

CHAPTER II

The Development of SGMW in the Automotive Industry

The automotive industry in China in less than fifty years transformed become the biggest and the highest production, and the amount of production reached 23 million in 2014.³⁷ The impressive growth of the China automotive industry was between the 1950s and 1980s and focused on commercial vehicles and military vehicles, but in the last 1990s, the amount of automotive production cannot reach one million.³⁸ Therefore, in 2010, this new emerging industrial state successfully changed the position of The United States of America as the biggest market for new car product.³⁹ Moreover, In the Indonesian Market, the position of SGMW put in the ninth position and sells 5,216 car in January-April in 2018.⁴⁰

In the beginning, China's automotive market was dominated by foreign producers like Japan and Europe.⁴¹ Therefore, as the effect of the increase of China's economic growth, China tends to build up its automotive production for its market, for example like Dongfeng Motor, Shanghai Automotive (SAIC), China FAW Group, Zhejiang Geely.⁴² Besides that, those car producers have a purpose of developing a car with a new energy system that more efficient than other cars.⁴³

At the end of the 1970s, and this year was the beginning of the Reformation period, the automotive industry

³⁷ McCaleb Agnieszka, "China's automobile industry: development, policies, internationalization," gdańskie studio azji wschodniej, 2015, Page 163

³⁸ Ibid

³⁹ Ibid

⁴⁰ otomotif.antaranews.com, "Daftar merek mobil terlaris January-April 2018, Toyota teratas", accessed from

<https://otomotif.antaranews.com/berita/710367/daftar-merek-mobil-terlaris-januari-april-2018-toyota-teratas>, retrieved on 24 January 2019 06.42

⁴¹ McCaleb Agnieszka, op. Cit. Page 164

⁴² Ibid

⁴³ Ibid

in China still dominated by the technology and design from Eastern Europe and Russia.⁴⁴ Moreover, in the production process, the industry involved 56 the local producers as the auto assembly provider in 1978, and the product focused on truck and car for the Chinese government.⁴⁵ Moreover, SGMW in Indonesia claimed its product uses 56% of the local component, and 44% uses the import component from USA, Europe, Sweden, and China.⁴⁶ Regarding the Seventh Five Year Plan in 1986 until 1990, the leaders of China decided to include automotive the industry in the plan.⁴⁷

Furthermore, to strengthen the automotive industry, the government of China consolidated the industry to make three small producers and three large ones.⁴⁸ The purpose is to make a joint venture with the foreign automotive producer to develop the advanced of technology, maintain the local producer, and released an automotive product base on the international standard.⁴⁹

2. 1 The Profile of SGMW

In July 1958, the Liuzhou Power Machining Plant was created in China as the origins of SGMW. Therefore, to enlarge its market hegemony, in 1962 this company produced the first Fengshou-37 included in the tractor class and contrast with the production line. However, to strengthen the brand of

⁴⁴ Ibid

⁴⁵ Ibid

⁴⁶ www.cnnindonesia.com, "component Wuling dari merek ternama, berikut daftarnya," accessed from <https://www.cnnindonesia.com/teknologi/20180807103442-384-320132/komponen-wuling-dari-merek-ternama-berikut-daftarnya>, retrieved on 04 January 2019 21.08

⁴⁷ Ibid

⁴⁸ E. Thun, Industrial Policy, Chinese-Style: FDI, Regulation, and Dreams of National Champions in the Auto Sector, "Journal of East Asian Studies" 2004, Page 458–459.

