

CHAPTER IV

The Reason of SGMW to Conduct FDI in Indonesia

Indonesia is one of the states in Southeast Asia that has a very strategic position in the international world. Regarding the geographic position of Indonesia, this state flanked by two continents, such as Asian and Australia continent, therefore it makes this state on the route of International trading.¹⁷⁷ Besides that, Indonesia also flanked by two big oceans in Asia, such as the Pacific and the Indian Ocean, and makes Indonesia can strengthen its position as the maritime state.¹⁷⁸

Furthermore, Indonesia has 17.499 of Islands from Sabang to Merauke, and the total size of Indonesia region reached 7,81 million km², and it consists of 2,01 million km² of land and 3,25 million of the sea, and 2,55 million km² of Exclusive Economic Zone.¹⁷⁹ In the demographic aspect, the total population of Indonesia in 2018 reached 266,79 million.¹⁸⁰ Moreover, the potential size and the big population of Indonesia make this state becoming a significant market for MNCs.

Moreover, SGMW uses this opportunity to enlarge its market in Indonesia by using foreign direct investment. However, the investment of SGMW is not only pure money, but also a productive asset, such as factory, land, and the

¹⁷⁷ Ilmu geografi.com, "Posisi Geografis Indonesia dalam peta dunia," accesses from <https://ilmugeografi.com/ilmu-bumi/posisi-geografis-indonesia>, retrieved on 12 November 2018 11.28

¹⁷⁸ Ibid

¹⁷⁹ Kkp.go.id, "Maritim Indonesia, Kemewahan Yang Luar Biasa," accessed from <https://kkp.go.id/artikel/2233-maritim-indonesia-kemewahan-yang-luar-biasa>, retrieved on 12 November 2018 12.29

¹⁸⁰ databoks.katadata.co.id, "Jumlah Penduduk Indonesia akan Mencapai Puncaknya pada 2062", accessed from <https://databoks.katadata.co.id/datapublish/2018/07/08/jumlah-penduduk-indonesia-akan-mencapai-puncaknya-pada-2062>, retrieved on 12 November 2018 12.36

transfer of technology. Regarding the data from BKPM, the foreign direct investment of SGMW reached USD 397,4 million.¹⁸¹ In addition, it is completed by the construction of “Greenland International Industrial Center (GIIC)”, Central Cikarang, Bekasi, West Java, and the size of this factory is about 60 hectare and claimed can produce 120.000 units per year for ASEAN market¹⁸².

Focusing the relation between Multi-National Corporations and the government of host state has a complex benefit and distribution. In the side of Multi-National Corporations, it needs the freedom to access the resources and moving freely, and the purpose is to decrease the cost of production and increase the quality.¹⁸³ Moreover, the Multi-National Corporations provide one option not to invest in the host government cannot accept its needs.¹⁸⁴ Besides that, Foreign Direct Investment flows can represent the existence of intellectual property and resource cooperation.¹⁸⁵

In the side of host government state, SGMW is very important to provide a larger job field for its people and to increase the economic growth.¹⁸⁶ Besides that, SGMW also needs access to get natural resources and local skill to support its production.¹⁸⁷

Specifically, the purpose of SGMW in China to conduct foreign direct investment and created the other branch of SGMW in Indonesia is to get the highest profit regarding the efficiency of production cost. Moreover, according there

¹⁸¹ Siaran Pers Badan Koordinasi Penanaman Modal, BKPM Kawal Investasi Otomotif RRT, 7 January 2017

¹⁸² m.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 26 September 2018, 09.03

¹⁸³ Ibid, page 22

¹⁸⁴ Ibid

¹⁸⁵ Cohen D. Stephen, Multinational Corporations and Foreign Direct Investment, Oxford University Press, 2007, page 120

¹⁸⁶ Ibid

¹⁸⁷ Ibid

are four reasons for SGMW to choose Indonesia to conduct foreign direct investment such as resource seeking, market seeking, efficiency seeking, and strategic asset seeking.

