

## **CHAPTER IV**

### **GEOPOLITICAL OVERVIEW: INDONESIA-CHINA PROJECT AND POSSIBILITY IN MARITIME CONNECTIVITY**

This chapter the writer would explain the geopolitics overview on Indonesia Global Maritime Fulcrum and China's Silk Maritime Road made by Indonesia and China and how the further project made by those countries, the program and the possibility prospect on the maritime connectivity.

Boundaries have long been a subject of interest to geopolitics. A number of reasons explain this interest. to begin with, the border of any given state is an explicit instance of a phenomenon where the political and the geographical are synthesized: boundaries, according to Julian Minghi, "are the most palpable political-geographic phenomenon". A boundary is the manifestation of a state's territorial sovereignty, as it marks the territory within which the authority of the State is supreme. A boundary at one stroke designates "who has the authority, and "where" or "how far" such authority may be legitimately exercised.

Furthermore, some analysts believe that boundary provides a useful indicator in the relations between states. As Nicholas Spykman suggests:

"The boundary is not only a line of demarcation between legal systems but also a point of contact of territorial power structures. From the long-term point of view, the position of that line may become an index of view, the position of that line may become an index to the power relations of the contending forces" (Djalal, 1986).

Geopolitical analysts thus study territorial configurations in order to measure power interactions between states. when a territorial change occurs, this is seen as a sign that the power

equilibrium in question has been altered. The earliest attempt at a theory on why boundaries evolve is found in the organismic concept of the state, which was conceived at the end of the 19<sup>th</sup> century by Frederich Ratzel and developed further by Rudolph Kjellen. It is worthy of note that the very term “Geopolitics”, which Kjellen was the first to coin, was defined as “the science which conceives of the state as a geographical organism or as a phenomenon in space” (Mill, 2010).

Ratzel believed that the State is a “Geographical organism”. This meant that the State functions and behaves like any other form of organism. In that it: (1) experiences a process of birth, growth and decay, (2) has the biological need to feed itself, the nutrients being space and resources, (3) is subject to the Darwinian law of evolution, because its struggle for survival will ultimately determine its form (Mill, 2010). In this theory, the relation of boundary to the State is not different than that of skin to organism: it grows in accordance with what it consumes. The implication of this is that States expand simply because they “must” do so by nature of their *raison d’etre* and need for survival. Ratzel indeed goes on to develop what he termed the “Laws of the Spatial Growth of States”, which inter alia asserts that the nation’s boundary will inevitably grow in accordance with its population increase, cultural maturity, trade expansion and power build-up. Ratzel’s ideas made a strong imprint on the works of Rudolph Kjellen, who applied the organismic theory to a more “practical” theory of State power and expansion. He noted three preconditions which a vital State should have in order to be a great power: spaciousness, internal coherence, and freedom of movement. These three preconditions required territorial expansion in his view. This was, in effect, the core appeal of the theory to the Nazi geopoliticians when they adopted it as the intellectual basis for German expansionism (Djalal, 1986).

In any case, it is clear that this organismic theory suffers from an overdose of determinism. It also has the chilling effect or narrowly simplifying international politics to a mere form of territorial dispute and conquest, with the implication that expansion, as a state's *raison d'être*, becomes a "necessary" and perfectly "legitimate" conduct of behavior. There is more to the history of international politics than the mere quest for territory by States. Ratzel and Kjellen have created an overblown and finally unconvincing theory of the phenomenon of boundary evolution (Djalal, 1986).

The maritime boundary, therefore, has received growing attention from scholars in various disciplines, most notably geography, political geography, strategic studies and international law. But the writings on this studies and international law. But the writings on this topic are generally preclusive of theoretical and conceptual tools, and are chiefly geared towards empirical observations. As to the question of the causalities behind the maritime claims, answers have been varied and eclectic. Barry Buzan, for instance, points to the factor of natural resources, a common explanation in the literature on maritime boundary questions. He offers two reasons why the oceans have become an arena for dispute and conflict between states. first, a dramatic rise in the realizable economic value of the oceans and second, the rapid spread of sovereign states to cover virtually all the land areas of the planet. Increasing use of the oceans resulted from the general phenomenon of ever-increasing populations seeking ever higher standards of living, and commanding ever more sophisticated and powerful technology. Although Buzan's argument may well be valid, it is far from all encompassing. It may be pointed out that with respect to Indonesia the resource consideration in the decision to extend national jurisdiction, and it paled in comparison with other reasons (Djalal, 1986).