⁴⁹ Ibid

its tractor products, in 1966 Liuzhou Power Machining Plant changed its name became Liuzhou tractor factory.⁵⁰

In 1981, to response the needs of the automotive market in China, Liuzhou tractor started to produce a car in the class of mini vehicle and used Mitsubishi L100 as the basic concept. Moreover, in 1982 as the excellent result of the production, the government of Guangxi Zhuang autonomous region planned to change the focus production of Liuzhou Tractor to a mini car.⁵¹

Furthermore, on February 15th, 1984, Liuzhou Mini Vehicle Factory of Guangxi Zhuang Autonomous Region was created. In 1987, in the process of production, especially for LZ100P trucks and LZ110V vans produced by the facilities, parts, and technology from Japan, and on June 29th these products rolled off the production line. Therefore In December, Liuzhou Mini Vehicle Factory started trial production of LZ7100, it was a mini car that derived from Citroen Visa.⁵² In addition, this is the positive impact of the China's automotive industry to involved 56 the local producers as the auto assembly provider in 1978.⁵³

In 1988, Liuzhou Mini Vehicle Factory changed becomes Liuzhou Wuling Auto Co., Ltd, and in 1990 this automotive company started to export LZ110 to Thailand. Besides that, LZ110MC in the mini car class must roll off production on April 23rd. Therefore, in 1994, Wuling started to export the LZ110P car to Syria. Moreover, as the first achievement of Wuling, this company can produce car reached 50.000 units in 1995.⁵⁴

In addition, to strengthen the capital of the company, in 2001, Wuling Auto signed an agreement of joint venture

⁵⁰ Chinaautoweb.com, "SAIC-GM-Wuling (SGMW," accessed from chinaautoweb.com/auto-companies/saic-gm-wuling-sgmw/, retrieved on 16 November 2018 07.17

⁵¹ Ibid

⁵² Ibid

⁵³ McCaleb Agnieszka, "China's automobile industry: development, policies, internationalization," gdańskie studio azji wschodniej, 2015, Page 163

⁵⁴ Ibid, op. Cit.

with SAIC and became SAIC Wuling Auto, but SAIC was had 75,9% of the total stake. In the November 18th, 2002, SAIC Wuling Auto decided conducted joint venture with General Motor (GM) and became SAIC-GM-Wuling (SGMW). Moreover, as SGMW produced Wuling Sunshine (Zhiguang) car as the first product. Therefore, to promote the product, on December 8th, 2003, SGMW made a corporation with Chevrolet Spark in car showrooms.⁵⁵ Besides that, in 2015 SGMW also conducted investment in Indonesia, and the amount reached USD 377,4.⁵⁶

Furthermore, to compete for another car brand in China, on September 1st, 2004 SGMW launched Wuling Yangguang to China's automotive market. In June 1st, 2005, to increase the quality and the quantity of the production, SGMW builst a factory for the engine plant in Qingdao and started to begin in July. Moreover, in 2006, SGMW successfully to sold it car up to 460.000 units. In 2007, Liuzhou Wuling Automobile was established. Additionally, to response the competition of the automotive market in China and others country, SGMW released Wuling Hongtu in 2007, and Wuling Rongguang in 2008, and the amount of car selling reached 1 million units in 2009. Moreover, concerning in the mini-van class., Wuling Rongguang can reach 29,333 units as the total sales from June 2008, and monthly can reach up to 10.000 units.⁵⁷

Therefore, as the series of new car, SGMW introduced Wuling Baojun and Wuling Hongguang in 2010. In 2011, SGMW launched new series of Baojun, that was Baojun 630, and made cooperation with the India automotive industry to provides the vehicles' bodies. In 2012, SGMW launched Chevrolet N300 as the reborn of Wuling Rongguang, and

⁵⁵ Ibid

⁵⁶ SiaranPersBadanKoordinasiPenanaman Modal, BKPM KawalInvestasiOtomotif RRT, 7 January 2017

⁵⁷ Wulingmotors.com, "information on Wuling Motors co" accessed from wulingmotors.com, retrieved on 16 November 2018 07.28

introduced in Egypt on May 9th, and then to add the capacity of the production SGMW decided to build a new factory in Chongqing.⁵⁸

Moreover, to support the production process, SGMW builds two factory bases in Qingdao and Liuzhou. Notably, in Liuzhou, the factory constructed in 89.2 hectares, and to support this factory SGMW has three plants, such as Engine Plant, Two Vehicle Plants-East Plant, and West Plant. Additionally, the two vehicle plants consist of general assembly shop, paint shop, body shop, and press shop.⁵⁹

