

CHAPTER II

INDONESIA-CHINA RELATIONS ON BELT AND ROAD INITIATIVE

In this chapter the writer will explain three main sections. The first is about the background of Indonesia – China relations since Joko Widodo administration. The second is about the China big project (Belt and Road Initiative). The third is about the involvement of Indonesia in Belt and Road Initiative project made by China.

A. Indonesia-China Relations Under Joko Widodo

Indonesia-China relations was described as a dynamic relation, as we know since Soekarno regime Indonesia are committed with China as a partner where in April 1955 Prime minister of China Zhou En Lai attending the Asia-Afrika Conference held in Bandung, in that conference there are “five basic principles of peaceful coexistence” stated by China and sponsored by India and Myanmar and supporting by the other countries. The result is Indonesia and China agree to strengthen the good relation at that time with the signing of the friendship agreement in Culture aspect on April 1961. But then in 1967 both of countries because of China was involved in G30SPKI (Sitanggang, 2015).

After the freezing diplomatic relations 22 years later under Soeharto administration both countries started to open and talk exactly in February 1989, when Soeharto met the foreign minister of China Qian Qichen, in the funeral of Japanese emperor Hirohito in Tokyo. They talked about the normalization the relation between those countries and de sign the memorandum of understanding of normalization the relations between both of states. The normalization continues till today (Sitanggang, 2015).

During President Jokowi's administration, relations between Indonesia and China increased rapidly. In fact, the increase was a strong signal of a shift in Indonesia's foreign policy towards China. President Joko Widodo's attention to China has been demonstrated since the beginning of his tenure. Symbolically, China was the country Jokowi first visited on November 8, 2014. Jokowi's visit coincided with the APEC Summit at Beijing in China. As the first country visited, it certainly cannot be separated from the special meaning that China has a strategic position in Jokowi's foreign policy. During the visit, the two countries reached strategic agreements. For example, Jokowi expressed his commitment to join China in the formation of the Asian Infrastructure Investment Bank (AIIB) led by China. AIIB is an international financial institution led by China which was formed specifically to finance infrastructure projects (Hadrianto, 2017). More specifically, AIIB was formed as a bank that specifically supports China's Silk Road initiative, which focuses on improving relations in Asia, the Middle East, Africa and Europe.

Since inaugurated as President of Republic of Indonesia in October 20th 2014, until today Indonesia already signed 36 MoUs with China. 36 agreements of Indonesia-China including the economic sector, culture, education, and tourism. Those agreement registered in Foreign Ministry of Indonesia. As many as 36 MoUs made by Indonesia and China in a short time, means that Indonesia and China seriously were established a closer relationship. The question is what are the factors that make Indonesia closely related to China, in this thesis the writer divided into two factors which are external factor and internal factor.

According to Zulfikar in his Journal, from the first external factor, the approach of Indonesia to China is inseparable from the rise of China as a global economic power in the 21st

century, or commonly known as the Rise of China phenomenon. The rise of China is a picture of the strength of the Chinese economy driven by open door economic policies that began in the era of Deng Xiao Ping (1978-1987). The implementation of the open-door policy has brought China into the market economy modernity. This policy led China to undergo a massive transformation in the structure of its national economy. Before the implementation of open economic policy, precisely in 1970 China's export trade only reached 0.7 percent of the world total or 12 percent of GDP. The situation changed after 1978 where China became one of the most open economies in the world. China's import tariffs dropped on average from 23.7 percent in 2001 to 5.7 percent in 2011 (Zulfikar & Nugroho, 2019). Likewise, with China's economic growth stability, it was able to grow 8 percent per year with a population of 1.28 billion people. The Rise of China was also marked by strong exports which affected China's economic surplus. China's foreign exchange reserves from initially only reached US \$ 291 billion in 2002 to US \$ 987.9 billion in 2006. IMF data in 2014 also noted that China surpassed the US in its contribution to world GDP which reached 17 percent, while the US was only 16 percent (Zulfikar & Nugroho, 2019).

China's efforts to strengthen its economic dominance since 2013 were strengthened by its ambitious agenda called the BRI (Belt Road Initiative). This is the second external factor that drives Indonesia's closeness with China. With BRI's agenda, China has plans to revitalize the silk lane, a trade route that connects Asia with Europe, in the project of building the Silk Economic Road for land routes, and 21 Maritime Silk Road for sea lanes. The planned construction of the large project will be financed by AIIB, an infrastructure bank led by China. In the Silk Road Economic Belt road map and 21st Century Maritime Silk Road, Indonesia is one of the countries on the maritime silk route that China wants to develop. From this framework, China's interests in Indonesia are very clear, namely making

Indonesia an integrated part of the agenda of the development of China's maritime silk line.

Moreover, in terms of internal factor that influence Indonesia-China relations. The internal factor mainly influenced by Indonesia need to develop the infrastructure. Indonesia under Joko Widodo has ambitious infrastructure development for 2015-2019 as much Rp. 4.700 trillion (Bappenas.2015). However, then the limitation from Indonesia government can't fulfill the fund for the infrastructure means that Indonesia need foreign infestation for the fund.