## A. Indonesia Geopolitics Overview

In the context of Jokowi's administration, to understand the global maritime fulcrum (GMF) policy, foreign policy background on today's challenges, could be tracked it in the Jokowi-Jusuf Kalla 2014's vision, mission and action program on the title "*Jalan perubahan untuk Indonesia yang berdaulat, mandiri dan berkepribadian*" as candidate of president and vice-president in the election time. According to Jokowi's vision on Indonesia as sovereign, independent and identity based on "*gotong royong*" (mutual cooperation), which for him could be achieved through his missions namely:

1. Achieving identity as an archipelagic country by securing maritime resources and maintaining territorial sovereignty for sustainable and independence economically.
2. Realizing advanced society, sustainable and democratic stated based on law.
3. Strengthening maritime nation identity as well as *bebas-aktif* as foundation of foreign policy.
4. Improving Indonesia human resource quality to achieve high development, progressive as well as prosperity.
5. Projecting Indonesia as maritime power, advanced and independent nation State based on national interests.
6. To create the society based on cultural personality.

From the aspects of geographic Indonesia consists of 17,499 islands, as many as 5698 islands have been named, while as many as 11,801 islands have not been named. Of that number, there are 92 outermost islands which are considered very strategic, because they are the forefront of the archipelago, also directly adjacent to neighboring countries or the international sea. The Indonesian state, which consists of

thousands of islands spread over 3, 5 million miles between the vast oceans, must have a geopolitical concept that emphasizes the existence of integrated maritime and continental defense (Laksmana, 2011).

The geopolitical concept is the Archipelago's Insight. It is different from the understanding of geopolitics from other countries which tend to lead to the goal of regional expansion, the concept of Indonesian geopolitics, or the Archipelago's Insight which aims to defend the region. As a vast archipelago, the Indonesian people assume that the sea they have is a means of "connecting" the island, not "separator". So, even though they are separated, the Indonesian people still consider their country as a whole unit consisting of "land" and "water", so it is commonly referred to as "homeland". As an archipelago with the nickname Nusantara.

Moreover, Laksmana stated that, Maritime Continent Indonesia has a border with ten neighboring countries; three of them in addition to having land borders also have sea area borders.

Positive influences consist of many islands:

- a. Making Indonesia rich in culture, because it consists of various ethnic groups and languages.
- b. Many natural attractions such as lakes, volcanoes and beaches. This can advance Indonesian tourism.

Negative influence of many islands:

- a. Central government control with regions is difficult to occur,
- b. There are still many remote areas that have not been touched by educational and health facilities. One of the factors that determine the quality of HR is the availability of basic

infrastructure such as education, health and housing. But because it is not available, the level of education is generally still low, as is the case with public health.

- c. As a result of the vast territory of Indonesia and consisting of many islands, crime in the region was not detected by the applicable laws in Indonesia.
- d. Customary law is still rampant in areas that are not civilized, such as the habit of inter-tribal warfare in Papua.
- e. At least there are still 12 islands that need attention and become the basis of the withdrawal of territorial borders and located in the border region which until now has not been resolved with neighboring countries. The twelve islands include, Pulau Rondo (NAD) bordering India, Berhala Island (North Sumatra) bordering Malaysia, Sebatik Island (East Kalimantan) bordering Malaysia, Nipa Island (Riau) bordering Singapore, Sekatung Island (Riau) bordering Vietnam. Miangas Island and Marore Island (Sulut) borders the Philippines, Fani Island, Fanildo Island, Bras Island (Papua) bordering Palau, Asutubun Island and Wetar Island (Southeast Maluku) bordering East Timor and Batek Island (NTT) bordering East Timor.
- f. The flow of information from neighboring countries is more dominant. Because of its isolated location, Outermost Small Island Islands are difficult to reach by communication and information technology so they tend to use information from neighboring countries. Most of them can only access TV from neighboring

countries and vice versa cannot catch national TV networks, even if they can, but the quality is not good (Laksmana, 2011).