4.1 Resource Seeking

In the approach of liberalism and capitalism, state and private actor has a freedom to create and join the free market system. Then, one of the crucial things is how to get the highest benefit with the lowest cost of production. On the other hand, Indonesia is one of the states that have a lot of natural resources, primarily to provide energy to run the industry, especially electricity energy. Focusing on the electricity, Indonesia included in a state that has the lowest price of electric energy in the South East Asian Region. It caused by Indonesia has a lot of hydroelectric power plant, air power plant, and coal power plant. Therefore, it can decrease the price of electricity itself.

Table 4. 1 The tariff of electricity for big industry in the ASEAN state (August 2017)¹⁸⁸

State	Price
Indonesia	US\$ 8,38 cent per kWh
Malaysia	US\$ 8,41 cent per kWh
Thailand	US\$ 8,81 cent per kWh
Singapore	US\$ 11,11 cent per kWh
Philippine	US\$ 9,05 cent per kWh
Vietnam	US\$10,95 cent per kWh

Regarding the above table, the price of electricity for a big industry is US\$ 8,38 cent per kWh. Therefore, compared with Malaysia, Thailand, Singapore, Philippine, and Vietnam the tariff that offers by the Indonesian government to support the industrial process is more efficient and competitive.

¹⁸⁸ www.liputan6.com, "Ini Perbandingan Tarif Listrik RI dengan Negara di Asia Tenggara," accessed from <https://www.liputan6.com/bisnis/read/3160560/ini-perbandingan-tarif-listrik-ri-dengan-negara-di-asia-tenggara>, retrieved on 30 November 2018 13.30

Moreover, the availability of electrical power in Indonesia is stable and increasing from time to time.

Table 4. 2 The Capacity of electricity in Indonesia (2012-2017)¹⁸⁹

Year	Electricity Capacity
2012	45,3 thousand Megawatt
2013	50,9 thousand Megawatt
2014	53,1 thousand Megawatt
2015	55,5 thousand Megawatt
2016	59,6 thousand Megawatt
2017	64,1 thousand Megawatt

Regarding the table above, the capacity of electricity in Indonesia is increasing. Moreover, it can encourage the productivity of industry in Indonesia. Besides that, Indonesia included in a state that has the lowest price of electric energy in the South East Asian Region.¹⁹⁰ According to The Head of Communication Bureau, Public Information Service and Ministry of Cooperation Ministry of ESDM, from 190 states in the world, Indonesia in the top ten of state that has the lowest price of electricity, and this data from World Bank in the point of the convenience of investment.¹⁹¹ It caused by Indonesia has 5,765 of the power plant that consists of hydroelectric power plant, air power plant, and coal power plant, etc.¹⁹² Therefore, it can decrease the price of electricity itself. Also,

¹⁸⁹ databoks.katadata.co.id, “berapa kapasitas pembangkit listrik nasional?”, accessed from

<https://databoks.katadata.co.id/datapublish/2017/09/28/berapa-kapasitas-pembangkit-listrik-nasional>, retrieved on 13 November 2018 11.02

¹⁹⁰ www.liputan6.com, “RI Masuk 10 Negara dengan Tarif Listrik Termurah di Dunia”, accessed from <https://www.liputan6.com/bisnis/read/3626862/ri-masuk-10-negara-dengan-tarif-listrik-termurah-di-dunia>, retrieved on 13 November 2018 11.10

¹⁹¹ Ibid

¹⁹² finance.detik.com, “RI Punya 5.700 Pembangkit Listrik, 25% Kapasitas Dimiliki Swasta”, accessed from <https://finance.detik.com/energi/d-2680433/ri-punya-5700-pembangkit-listrik-25-kapasitas-dimiliki-swasta>, retrieved on 13 November 2018 11.22

to support the existence of industry in Indonesia, the government of Indonesia gives a cheaper cost to start the business from 19,4% to 10,9%, the cost to get electricity decreasing from 357% to 276%.¹⁹³

Moreover, regarding the concept of MNCs, the decision of SGMW to invest and enlarge its market Indonesia has two factors, first is the condition of geology and weather, and second is the location of natural resources included infrastructure, transportation, accessibility, and the policy of the government. Therefore, Indonesia included in the state that has stable condition regarding the geology and weather aspects, because Indonesia has vast land to build industry infrastructure for SGMW. On the other hand, Indonesia only has two weather such as dry and rainy season, and it makes the industry has more time to produce the car. In contrast, the unstable condition of weather can be the barrier of the production process and decrease the profit of the company. On the other hand, the government of Indonesia also provides good infrastructure and policy to attract and support the existence of MNCs in this country, for examples the development power plant to guarantee the availability of electrical energy.

