

CHAPTER V

Closing

In this globalization era, the existence of Multi-National Corporations as the non-state actor has the same level as the states in the world. Moreover, the capability of Multi-National Corporations to influence the policy and the economic growth of the host government becomes an important issue among the scholars. Additionally, regarding Michael E. Porter in his book “Competitive Advantage of Nations (1990)”, assumed that Multi National-Corporations had entered the era of management strategy and international business.²²⁶ Moreover, the character of MNCs that consist of trading activity, resource extracting, production, and marketing system result in a positive impact for the host state.²²⁷

Moreover there is a correlation between liberalism and MNCs. Regarding the previous explanations; liberalism shows that the power of capitalism became the important reasons of a state to conducting international relations. Therefore, MNCs exist as the result of free trade that shows the power of capital and technology.

Regarding the four principles of Multi-National Corporations to conduct Foreign Direct Investment for example like Strategic Asset Seeking, Resource Seeking, Market Seeking, and Efficiency Seeking.²²⁸ SGMW decided to conduct Foreign Direct Investment in Indonesia because of four reasons. First Indonesia has a lot of natural resources, primarily to provide cheap electrical energy to run the

²²⁶ Rizaldi Ruri, “Ekspansi MNC Starbucks Coffee di Asia (StudiKasus: Cina), Jurnal JOM FISIP Vol.2 No.1, February 2015, Page 4

²²⁷ Ibid

²²⁸ Cohen D. Stephen, *Multinational Corporations and Foreign Direct Investment*, Oxford University Press, 2007, page 66-70

production process. Second, Indonesia has a significant amount of population and determine the potential market for automotive products. Third, Within Southeast Asia, Indonesia included a state that has the lowest minimum wage and can decrease the cost production. Fourth, the government of Indonesia supports the development of Foreign Direct Investment by giving a natural regulation and requirement; however, it can guarantee Multi-National Corporations to control all of productions factors as the strategic asset to get more benefit.

Furthermore, some factors will influence the existence of SGMW in Indonesia. First, factors condition that consists of skilled labor and infrastructure that can influence the efficiency of production. Second, demands condition that determined the needs of Indonesian market about the car. Third, relating and supporting industries that support the industry chain of SGMW to produce the car. Fourth, rivalry, structure, and firm strategy that explains the strategy of SGMW to compete for other car brands.²²⁹

First, factor conditions, it is related to the skilled labor and infrastructure that support the production of Wuling car in Indonesia. In the process of production, SGMW needs labor that has an excellent capability and understands how to make a good quality of the car. Specifically, SGMW uses 900 workers to run the production process; it consists of 700 manufacture workers and 300 administration worker.²³⁰ In the beginning, SGMW also invited 30 Chinese to work in the manufacture as the Manager, but step by step changed by the local people.²³¹ Besides that, SGMW also gives a technical training to the

²²⁹ Rizaldi Ruri. op.cit.

²³⁰ Otomotif.kompas.com, "Inilah Jumlah Pekerja China di Pabrik Wuling," accessed from

<https://otomotif.kompas.com/read/2018/2018/05/11/1342001115/inilah-jumlah-pekerja-china-di-pabrik-wuling>, retrieved on 20 November 2018

21.43

²³¹ Ibid

workers; the purpose is to maintain the quality of the production.²³² The worker mostly comes from *Sekolah Menengah Kejuruan (SMK)* in Indonesia.

Regarding the Prime Minister of China, all of the Chinese investors must give priority to the local people as the worker and enlarge the job field in Indonesia. The purpose is to give symbiosis mutualism between the Investor and Indonesia.²³³ Moreover, the development of infrastructures such as electrical plant, toll road, harbor, and train route can support the production and distribution of Wuling Car itself.