Furthermore, to increase the quality of its product, SGMW using “General Motors Global Manufacturing System” and it is targeted for passenger vehicle and commercial vehicle. Therefore, as the result of Global Manufacturing standard, the production of engine plant of mini-vehicles consists of general assembly, crankshaft, cylinder block, and cylinder head. However, the purpose of SGMW to use Global Manufacturing standard is to increase its brand in the international level.⁶⁰

On the other hand, Qingdao branch will complete the production of the car with paint, body, press, and general assembly, therefore a good result of the production will support the company’s development in the future. Moreover, in April 2008, Qingdao branch recorded can produce 300.000 units of the car.⁶¹

2. 2 The Achievements of SGMW in China

In China, SGMW supported by the state-level "Enterprise Postdoctoral Research Workstation" and "Technical Development Center." Additionally, both of them has permission from the “Ministry of Personnel of China” that

⁵⁸ Chinaautoweb.com, "SAIC-GM-Wuling (SGMW," accessed from chinaautoweb.com/auto-companies/saic-gm-wuling-sgmw/, retrieved on 16 November 2018 07.17

⁵⁹ Wulingmotors.com, op. Cit.

⁶⁰ Ibid

⁶¹ Ibid

use C3P (CAD/CAE/CAM/PDM) and adopting “Global Product Development Procedure” (GM GVDP) and Global Manufacturing System (GMS) to strengthen the good quality and imaging of each automotive product.⁶² Moreover, The GMS technology concern to the individual involvement, reaching the best quality in every process, and encourage the staff to develop the production.⁶³

Besides that, regarding the J.D power survey, Lechi as the first mini car of SGMW successfully got an award in the best compact vehicle. Besides that, car product from SGMW included in the national-environmental-friendly engine, which featured by low fuel consumption, high power, and good quality. Moreover, the product of SGMW that included in the crew-cab and single-cab pickup got positive response among the Chinese people to support their national business.⁶⁴

On the other side, the product of SGMW in the mini-vehicle such as Wuling Sunshine has a good record of the amount of car selling in the history of China-Mini Vehicle. In 2007, SGMW also launched Wuling Hongtu in the minicar class. This car also completed with the intellectual property and had dual functions, such as commercial vehicle, and a passenger vehicle.⁶⁵

Furthermore, in 2003 all of SGMW product got “3C” certificate as the achievement of the best car producer in China. In 2005, SGMW also got an award of “AAA” to produce good quality of car in the level company. Moreover, the products of SGMW have been exported to the Middle East, Middle-South America, Southeast Asia, and Africa.⁶⁶

In 2009, to support the development of China’s automotive industry, the Chinese government published a

⁶² Ibid

⁶³ Wulingbogor.com, "Pabrik Wuling Motors Gunakan ‘Global Manufacturing System,'" accessed from <http://wulingbogor.com/2017/07/26/pabrik-wuling-motors-gunakan-global-manufacturing-system/>, retrieved on 24 January 2019, 14.12

⁶⁴ Wulingmotors.com, op. Cit.

⁶⁵ Ibid

⁶⁶ Ibid

policy to support Chinese farmers to buy a car. However, as the result of the policy, SGMW products reached 1,06 million as the total sales volume.⁶⁷ Besides that, in 2013, SGMW also successfully to sell its product up to 10 million units offline vehicle.⁶⁸

Regarding the previous explanations, SGMW in China as a good position as the leader of the mini and small vehicle produces for four years. Moreover, the strategy of SGMW in China is how to produce a low cost of the car that adjusted with the needs of the Chinese people. Therefore, as a result, SGMW got much achievement from the government, others company, and Chinese people to maintain good sustainability automotive production, and can compete with another automotive brand at the global level.⁶⁹