Indonesia certainly deserves to be aware of developments occurring around it, especially in the Asia Pacific region. Because of the consequence of Indonesia's geographical location in crossing international traffic lanes, every upheaval of the intensity level must have an effect against Indonesia. Moreover, the supply lines for basic needs, especially oil from several countries, pass Indonesian waters. The path of oil supply from the Middle East and Persian Gulf to Japan and the United States, for example, about 70% of its shipping passes through Indonesian waters. Therefore, it is very natural that various countries have an interest in securing this oil supply line, including in the archipelago waters, such as the Malacca Strait, Sunda Strait, Lombok Strait, Makassar Strait, Ombai Wetar Strait, and others (Laksmana, 2011).

The existence of Indonesia is crossed by strategic shipping lanes, indeed besides bringing good luck it also contains threats. Because certainly ogled by many countries. Because it is very reasonable if some countries pay close attention to any developments that occur in Indonesia. Australia for example, is very worried if Indonesia develops naval power, which in turn can tighten effective control of all shipping lines in the waters of the archipelago.

Indonesian state-developed geostrategy 'ideas' or basic ideas is the beginning of one order of thought which at the end is in the form of real action. In a nation that is state based on the commitment of the founders of this Republic. The idea that was used as a common reference was the formation of a family based on kinship with the attributes of behavior as applied in general among eastern communities.

Indonesian geostrategy is formulated in the form of National Resilience whose main elements consist of quality and

strength / toughness quality. Tenacity is actually an integrative quality which shows the existence of togetherness among components that are inspired by the spirit of family. Keulean is needed in facing external challenges / pressures that must be dealt with elastically, consistently and continuously.

## B. China Geopolitics Overview

The Belt and Road Initiative (BRI) has two components: The Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road Initiative, which is intended to link China with other countries via land and sea routes. This initiative Beijing's most ambitious integration project to date lies at the heart of China's foreign policy. The MSRI is designed to build sea routes with faster connectivity to increase trade along the land and sea-based Silk Road, linking Asia with Europe and Africa. Under the strategic framework of the MSRO, China has been buying up the development and operational rights to a chain of ports stretching from the southern regions of Asia to the Middle East, Africa, Europe, and even South America. According to Financial Times, China has spent billions expanding its port network to secure sea lanes and establish itself as a maritime power.



Figure 1 China's Silk Maritime Road



Source: *One Belt One Road Roadmap* (Day, 2017)

The Mediterranean Sea is one of the most important maritime highways of all international trade around the globe. It is a focal point, as it represents the western end of the BRI. Given the Mediterranean's strategic position, China has stepped p its presence in the region by acquiring building, modernizing, expanding, and operating the most important Mediterranean ports and terminals in some European countries.

The maritime silk road has emerged as a signature foreign policy initiative and is the first global strategy for enhancing trade and fostering peace proposed by Chinese President Xi Jinping. This initiative has a clear strategic purpose and it is helpful channel for the Chinese grand strategy. The Maritime Silk Road initiative will be extremely consequential to regional stability and global peace. Today, China is in the process of remaking history at sea, and some scholars view it as "China's maritime renaissance". China's growing merchant marine, expansion of its global shipbuilding market, increasing reach in building and managing off-shore ports and port facilities, and

efforts to develop a modern blue-water navy organization all over the world.

The Chinese leadership has promised to transform China through a national rejuvenation in order to realize the “China Dream”. Beijing also responding to the region’s need for investment and development and aims to unlock a massive trade potential and bolster economic development through this initiative. It has become a defining strategy for economic outreach to China’s partners. The MSR initiative, in fact, is an attempt to create a favorable international environment conducive to China’s continuing development, and thus it has to be seen as an important element of Chinese grand strategy. This ambitious initiative will receive funding from seven capital pools, among which the Silk Road Fund, AIIB, the BRICS Bank, and the SCO Development Bank are likely to play major roles. With full political and financial support from the Chinese government, the MSR strategy has become one of the key tasks in China’s diplomacy (Yan, 2014).

Several Chinese scholars claim that the initiative is also part of the new round of China’s “opening up” strategy. China is facing challenges of overproduction and overcapacity, particularly in the steel and construction material sectors. This initiative aims to create more overseas demand, and thus could help in addressing China’s domestic economic problems. There is now a growing need for China to invest more in foreign countries. The labor market is becoming more competitive and costs are increasing. So, through this initiative China could aim for an economic restructuring. Moreover, the initiative is expected to drum up development initiatives in the less developed regions of China to narrow income gaps between regions. Also, the initiative could be an excellent overseas investment opportunity for the Chinese private sector (Yan, 2014).