Second, the demand of the Indonesian automotive market to the car product. Regarding the population composition base on economic class, the middle class reached 52 million in 2017, and it becomes a potential market for SGMW.²³⁴ Besides that, the car is one of the primary needs of transportation within Indonesian society. In 2017 the amount of car selling recorded reached 1.069.674 units.²³⁵ Therefore, it shows a big opportunity to SGMW and Wuling car to expand the Indonesian automotive market. Specifically, in January-April 2018, Wuling car successfully included in the top ten of car selling in Indonesia and reached 5.216 units.²³⁶ Therefore,

²³² Ibid

²³³ Nasional.kompas.com, "PM Li minta Perusahaan China di RI utamakan Tenaga Kerja Lokal," accessed from <https://nasional.kompas.com/read/2018/05/07/20182871/pm-li-minta-perusahaan-china-di-ri-utamakan-tenaga-kerja-lokal>, retrieved on 20 November 2018 21.57

²³⁴ www.worldbank.org, "Kelas Menengah Indonesia Penting bagi 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 20 November 2018 18.50

²³⁵ 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 20 November 2018 22.05

²³⁶ otomotif.antaraneews.com, "Daftar merek mobil terlaris Januari-April 2018, Toyota teratas", accessed from

the excellent experience of SGMW to expand the automotive market in China can determine the strategy of this corporation to provide a car with good quality but has low prices. On the other hand, SGMW also pointed middle class as the leading consumer of its car. However, those conditions become a potential opportunity for SGMW in Indonesia.

Third, supporting industries, however as the Multi-National Corporations in the automotive manufacture, SGMW needs cooperation with the international and local supplier to provide the spare-part of its product. Then, Besides, Wuling motors in Indonesia also make a corporation with 15 international component supplier and 20 local component suppliers to support the production process. The factory of Wuling motors also using Global Manufacturing System (GMS) technology as the international standard of car manufacturing.²³⁷ In the other side, this industry also can trigger automotive component suppliers from tier 1, tier 2, and tier 3.²³⁸

Fourth, rivalry, structure, and firm strategy that explain the strategy of SGMW to compete for other car brands for example like Toyota, Daihatsu, Honda, and Suzuki. Furthermore, the expansion of automotive car brand from Japan becomes the primary challenger for 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

<https://otomotif.antaranews.com/berita/710367/daftar-merek-mobil-terlaris-januari-april-2018-toyota-teratas>, retrieved on 20 November 2018 22.09

²³⁷Otomotif Net, "ini alasan mengapa Wuling pede bangun pabrik mungkin receh?", accessed from <https://otomotifnet.gridoto.com/read/02192038/ini-10-alasan-mengapa-wuling-pede-bangun-pabrik-mungkin-receh?page=all>, retrieved 20 November 2018 22.22

²³⁸CNN 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 20 November 2018 22.24

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.

Moreover, the strategy of SGMW to play in the Low-Multi Vehicle Purpose (LMPV) that adjustable for Indonesian people in the middle class, because it is efficient energy, and has a low price. Besides that, to support the marketing strategy, SGMW Provides 50 dealers of Wuling car in all of the Indonesian region, the purpose is to be closer with the Indonesian society. 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.

Furthermore, to maintain the existence of SGMW in Indonesia, this MNC must have a good relationship with the Indonesian government in the term of economic interest. On the one hand, the Indonesian government created a policy that supports and attracts the Multi-National Corporations to conduct foreign direct investment in Indonesia. Furthermore, there is a symbiosis mutualism between the Indonesian government and SGMW.

For SGMW, Indonesia is the potential state that provides a huge market to sell its automotive products. Besides that, the availability of electrical energy in this state can be the prominent element to run the production process. Moreover, the price of the Indonesian worker that has low prices can minimize the cost of production that will be beneficial for SGMW to get more profit. Also, the strategic position of Indonesia as the base production in Southeast Asia can be very beneficial for SGMW to expand ASEAN market. Therefore, the policy of China's government to support foreign investment encourage China's MNCs to enlarge its market overseas. However, it also the strategy of China to

strengthen its hegemony in the international level in the term of economy.

Furthermore, the existence of SGMW in Indonesia gives positive impacts to decrease the number of unemployment, because of SGMW will provide many job fields. Besides that, SGMW also will encourage the industrial chain of the automotive industry from bottom to top in Indonesia. Therefore, Indonesia can increase the national income and the social welfare for its society.

Also, the purpose of the author to research the reasons of SGMW to conduct Foreign Direct Investment in Indonesia is to enrich the knowledge about Multi-National Corporations development in the International Relations studies. Specifically, the four motivations of Multi-National Corporations to conduct Foreign Direct Investment such as Strategic Asset Seeking, Resource Seeking, Market Seeking, and Efficiency Seeking can simplify the understanding to explain the phenomena that related with Multi-National Corporations. On the other hand, this research can be very beneficial not only for International Relations Studies but also for Indonesian Society in general, especially that related in the international business.