Moreover, Wuling Motors as the part of SGMW tends to take business opportunities in China's automotive industry. In the period of the Eleventh Five Years Development Plan, Wuling Motors tends to promote the three development leading business such engine, auto part, and also particular purpose vehicle. The development supported by the innovation of technology and management.⁷⁰ Nowadays, the product of this automotive company is not an only car, but also bus, truck, and auto part.⁷¹

2. 3 The ASEAN automotive industry

In the ASEAN region, Indonesia in the second most prominent position as the car manufactures industry and Thailand in the first most prominent position. Moreover, Thailand expands 50% of car manufacture industry in the

⁶⁷ Ibid

⁶⁸ Wuling.id, "milestone," accessed from <https://wuling.id/milestone>, retrieved on 24 January 2019, 14.33

⁶⁹ Wulingmotors.com, op. Cit.

⁷⁰ Ibid

⁷¹ www.wulingauto.com, "company profile," accessed from http://www.wulingauto.com.cn/en/About_us_1.aspx, retrieved 04 November 2018 20.27

ASEAN region.⁷² In 2017, the total of car production reached 2,2 million units per year, but this number will decrease up to 55% caused by the unbalance between the amount of production and the amount of market demand in domestic and foreign level.⁷³

As the prominent market for the automotive product, Indonesia has an essential role in the development of the automotive industry in ASEAN. Indonesia in the first position of the biggest market in for Japan, Europe, and China car in the South East Asian region, and followed by Thailand in the second position.

Moreover, Thailand is the primary manufacturer for the automotive industry in the ASEAN region and become the biggest exporter. On the other hand, the instability of Thailand political condition, lousy infrastructure, and struggling middle class makes this state find another way to reduce profit loss because of the decreasing of domestic automotive demand by exports its product to the ASEAN countries.⁷⁴

Also, Malaysia and Vietnam have an essential role as the producer and market for the automotive product.⁷⁵ Malaysia also is one of the critical countries in the ASEAN automotive industry. Since 2015, Malaysian automotive industry can produce 163,697 vehicles, and 151,593 are passenger cars. Malaysian automotive industry divided between domestic and foreign producer. Therefore, Proton and Perodua are the companies that dominate the Malaysian domestic automotive industry. Moreover, Proton can sell 115,783 units of car and Perodua can sell 195,579 units of the car. Besides that, Proton

⁷² www.indonesia-investment.com, "industry manufaktur otomotif Indonesia," accessed from <https://www.indonesia-investments.com/id/bisnis/industri-sektor/otomotif/item6047?>, retrieved on 4 November 2018, 07.30

⁷³ Ibid

⁷⁴ Asean Briefing, "Choosing an Investment Location in ASEAN's Booming Automobile Industry," accessed from <https://www.aseanbriefing.com/news/2015/06/18/overview-of-aseans-current-automobile-industry.html>, retrieved on 12 January 2019 17.34

⁷⁵ Ibid

and Perodua have a competition with foreign car producers like Honda and Toyota.⁷⁶ Moreover, based on the Malaysian Automotive Association (MAA) in November 2018, the automotive selling in Malaysia decreased from 49,187 units to 48,282 units.⁷⁷

Also, Vietnam's automotive industry developed slower than Indonesia, Malaysia, and Thailand, but has potential development in recent years. The automotive industry does not have a good record until 2000 but will help ASEAN to grow its automotive industry faster in the next 20 years. Therefore, the Vietnamese Ministry of Industry and Trade claims Vietnam can produce 200.000 in 2016 and also grow up 4.4% per year. Besides that, Indonesia imports 43% of Vietnam's automobile parts, Thailand imports 53%, and China imports 61%.⁷⁸

In the case of SGMW, this company tends to enlarge its market in Indonesia to get more benefit. It caused by China as the home state cannot provide a bigger market to sell its automotive product. Moreover, SGMW put its Foreign Direct Investment in Indonesia to enlarge its market. Besides that, in the perspective of SGMW as the MNCs, Indonesia is not only an automotive market for SGMW products but also as the base manufacture to minimize the cost of production.