China with the Belt and Road Initiative program that will provide infrastructure development investment assistance funds, of course, has attracted Indonesia's attention. The fast train program (Hight Speed Train / HST) is a funding project program that reflects China's BRI agenda. To build the BRI line or Belt and Road Initiative, China needs the support of Asian Tiger countries. In this context, China sees Indonesia as one of the Asian Tigers that can help form the Belt and Road Initiative strategy (Zulfikar & Nugroho, 2019).

In addition, Indonesia's closeness with China is also strongly influenced by Jokowi's foreign policy orientation. Jokowi's foreign policy jargon is "grounded diplomacy" or "pro-people's diplomacy". Pro-people's diplomacy is a diplomacy where domestic interests are a reference for the formation of Indonesia's foreign policy. Indonesia's current diplomacy model is one of the internal factors of increasing relations between Indonesia and China. China with all its expansionary policy plans is seen as a country that can encourage the achievement of Indonesia's current domestic needs.

In conclusion, the external and internal environments are factors that strengthen relations between China and Indonesia today. The intersection of these two factors drive the bias of Jokowi's foreign policy towards China as an economic partner

compared to the US. The increasing relationship between the two countries has brought new dynamics in Indonesia-China relations.

B. China's Belt and Road Initiative

In September 2013, President Xi Jinping announced in Kazakhstan the idea of a Silk Road Economic Belt, and in October, he announced in Indonesia the idea of a 21st Century Maritime Silk Road. Against this backdrop, at a peripheral Diplomacy Work Conference held at the same October "Peripheral diplomacy" was emphasized, and in November 2014, the Chinese government announced the creation of a new Silk Road fund (\$40 billion) at the Asia-Pacific Economic Cooperation (APEC) meeting held in Beijing. In March 2015, the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce jointly announced the One Belt, One Road Concept (Damuri, 2014).

China's Belt and Road Initiative is an ambitious program to connect Asia with Africa and Europe via land and maritime networks along six corridors with the aim of improving regional integration, increasing trade and stimulating economic growth. The name was coined in 2013 by China's President Xi Jinping, who drew inspiration from the concept silk road established during the Han Dynasty 2000 years ago an ancient network of trade routes that connected China to the Mediterranean via Eurasia for centuries. The Belt and Road Initiatives also been referred to in the past as 'One Belt One Road'. The BRI comprises a Silk Road Economic Belt a transcontinental passage that links China with South East Asia, South Asia, Central Asia, Russia and Europe by land and Maritime Silk Road, a sea route connecting China's coastal regions with Southeast and south Asia, the South Pacific, the Middle East and Eastern Africa, all the way to Europe. The initiative defines five major priorities namely policy

coordination, infrastructure connectivity, unimpeded trade, financial integration and connecting people (Damuri, 2014).

The program is expected to involve over US\$ 1 trillion in investments, largely in infrastructure development for ports, roads, railways and airports, as well as power plants and telecommunications networks. The BRI's geographical scope is constantly expanding. So far it covers over 70 countries, accounting for about 65 percent of the world's population and around one-third of the World's Gross Domestic Product (GDP) (Aufiya, 2017).

The Belt and Road Initiative addresses an “infrastructure gap” and thus has potential to accelerate economic growth across the Asia Pacific area, Africa and Central and Eastern Europe: a report from the World Pensions Council (WPC) estimates that Asia, excluding China, requires up to US \$900 billion of infrastructure investments per year over the next decade, mostly in debt instruments, 50% above current infrastructure spending rates. The gaping need for long term capital explains why many Asian and Eastern European heads of state “gladly expressed their interest to join this new international financial institution focusing solely on real assets and infrastructure- driven economic growth”. In May 2015, specific policies pertaining to the “One Belt One Road” concept were revealed. “six international economic corridors” would be created with an estimated total investment of \$890 billion or more for the “One Belt (Silk Road Economic Belt)”, while two routes for the Maritime Silk Road would be deployed in the center, there are six international corridor for the China's Silk Maritime Road they are: (Szechenyi, 2018).

Table 1 China's Six Corridors

1. China-Mongolia-Russia Economic Corridor
Includes two economic corridors. One countries corridor starts in Northern China, extends through Hohhot, Inner Mongolia, and