Furthermore, concerning to the capitalism approach, the relation between the home country and MNCs in the resource-seeking is fundamental thing to maintain the productivity itself. Besides that, the role of local suppliers can create a new standard and new demand for quality.¹⁹⁴ On the other hand, the involvement of local suppliers can increase the national income of the home country.¹⁹⁵

¹⁹³ finance.detik.com, “Peringkat Kemudahan Investasi RI Naik kePosisi 72” accessed from <https://finance.detik.com/berita-ekonomi-bisnis/d-3708633/peringkat-kemudahan-investasi-ri-naik-ke-posisi-72>, retrieved on 14 November 2018 13.52

¹⁹⁴ Stopford John, Journal, Multinational Corporations, Journal of Foreign Policy, No. 113, 1998-1999, Page 17-18

¹⁹⁵ Ibid

4. 2 Market Seeking

However, the primary purpose of SGMW to conduct Foreign Direct Investment in Indonesia is to protect and enlarge the domination of the car product on the international level. Additionally, this is the strategy of SGMW in China to decrease the dependency on car export.

Specifically, capitalism approach is a system that created to develop the commercial expansion across the local region to the international region. Then, capitalist will learn the pattern of international business and the purpose is to accumulate the biggest benefit. Besides that, the factors of defensive and proactive are becoming an essential thing of SGMW to expand the Indonesian automotive market. First, Defensive means, SGMW will increase the good image of the brand by producing a car with good quality but has a low price for Indonesian people, and then it can compete other car brands like Honda, Toyota, Suzuki, and Daihatsu from Japan. Additionally, SGMW prevents the policy of car import that becoming a problem in the future, and also creating good relation in the national economic contribution, especially in the currency aspects. Second, proactive means, SGMW tends to be closer with the consumer as the market. Besides that, the host state becoming the potential place to support the production of the car, and minimize the cost of transportation and tax export.

Furthermore, the existence of SGMW in Indonesia through Foreign Direct Investment becoming an excellent opportunity to observe the interest of Indonesian people in its car product. Therefore, SGMW can decide a clear strategy to anticipate the changing needs of Indonesian people to the car in the future.

Also, in 2017 to the number of Indonesian people that included in the middle class reached 52 million the population

and contributes 43% of household consumption.¹⁹⁶ On the other hand, the population of Indonesia that base on the economic level is 45% will be middle class and 35% still in the low class.¹⁹⁷

Additionally, 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 ASEAN region.¹⁹⁸ In 2017, the total of car production reached 2,2 billion units per year, but this number predicted 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.¹⁹⁹

Table 4. 3 The amount of car selling in ASEAN countries²⁰⁰

Negara	2014	2015	2016
Thailand	881,832	799,632	768,788
Indonesia	1,208,019	1,013,291	1,061,735
Malaysia	666,465	666,674	580,124
Philippines	234,747	288,609	359,572
Vietnam	133,588	209,267	270,820
Singapore	47,443	78,609	110,455
Brunei	18,114	14,406	13,248
ASEAN	3,190,208	3,070,488	3,164,742

¹⁹⁶ www.worldbank.org, "Kelas Menengah Indonesia Pentingbagi Masa Depan Negara," accessed from <http://www.worldbank.org/in/news/press-release/2017/12/04/indonesia-middle-class-vital-for-the-country-future>, retrieved on 13 November 2018 11.37

¹⁹⁷ Ibid

¹⁹⁸ 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

¹⁹⁹ Ibid

²⁰⁰ Ibid

According to the table above, 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.

Table 4. 4 The amount of car selling in Indonesia in 2014-2017²⁰¹²⁰²

Year	Amount of Car Selling
2014	1.208.019 units
2015	1.013.291 units
2016	1.073.547 units
2017	1.069.674 units

Regarding the data above, the needs of the car as transportation still take an essential role in the Indonesian market, and the amount of car selling in 2014 until 2017 still above one million units. Therefore, it determines the stability of the car industry to produce and provide a car. Moreover, the high of the number of car needs also is the impact of the increase of national economic welfare in Indonesian society, because of the car is not a luxury thing anymore, but today becomes a primary need of the society.