2. 4 The investment of SGMW in Indonesia

Indonesia is one of the states that has a massive population in the world, the amount of the population reached 262 million people and the rate of population growth in 1,49%.⁷⁹ However, it makes this state become a prominent

⁷⁶ Ibid

⁷⁷ www.just-auto.com, "Malaysia vehicle sales drop 2% in November", accessed from https://www.just-auto.com/news/malaysia-vehicle-sales-drop-2-in-november_id186285.aspx, retrieved on 24 January 2019, 14.43

⁷⁸ Asean Briefing, op. Cit.

⁷⁹ [Jogja.tribunnews.com](http://jogja.tribunnews.com), "hingga Juli 2017, jumlah penduduk Indonesia bertambah jadi 262 Juta Jiwa lebih", accessed from <http://jogja.tribunnews.com/2017/08/02/hingga-juli-2017-jumlah-penduduk->

market for international business. Specifically, the development of the automotive industry became the priority in Indonesia since the much big automotive company decided to rebuild their existence in Indonesia.⁸⁰

Therefore, the development of the middle economic class that reached 40 million people in 2017, and predicted will more than 200 million people in 2045 become a significant opportunity to exist in the Indonesian market.⁸¹ Additionally, the enlargement of economic base is the main factors to support the expansion of automotive product in Indonesia. Besides, according to the report of the global automotive industry, Indonesia is included in the 15 stars of states that provide a massive market for automotive in 2020. However, this is the result of the transition era of Indonesia as the place that only produces a car for South East Asia countries and then became the prominent place to sell the car itself.⁸²

Multi-National Corporations through Foreign Direct Investment determined the investment in a state that has potential services and manufacturing capabilities, and then the result of production can be used for the national interest and international market. Besides that, Foreign Direct Investment by MNCs will have long term-period in a host country, and it is not easy to mobile from one state to other states.⁸³

Specifically, the big market for the automotive product in Indonesia attracts many investors to enlarge their existence to

[indonesia-bertambah-jadi-262-juta-jiwa-lebih](#), retrieved on 6 November 2018 06.30

⁸⁰ www.indonesia-investment.com, "industry manufaktur otomotif Indonesia," accessed from <https://www.indonesia-investments.com/id/bisnis/industri-sektor/otomotif/item6047?>, retrieved on 4 November 2018, 06.52

⁸¹ Finance.detik.com, "penduduk kelas menengah RI dipredikisi tembus 200 juta jiwa pada di 2045" accessed from <https://finance.detik.com/berita-ekonomi-bisnis/d-3658580/penduduk-kelas-menengah-ri-dipredikisi-tembus-200-juta-jiwa-di-2045>, retrieved on 06 November 2018 06.40

⁸² Ibid

⁸³ Stopford John, "Multinational Corporations," Journal of Foreign Policy, No. 113 (Winter, 1998-1999), Page 20

build base production in this country. Moreover, it makes the automotive producer tends to increase the amount of car production to fulfill the needs of the market. Furthermore, in this globalization era, car or other vehicle is one of the primary needs in the society. Then, the development of automotive industry will grow faster to fulfill the needs of transportation, and then in the point of view of Indonesia, this country still needs to import the transportation product from other countries.

Table 2. 1 The Needs of Car Import in Indonesia (January-September 2017)⁸⁴

Brand	2018	2017
Suzuki	20,630	17,081
Toyota	20,364	14,245
Mitsubishi	10,308	15,088
Honda	5,011	3,462
Mazda	4,390	2,768
Chevrolet	2,055	3,089
Lexus	1,123	317
Nissan	948	2,808
Daihatsu	940	1,267
Tata	890	877
Isuzu	876	1,403
Hyundai (PC)	507	549
Hyundai (CV)	2	0
Volkswagen	425	360
Mini	301	420
BMW	109	102
Peugeot	78	4
Renault	50	285
Audi	39	49
Proton	6	59
Total	69.052	64.233