reaches Mongolia and Russia. Another corridor starts in Northeast China, extends through Manzhouli, and reaches Chita, Russia. Both rely on the Trans-Siberian Railway to connect China with Europe.
2. New Eurasia Land Bridge (Second Eurasia Land Bridge) Economic Corridor
A route divided into three parts that connects Lianyungang, Jiangsu Province with the Port of Rotterdam in the Netherlands. Said to also be possible to connect to Japan, South Korea, and Europe through Lianyungang. Can also reach from Iran and Russia to Hungary by way of Kazakhstan. Covers over 30 nations.
3. China-Central Asia-West Asia Economic Corridor
Starts in Xinjiang Uyghur Autonomous Region, extends through the Persian Gulf, and reaches the coast of the Mediterranean Sea and the Arabian Peninsula. Connects Central Asia nations such as Kazakhstan, Kyrgyzstan, and Tajikistan as well as Iran and Turkey, includes regions that are rich in oil and various mineral resources, and would serve as a resource/energy source for China.
4. China-Indochina Peninsula Economic Corridor
Starts in Nanning, Guangxi Zhuang Autonomous Region and Kunming, Yunnan Province and ends in Singapore. China has established an FTA with ASEAN and cooperated in developing the Greater Mekong Subregion, but there are also tensions in the South China Sea, and establishment of this economic corridor great difficulties.
5. China-Pakistan Economic Corridor
A 300 km route connecting Kashgar, Xinjiang Uyghur Autonomous Region with Gwadar Port in Pakistan. Has the role of connecting the “One Belt” with the “One Road”. An agreement between China and Pakistan to cooperate broadly in areas such as energy, infrastructure, and industry in addition to developing Gwadar Port.
6. BCIM Economic Corridor

To established together with Bangladesh, India, Myanmar. Through this economic corridor, China can promote ties with Bangladesh and India, with which it historically did not have close ties.

7. 21st Century Maritime Silk Road

Consist of routes from the South China Sea and the Indian Ocean to Europe and Africa, and routes from the South China Sea to the South Pacific. In order to establish the Maritime Silk Road, China would concentrate its investment in 15 harbor cities including Shanghai, Tianjin, Ningbo, and Zhoushan.

Source: Land and Sea Corridors Constituting Belt and Road Initiative (Aoyama, 2016)

Based on those corridors above Belt and Road Initiative policy isn't just the regional strategy for China but it's also a global strategy. China has only stated that Belt and Road Initiative provides a focus and direction for cooperation, a that any nation wishes to participate can do so without any limits on nation or region. In fact, similar strategies to the diplomatic initiatives in the Eurasian region can be seen in Africa and Latin America, which are not included in the scope of BRI.

C. Indonesia Involvement in Belt and Road Initiative

As the first proposed by China in 2013, the idea of 21st Century Maritime Silk Road Initiative Xi Jinping during his visitation to Indonesia to achieve national rejuvenation of China and Indonesia, President Xi Jinping and President Joko Widodo have reached the important consensus on promoting synergy between China's Belt and Road Initiative (BRI) and Indonesia's "Global Maritime Fulcrum" vision. Since then, China-Indonesia relations have entered the fast track of development for mutual benefit and win-win results (Cai, 2017).

During Premier Li Keqiang's visit to Indonesia last May, the two governments signed a memorandum of understanding

on regional comprehensive economic corridors, the signature project of the second phase of synergizing development strategies between China and Indonesia. A few days ago, the first meeting of the Corridors joint steering committee was held in Bali. This project will greatly stimulate growth in the outlying islands and reinvigorate alignment of development strategies. The positive trend of China-Indonesia cooperation is the epitome of China's BRI cooperation. More and more countries have aligned their respective strategies with the BRI which unleashed cooperation potentials and generated new drivers for the global economy. The BRI principle of joint consultation and collaboration for shared benefits has been incorporated into the outcome documents of major international mechanisms including the United Nations (Li, 2018).

Jokowi's vision of Indonesia as a maritime nation means first and foremost linking the islands in the huge archipelagic nation with regular shipping services using maritime highways. Better connectivity within Indonesia is essential to take advantage of greater connectivity with the rest of the world. This includes the building and development of seaports and shipbuilding industry on a massive scale throughout the chain of islands. As the rising power of China Joko Widodo seen it's an opportunity for him to make Indonesia as Global Maritime Fulcrum.

President Xi Jinping's new policy, harnessed by partnership with the New Development Bank and multilateral financial institutions have resulted in the new Asian Infrastructure Investment Bank (AIIB), launched in 2014. This infrastructure initiative is considered by many as a breakthrough, and even offering a "new hope" for half of the world's countries, including Indonesia. Indonesia's presence in the BRI meeting was crucial. Not least because it was attended by representatives of two thirds of the world's population more

than a third of them major global producers. One of them, China, is ready to roll out at least \$4 trillion in investments (Dollar, 2017).

Indonesia had a chance in the meeting to get involved in decision-making for the initiative, formulation rules and regulations and finding solutions for the differences and obstacles as well. This is the very manifestation of an economic-political approach to diplomacy. President Joko Widodo had the opportunity to fashion an effective Indonesia response to China's bold initiative. The first thing on his mind would have been finding ways to arrest the slackening of intraregional trade, which was a direct consequence of Trump pulling the US out of TPP and the gloomy prospect of the WTO. Belt and Road Initiative program and Global Maritime Fulcrum policy are synergy each other it could become the other opportunity for Joko Widodo to combine the Belt and Road Initiative with the Global Maritime Fulcrum (Dollar, 2017).