²⁰¹ www.otomotifmagz.com, “gaikindo: meskijeblok, penjualanmobil 2015 lewati one juta unit”, accessed from <https://www.otomotifmagz.com/gaikindo-meski-jeblok-penjualan-mobil-2015-lewati-1-juta-unit/>, retrieved on 13 November 2018 18.20

²⁰² otomotif.kompas.com, “Penjualan Mobil Indonesia 2017 Jalan di Tempat”, accessed from <https://otomotif.kompas.com/read/2018/01/16/203500015/penjualan-mobil-indonesia-2017-jalan-di-tempat->, retrieved on 13 November 2018 18.23

Table 4. 5 the rank of car selling in January-April 2018²⁰³

Rank	Brand	Amount
1	Toyota	113.854
2	Mitsubishi	73.179
3	Daihatsu	70.479
4	Honda	53.274
5	Suzuki	40.860
6	Hino	11.822
7	Isuzu	7.971
8	Datsun	6.099
9	Wuling	5.216
10	Nissan	4.359

According to the table above, Wuling car in the nine positions of car selling in January-April 2018 and can compete others car brand in Indonesia. However, it determines the positive response of Indonesian people to Wuling car and reconstructs a new perspective of China's car product. Moreover, the strategy of SGMW to provide a car with good quality but has low prices successful in the Indonesian market. Also, to maintain the trust of the market, SGMW also provides dealers in all of Indonesia regions to support the marketing strategy make cooperation with the local automotive supplier and created job field to the Indonesian people to increase the national income and also gives the transfer of technology of the automotive industry.

Through SAIC General Motor Wuling (SGMW) China tries to increase its existence in the automotive industry in Indonesia. Moreover, SGMW released Confero and Confero S as the first product of SGMW and included in Multi-Purpose Vehicle (MPV). Confero series is the duplicate from Hongguang series in China, and also it is the new automotive

²⁰³ 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 13 November 2018 18.34

product in China.²⁰⁴ In 2015, SGMW recorded can sell its car product up to 2,040 million units, and in 2016 it was increasing become 2,13 million units.²⁰⁵

In Indonesia, MPV type is the most priority for the people to by a new car; the reason is that this type provides low prices with a significant capacity to the passenger.²⁰⁶ Also, Wuling car is the duplicate of Hongguang car in China. In 2016, SGMW recorded can sell Hongguang car up to 24,3 million units. According to the data from the China Passenger Car Association (CPCA), Hongguang became the top ten favorite car brands in China.²⁰⁷ Moreover, Hongguang car in MPV class sold out up to 650.018 units in China.²⁰⁸

Table 4. 6 The price of Wuling Car in Indonesia²⁰⁹

Type	Price
WulingConfero 1.5	Rp.128.800.000
WulingConfero S 1.5 C	Rp.150.900.000
WulingConfero S 1.5 L	Rp.162.900.000

According to the table above, it makes SGMW believe that its product will get a good response towards Indonesian people because it is pointed to the middle class and middle-

²⁰⁴ Otomotif.kompas.com, "Wuling mobil paling laris di China, bagaimana di Indonesia?", accessed from <https://otomotif.kompas.com/read/2017/03/072300015/wuling.mobil.paling.laris.di.china.bagaimana.di.indonesia.>, retrieved on 04 November 2018 19.53

²⁰⁵ Ibid

²⁰⁶ CNN Indonesia, "Fakta Menarik Mobil China Wuling Confero Di Indonesia," accessed from <https://www.cnnindonesia.com/teknologi/20170524135028-384-216985/fakta-menarik-mobil-china-wuling-confero-di-indonesia>, retrieved 5 April, 12.30

²⁰⁷ Otomotif.kompas.com. op.cit.