⁸⁴ Kompas.com, "simak merek mobil paling banyak impor Januari-September 2018", accessed from <https://otomotif.kompas.com/read/2018/10/25/092200915/simak-merek-mobil-paling-banyak-impor-januari-september-2018->, retrieved in 1 March 2019, 21.31

Regarding the table above, in 2017 the amount of car import reached 64.233 units and in 2018 increasing up to 69.052. Therefore, it shows that Indonesia still needs to import car in the completely built up (CBU). Moreover, China as the rising state industry tends to use this opportunity to enlarge its economic hegemony in Indonesia by using Foreign Direct Investment in the automotive industry. SAIC General Motors Wuling (SGMW) is the new automotive industry in Indonesia that has a good brand in China and focused on Low-Multi Purpose Vehicle class (MPV).

Besides, SGMW will have the same business plan in another country, and also it will release the same profit in the host country. On the other hand, to make the foreign direct investment of China's MNCs running efficiently, China's government tends to limit the investment in real estate, hotel, military technology, gambling, prostitution, and entertainment.⁸⁵ Therefore, the purpose of this policy is to support the project of One Belt on Road that created by China in the era of President Xi Jinping.⁸⁶

Therefore, in the 2015 SGMW decided to expand the new automotive market in Indonesia. This Multi-National Corporation conducted foreign direct investment to strengthen its position in Indonesia. Moreover, SGMW invests USD 397,4 million.⁸⁷ Also, it included the development of a new factory in Cikarang, Bekasi, West Java. SGMW claimed the factory could produce 120.000 cars per year, and it is for Indonesia and South East Asian market. Also, to support the marketing system, SGMW also provides 50 dealers in all of Indonesia region.⁸⁸

⁸⁵ Id.beritasatu.com, "tiongkok tetapkan aturan investasi ke luar negeri," accessed from <http://id.beritasatu.com/home/tiongkok-tetapkan-aturan-investasi-ke-luar-negeri/164225>, retrieved on 07 November 2018, 03.34

⁸⁶ Ibid

⁸⁷ Siaran Pers Badan Koordinasi Penanaman Modal, BKPM Kawal Investasi Otomotif RRT, 7 January 2017

⁸⁸ Otomotif Net, "ini alasan mengapa Wuling pede bangun pabrik mungkin receh?", accessed from <https://otomotifnet.gridoto.com/read/02192038/ini->

2. 5 The existence of other China's car in Indonesia

Regarding the approach of the inter-organizational network, it explains that there is a subordinate entity in among the Multi-National Corporations itself, a more prominent place, the foreign subsidiary, resources, and environment considered to make a strategic decision.⁸⁹

Moreover, automotive product in Indonesia mostly comes from Japan and Europe, for examples like Toyota, Daihatsu, Mitsubishi, Honda, Suzuki, BMW, and many more. Then, in 2015, China came to reborn China's car product through Wuling car. Besides that, Wuling car is not the only one of China's automotive product in Indonesia, there were several brands that tended to enter Indonesian automotive market, but didn't have a good result, for example like Chery and Geely car.⁹⁰

Table 2. 2 The selling report of Chery⁹¹

Year	Unit
2006	269
2007	759
2008	853
2009	407
2010	528
2011	185
2012	215

[10-alasan-mengapa-wuling-pede-bangun-pabrik-mungkin-receh?page=all](#), retrieved 5 April 2018, 15.00

⁸⁹ Bouquet Cyril and Birkinshaw Julian, "Managing Power in the Multinational Corporation: How Low-Power Actors Gain Influence," *Journal of Management*, Vol. 34 No. 3, June 2008, Page 478

⁹⁰ [www.liputan6.com, "deretan mobil China yang pernah menginvasi Indonesia"](#), accessed from <https://www.liputan6.com/otomotif/read/3282852/deretan-mobil-cina-yang-pernah-menginvasi-indonesia>, retrieved on 3th November 2018, 07.08

⁹¹ Ibid

According to the data above, Chery car only success to sell its car in 2008, and consists of City Car QQ 576 units and LSUV Tiggo 277 Units in 2011.⁹² In 2012, *PT Chery Mobil Indonesia* released MPV Chery Easter that has 2,0 litter of machine capacity, and the price was RP 199 million on the road Jakarta.⁹³ Moreover, this car brand, cannot survive in the Indonesian automotive market because of the existence of Japan and European Car.

