RI Expertise Agency Research Center, 2017: 14).

China's OBOR silk pathway has two lines, the Silk Road Economic Belt and the Maritime Silk Road (MSR) which stretch from Europe to Central and East Asia. The five main points for building this pathway are by strengthening: (a) policy communication that supports economic cooperation; (b) road/infrastructure connections with large transportation corridors; (c) trade facilities like the elimination of trade barriers and the reduction of trade and investment costs; (d) financial cooperation that focuses on currency settlement to reduce transaction costs and financial risks; (e) people-to-people connectivity (2017: 14).

Maritime Silk Road (MSR) acts as an instrument that connects China with Asian states to Europe. The MSR trans-regional track point will connect land and sea routes and develop

infrastructure networks in the Eurasia region. This strategic collaboration plan also covers several states in Southeast Asia, East Asia, Africa, and Europe. Jakarta is included as an important point in linking Chinese trade in the Southeast Asian region. The MSR initiation is inclusive. Every party can form MSR, so that it matches its economic interest. For Indonesia, MSR will have great potential to improve trade trends and support the Indonesia's agenda such as the World Maritime Axis initiating by President Joko Widodo. The MSR transportation route is supported by marine infrastructure with an adequate port at each point. The quality of infrastructure has an impact on transportation costs, so that China aggressively realizes adequate infrastructure development. In short, good infrastructure quality will facilitate the goods movements, reduce the transportation costs, and reduce the goods costs (Ministry of Trade, 2016: 13).

Figure 1. Route of One Belt One Road



Source: *One Belt One Road Initiative*

It can be seen on the map above that the project launching for each state is different. Indonesia is included in the latest MSR line (21st Century Maritime Silk Road), while other states such as Kazakhstan and Uzbekistan are included in the project for the construction of pipelines that distribute oil and natural gas, such as the Economic Silk Road Belt line. Almost all of these projects were fully funded by the Asian Infrastructure Investment Bank (AIIB) and The Silk Road Fund, which invested in projects in each related state. The Silk Road Fund has prepared USD 40 billion specifically to fund the project. The availability of funds and the determination of China become a strong driver in realizing MSR (Ministry of Trade, 2016: 11).

The OBOR project is still considered controversial, because some experts consider the project to be a positive contribution to Indonesia's national economy. During the 2014-2016 period, the trade value of Chinese exports and imports with other states on OBOR route reached USD 3 trillion. In 2016, the value of Indonesia's non-oil and gas exports to China also showed an increase of 13.97%, from USD 13.3 billion to USD 15.1 billion. However, some experts are pessimistic about Indonesia's position on OBOR route. Most of states that included in OBOR route are export destination states which have a relatively small contribution to Indonesia's exports, namely below 5% in 2016. Only a small portion contributes to Indonesia's exports of more than 5%, namely China (11.5%), India (7.55%), and Singapore (6.64%). To increase the value of export trade, Indonesia must take part in providing products that can be sold along the OBOR route through superior and potential commodities that have global competitiveness. According to the Indonesian Ministry of Trade, Indonesia's non-oil and gas export commodities that are potential traded, such as shrimp, coffee, palm oil, and cocoa, handicrafts, fish and derivatives of fish products, medical herbs, and leather products (Research Institute for Expertise Research Center, 2017:15).

Along the OBOR route, cocoa commodity trading is one of the high intensity trading activities. Based on Indonesian Ministry of Agriculture, for the last five years (2012-2016) cocoa production centers in Indonesia are in six provinces, namely Central Sulawesi, South Sulawesi, Southeast Sulawesi, Sulawesi Barat, West Sumatra, Lampung, and North Sumatra. The six provinces contributed cumulative contribution of 80.19%. Central Sulawesi ranks first with contribution of 21.69%. The second rank is occupied by South Sulawesi with contribution of 16.59%, followed by Southeast Sulawesi and West Sulawesi with contribution of 16.45% and 10.01% (Ministry of Agriculture, 2016: 12). In terms of quality, Indonesian cocoa is not inferior to world cocoa. Fermented cocoa can achieve a taste equivalent to cocoa from Ghana. Indonesian cocoa has also advantage that it is not easy to melt. In line with these advantages, the opportunity for Indonesian cocoa market is quite open, both exports and domestic necessary. In other words, cocoa industry is potential to drive national economic growth (Ministry of Industry in the Ministry of Agriculture, 2016). Some Indonesian cocoa bean importing states are the United States, Malaysia, Singapore, Thailand, China, Germany, Netherlands, etc. China is the fourth largest importer of Indonesian cocoa commodities. In 2015, China imported Indonesian cocoa up to USD 80.6 million (Ministry of Agriculture, 2016:20).

Besides cocoa, oil and gas commodities also still dominate Indonesian exports. China is the country with the largest role in Indonesia's non-oil and gas exports from January to July

2018. China controls 15.38% of Indonesia's export market with value up to USD 14.48 billion. This value has increased by 34.7% compared to the period of January to July 2017 which reached USD 10.75 billion. The largest exports of Indonesian products to China in January 2018 include mineral fuels, mineral oils, fats and vegetable or animal oils, iron/steel, and pulp from wood or cellulose materials. In addition, Indonesia also exports rubber and goods from rubber, ores, crust, metal, and chemical products (Kompas, 2018).

Conclusion

The cooperation between Indonesia and China provides its own color in the diplomatic relations between two states. After the normalization of relations, Indonesia and China established various partnerships in several strategic sectors, such as economic, politic, and security. Indonesia is a crucial trading partner for China in various commodities, such as cocoa, rubber, iron/steel, oil, and gas. Economic activity between two states is also reflected in One Belt One Road (OBOR) project or commonly known as modern silk line. Through this project, Indonesia can maximize exports to China and expand few superior products to the Chinese market. Moreover, Indonesia has also a great opportunity to build partnership and optimize trade activities with more states that pass the silk route, from ASEAN states to West Europe.

Suggestion

The closeness of Indonesia and China is already very visible in various fields. However, the Indonesian Government still has independence in making some policies, both domestically and abroad. Bilateral relations that are intertwined should also not make the Indonesian Government always side with China, especially if it is for political reasons alone. Indonesia should take advantage of partnerships with China for the benefit of Indonesian people, specifically for the people welfare, opening new jobs, and various infrastructure improvements to support national economic growth.

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