²⁰⁸ Ibid

²⁰⁹ Oto.detik.com, "koq bisa MPV Wuling harganya murah meriah?" accessed from <https://oto.detik.com/mobil/d-358419/koq-bisa-mpv-wuling-harganya-murah-meriah>, retrieved on 04 November 2018 20.07

low class consumer.²¹⁰ Then, in August 2017, Wuling Motors planned to launch its product to the automotive market. Furthermore, to compete for the automotive products from Japan and Europe, SGMW gives better specifications with low prices, and the Indonesian people will move to the Wuling motors as the priority to buy a new car.

Table 4. 7 The increasing of Wuling Motor marketing in 2018²¹¹

Month	Amount (unit)
January	927
February	1.009
March	1.560
April	1.720
May	1.765

According to the above table, the existence of Wuling motor as the new automotive car brand in the Low Multi-Purpose Vehicle Class (LMPV) has got serious attention from Indonesian society, and the amount to sell its product increasing from time to time.

Regarding the capitalism approach, the primary strategy of Wuling motors to expand Indonesia automotive market is creating innovation that adjusted with the trend and the needs of the market, the distribution strategy and the service quality, and also develop the promotion to attract Indonesian people. In the other side, the consumer will consider in two aspects if wants to buy a car, first is the quality, and the second is the price. Therefore, Wuling Motors tends to find a middle position to release a car with good quality and low prices.

²¹⁰ Ibid

²¹¹ www.gridoto.com, "China Bangkit Januari Sampai Mei 2018 Penjualan Wuling Terus Meningkat ", accessed from <https://www.gridoto.com/read/01251481/china-bangkit-januari-sampai-mei-2018-penjualan-wuling-terus-meningkat#!%2F>, retrieved on 7 October 2018, 17.14

In the beginning, the brand of China's car products has a terrible image in Indonesia, because the quality is not as good as Japan and European car. In this case, SGMW tends to reconstruct the perspective of Indonesian people that its product has better quality than Japan and European car. However, the power of a brand image is significant to sell a car product of Wuling Motors, because it will influence the decision of the people to buy a car. According to the concept of cultural diplomacy, brand imaging is the perception that comes from the people about something. In the case of Wuling motors, the producer tends to create brand imaging for the car that has good quality, low risk, and friendly product for Indonesian People.

Regarding the data from "*Gabungan Industri Kendaraan Bermotor Indonesia*" (GAIKINDO) in January-April 2018, the automotive car brand from Japan reached 90% in the Indonesian market. Specifically, Toyota brand reached 113.854 units of total selling, Mitsubishi 73.179 units, Daihatsu 70.479 units.²¹² It means 9 of 10 cars in Indonesia are the product of Japan.

Furthermore, the policy of the Indonesian government to encourage the production of "Low-Cost Green Car" (LCGC) become good news for new car automotive producer. However, before Wuling decided to expand the Indonesian market, there are only two giant producers in LCGC such as Toyota and Daihatsu, because those brands can sell a car under the price Rp.100 million.²¹³

²¹² otomotif.antaranews.com, "Daftar merek mobil terlaris Januari-April 2018, Toyota teratas", accessed from <https://otomotif.antaranews.com/berita/710367/daftar-merek-mobil-terlaris-januari-april-2018-toyota-teratas>, retrieved on 13 November 2018 18.34

²¹³ www.merdeka.com, "kisah lobi Jepang di Industri otomotif RI," accessed from <http://www.merekeda.com/uang/kisah-lobi-jepang-di-industri-otomotif-ri.html>, retrieved on 04 November 2018 22.31

4. 3 Efficiency Seeking

In the liberalism and capitalism approach, Multi-National Corporations and the government of the host state will use the rational decision-making model in economic decision making to get their benefit.²¹⁴ Also, the same Multi-National Corporations will have a different effect on a country that has fragmented society and weak economy compared with a country that has a stable government and a balanced economy.²¹⁵

Regarding the trade theory that used by the Heckscher-Ohlin, the model of general equilibrium in the production process explained that labor and capital are cannot mobile freely in the international level. Especially, the existence of internal taxes and tariffs playing a vital role to create decision-making of Multi-National Corporations.²¹⁶

Table 4. 8 The Price of Labor in South East Asian Country²¹⁷

Country	Labor price
Thailand	Rp3,90-4,17 million
Malaysia	Rp3,17-3,45 million
Indonesia	Rp1,45-3,91 million
Vietnam	Rp2-2,3 million
Philippine	Rp2,44-3,17 million