Table 2. 3 The selling report of Geely⁹⁴

Year	Unit
2011	1022
2012	1232
2013	498
2014	193
2015	135

Base on the data above, Geely car only has a good result in the 2011 and 2012, but from 2013 until 2015, the number of car selling is decreasing. Moreover, in 2016, there are no more selling of this car.⁹⁵ The reason of Geely car cannot survive in the Indonesia automotive market because of the existence of Japan Car that provides better quality in the same class with the same prices, for example like Toyota and Daihatsu in the Multi-Purpose Vehicle class.

In addition, the reborn of Sokon car became the challenger for Wuling car. Sokon car is coming from China, and provide a car with good quality and low prices. Sokon car is the product of PT Sokonindo Automobile that has a license from Dongfeng Sokon (DFSK) from China.

⁹² www.carmudi.co.id, "Melihat Fakta Mobil Merek China di Pasar Otomotif Indonesia," accessed from <https://www.carmudi.co.id/journal/melihat-fakta-mobil-merek-china-di-pasar-otomotif-indonesia/>, retrieved on 24 January 2019, 15.07

⁹³ www.liputan6.com, op. Cit.

⁹⁴ Ibid

⁹⁵ Ibid

The Investment of PT Sokonindo Automobile reached US\$ 150 million.⁹⁶ The investment included the construction of a factory in the industrial region of modern Cikande, Serang Banten, and the size of this region is about 20 hectare.⁹⁷ Moreover, to support the production process of the car, the factory using a robotic system, but still using a human resource to manage the production process.⁹⁸ Therefore, the target production of this factory will be 50.000 units of the car per year. PT Sokonindo Automobile also claimed it would use 90% of Indonesian people as a worker in the factory.⁹⁹

Regarding the previous explanations, the development of SGMW as the automotive producer has a long history in China. However, the excellent strategy applied by SGMW to expands the China's automotive released an excellent response from Chinese society, and a vast number of car selling determines it. In contrast, the decision of SGMW to enlarge its market in Indonesia by conducted foreign direct investment is exciting, because Indonesia is one of the largest automotive markets for Japan, especially for Toyota, Daihatsu, and Mitsubishi that has a long history in Indonesia. In the other side, some car brands like Hyundai and Kia from South Korea, Proton from Malaysia, and Ford from The United States of America still challenged by Japan in the automotive market.

Moreover, the FDI will support the transition development of the host country through the open policy for investment.¹⁰⁰ Therefore, it determines the asset of Multi-National Corporations have an ability and contribute to the development of economic growth in the host state.¹⁰¹

⁹⁶ www.viva.co.id, "sepak terjang dua raksasa Tiongkok: Wuling dan Sokon," Accessed from <https://www.viva.co.id/otomotif/mobil/986508-sepak-terjang-dua-raksasa-tiongkok-wuling-dan-sokon>, retrieved on 15 November 2018 07.29

⁹⁷ Ibid

⁹⁸ Ibid

⁹⁹ Ibid

¹⁰⁰ Hocking Brian and Mcguire Steven, "Trade Politics 2nd edition", Routledge, 2004, page 208-209

¹⁰¹ Ibid

Regarding the perspective of state-centered approach, explains that a state has an important role in encouraging economic growth. Moreover, the power of a government state can create a policy that supports its economic development.¹⁰²

¹⁰² Marijan Kacung, "Sistem Politik Indonesia," Kencana, 2010, page 264