²¹⁴ Wilber Charles K, "Economics, Power, and Regulation of Multinational Corporations," *Journal of Economic Issues*, Vol. 8, No. 2 (Jun. 1974), page 45

²¹⁵ S. Nye Jr. Joseph, "Multinational Corporations in World Politics," *Journal of Foreign Affairs*, Vol. 53, No. 1 (Oct. 1974), Page 155

²¹⁶ Beladi Hamid and Frasca Ralph, "Multinational Corporations and Industrial Employment," *Journal of Economic Integration*, Vol. 16, No. 1 (March 2001), Page 67

²¹⁷ www.inews.id, "Ini Perbandingan Gaji Buruh di Indonesia dengan Negara-Negara ASEAN," accessed from <https://www.inews.id/finance/read/109029/ini-perbandingan-gaji-buruh-di-indonesia-dengan-negara-negara-asean>, retrieved on 13 November 2018 19.19

Base on the table above, Indonesia included in the country that has the lowest price of labor in Southeast Asia. Besides that, unlike other ASEAN countries that revises the minimum wage of labor in five years, Indonesia has the policy to revise the minimum wage in one year depends on the economic growth and inflation.²¹⁸ Therefore, it attracts the investor interested in Indonesia that provides the low price of labor to support the industry. Focusing on Indonesia, the standard of minimum wage extremely different depends on the location of industry. For example, DKI Jakarta becomes the province that has the highest minimum of wage which is reached Rp.3,65 million per month, and Yogyakarta becomes the province that has the lowest minimum of wage which is reached Rp.1,45 per month. On the other hand, the industrial regions like Bekasi and Karawang have a minimum of wage that reaches Rp.3,91 million per year.

Regarding the capitalism approach, MNCs tends to minimize the cost of production to reach the maximum benefit. Therefore, SGMW will use a region that has a lot of labor and lowest the minimum of wage for example in Karawang and Bekasi region.

Concerning to the liberalism approach that explain the relation between international relations actor in the economic interest, the Foreign Direct Investment of SGMW in Indonesia gives a positive impact on economic development, for example, provides job fields for 3000 Indonesian people. Moreover, the industry to produce Wuling car involved 20 local suppliers, and automotive industry from tier 1, tier 2, tier 3, and it can stimulate the industrial development in Indonesia. Moreover, partnership and licensing with the local companies is one of the strategies of MNCs and FDI to get more benefit in the foreign markets. Therefore, the effect of these strategies

²¹⁸ Ibid

is encouraging the industrial chain that supports the development of MNCs itself.²¹⁹

Furthermore, to provide skilled labor to produce a good quality of the car, SGMW also gives the educational program to the *Sekolah Menengah Kejuruan (SMK)* in Karawang. Therefore, this program can give the transfer of automotive knowledge and technology from China to Indonesia. Also, SGMW is also creating good relations with Indonesian people in the future.

Focusing the transfer of knowledge between MNCs and the Host State becomes the important source and issue in the term of competitive advantage.²²⁰ Therefore the effect of the transfer of knowledge can encourage innovation, and develop new business initiatives.²²¹

4. 4 Strategic Asset Seeking

Specifically, capitalism approach as the result of liberalism approach explains that Foreign Direct Investment that conducted by SGMW and others investment is the ability to control and manage the factors production such as natural resource, human resource, and market. Moreover, those factors productions supported by the management system and the policy of the Indonesian government become the strategic asset of SGMW to maintain its existence in the Indonesian automotive market. Moreover, the function of Strategic Asset-Seeking is to swallow the competitors, enlarge its product line, develop its technology to increase the production, and avoid the third company to have the same asset.²²²

Furthermore, regarding the “*Peraturan Presiden Nomor 44 Tahun 2016*” the Foreign

²¹⁹ Cohen D. Stephen, *Multinational Corporations and Foreign Direct Investment*, Oxford University Press, 2007, page 119

²²⁰ Nunes Frederico S, "Transfer of knowledge in Multinational Corporations (MNCs) on International Projects," *Journal of Advanced Management Science* Vol. 2, No. 3, September 2014, Page 228

²²¹ *Ibid*

²²² Cohen D. Stephen, *Multinational Corporations and Foreign Direct Investment*, Oxford University Press, 2007, page 71

Direct Investment of SGMW is included in the full investment. It means all of the risks will be the responsibility of SGMW, because of all of factors production asset wholly controlled by the company without involved Indonesian government. Also, base on article 18 about Foreign Direct Investment, the government of Indonesia only gives 30 years for SGMW to conduct its Investment in Indonesia, and then SGMW must renew its Investment procedure.

Specifically, in 2017, the rank of Indonesia in ease of doing business (EODB) increasing from 91 to 72. Moreover, regarding the World Bank, there are 7 indicators that make Indonesia in that position such as the simplification to register new business, electricity access, efficiency of business licensing, transparency of credit data, strengthening the minority investor, the fixation of credit access by credit bureau, and the development of electronic license for international trading.²²³

Regarding the previous explanations, Indonesia is included in a country that has friendly investment zone. Additionally, the cooperation between SGMW and the policy of Indonesian government in the foreign investment aspect can be triggering the automotive production itself. Therefore, SGMWs through Foreign Direct Investment will get a strategic asset to expand its market in the long-term period. Moreover, there is an economic and social beneficial effect that create MNCs in the host state.²²⁴ Furthermore, the achievement in financial term of MNCs is the capability to gives what the public needs and wants, for example, provide good quality of goods and services in the competitive prices, release a new product, and minimize the cost production.²²⁵

²²³ www.jawapos.com, “dalam kemudahan investasi, Word Bank aku in Indonesia banyak berubah”, accessed from <https://www.jawapos.com/ekonomi/01/11/2017/dalam-kemudahan-investasi-world-bank-aku-indonesia-banyak-berubah>, retrieved on 14 November 2018 13.39

²²⁴ Cohen D. Stephen, *Multinational Corporations and Foreign Direct Investment*, Oxford University Press, 2007, page 283

²²⁵ *Ibid*, page 286

4. 5 Opportunity, challenge, and strategy

According to the previous explanations, SGMW through Wuling car can make a competition with other car brands such as Toyota, Daihatsu, Honda, Suzuki, and many others base on the automotive market in Indonesia. In contrast, SGMW also will face some challenges such as:

- a. The domination of automotive car brand from Japan. In this point, the automotive car brand of China, especially Wuling car is the second options to buy a new car in the Indonesian society; it caused by the image of Japan car has more experience in Indonesia for more than 50 years ago. Moreover, it is determined by the percentage of Japan car reach 90% in Indonesia.
- b. The policy of Low-Cost Green Car (LCGC). In this point, Wuling car is not included in the LCGC program, and it makes Wuling car does not have the opportunity to get incentive from the Indonesian government. In contrast, the car product from Japan starting to use this opportunity to enlarge its hegemony in Indonesia automotive market.
- c. Image and prestige factors, it is related with the brand imaging about the Car product from that has terrible quality in the past. In contrast, car product from Japan and Europe has better quality compared with China's car. Also, having a car brand from Japan and Europe can increase the social status of people in Indonesia.

Additionally, Wuling car also has the opportunity to expand the Indonesian market, such as:

- a. Wuling car is focusing on the Low Multi-Vehicle Purpose (LMPV), LMPV is the type of car that can bring 6-9 passengers, efficient energy, and has a low price. Therefore, LMPV car is very compatible for the Indonesian automotive market, because of Indonesian society mostly in the middle economic class.

- b. The successful experience of Hongguang car in China as a duplicate of Wuling in Indonesia can determine the positive response of the Indonesian automotive market.

Furthermore, to strengthen the expansion of Wuling car in Indonesia, SGMW uses some strategies:

- a. Provides 50 dealers of Wuling car in all of the Indonesian region, the purpose is to support the activity of marketing strategy and closer with the Indonesian society. Besides, SGMW also makes cooperation with 20 local suppliers and give educational training to Indonesian *SMK* student; the purpose is to create a good relation between SGMW and Indonesian people in the future.
- b. SGMW through Wuling car is also conducting branding to attract Indonesian people, bringing "The New Choice of MPV" as the slogan of its car, Wuling car guarantees a good quality of car that suitable with the character of Indonesian society.