More importantly, the MSR aspires to improve China's geo-strategic position in the world. The Chinese Navy (PLAN) is "at a critical stage of a thorough transformation, extending its operations from coastal defense to far-seas power projection" and the MSR has "set an enlarged scope for the PLAN's expansion into the Indo-Pacific region". You Ji, an expert on Chinese military transformation, writes that "the MSR expresses a Chinese Indo-Pacific strategy with clear military relevance" and this initiative has "renewed discussion among PLA about the necessity of erecting a 'chain of pearls' towards the Indian Ocean". The MSR initiative is an incremental strategy and "Xi's call is being structured into the navy's two-ocean strategy". While, Chinese government officials have denied a geostrategic notion of the MSR, a common view is affirmative about its strategic and geopolitical aspects. Indeed, China's Indo-Pacific ambition takes place in phases – economics complemented by strategic access (Zhao, 2015).

Therefore, the salient points of Chinese maritime silk diplomacy can be summarized as follows. First, this strategy reflects a shift from China's low-profile international strategy to a more pro-active international strategy to help shape a new international and regional order. Indeed, the control of the sea lanes and points of strategic egress has become increasingly indispensable to China's strategic designs in the Indo-Pacific region. Second, China seeks to reap the benefits of its growing economic power and expanding influence across the globe. The MSR aspires to secure global access to natural resources, raw materials and overseas markets for sustaining China's economic expansion. Third, the initiative reflects China's growing confidence and also a response to American 'pivot' strategy. Finally, the initiative is comprehensive, focused and President Xi Jinping's pet project. Through this grand vision, the ambition of China's new leader is to significantly upgrade China's status in the world (Zhao, 2015).

### C. Indonesia-China Project and Possibility in Maritime Connectivity

Indonesia and China in the early 21st century commenced warmer bilateral relations. President SBY has successfully contributed in building a solid foundation of the countries by signing a strategic partnership (April 2005) that in subsequent years elevated to a comprehensive strategic partnership (November 2013). President SBY signed two important agreements with two different China's leaders. In 2005, SBY's counterparts from China was President Hu Jintao, while in 2013, SBY shake a deal with President Xi Jinping. The two agreements were signed during two special occasions. The first one was held in Bandung after the commemoration of 50 years of Asia Africa Conference, which also celebrated as 50 years of bilateral relations between two countries (Damuri, 2014).

The second agreement was reached after the first official visit of President Xi Jinping after assuming the presidency in March the same year. During the visit, President Xi also made a public speech in front of Indonesia Parliament about 21st Maritime Silk Road and proposed to President SBY about his plan to establish later known Asia Infrastructure and Investment Bank (AIIB) (Indonesia, China forge comprehensive strategic partnership in various field, 2013). Under President Jokowi, Indonesia and China agreed to strengthen comprehensive strategic partnership in March 2015, in which maritime partnership gains special attention (MOFA Republic of Indonesia, 2015). The expansion of bilateral relations between Indonesia and China was preceded by the growing activity of both countries in various international forum. Under the President SBY, Indonesia activism in international forum became more prominent. Besides the strategic partnership with China, Indonesia made many strategic partnership agreements, like with India New Asia

Africa Strategic Partnership (NAASP) (MOFA Republic of Indonesia, 2011), Japan (2006) (MOFA of Japan, 2006), South Korea (2006) (MOFA Republic of Indonesia, 2007), Vietnam (2013) (Vietnam, RI to upgrade, 2013; Tuan, 2013). President Jokowi also extended the agreement of comprehensive partnership (2010) by signing a strategic partnership with the US during his state visit to Washington in 2015. Foreign policy approach that focuses on building special agreement with immediate neighbor countries is part of maintaining Indonesia's concentric foreign policy and securing its security and economic interest (Zulfikar & Nugroho, 2019).

Even though China launched its 21st Maritime Silk Road in late of SBY's presidency, it could not be neglected the role of MP3EI of SBY administration in reorienting Indonesia focus on infrastructure. It might be China's moves that firstly seen Indonesia strategic role in supporting the idea of the regional sea-route connectivity. Jokowi's administration in this context plays his role in accentuating the infrastructure program towards more maritime rather than just hub spoke between the islands in Indonesia, which eventually affects the awareness of responding the geo-economics and geopolitical change in the regions. The vision brought Indonesia more aware of its potential as a fulcrum of two oceans and continents.

Since the 21st Maritime Silk Road is basically about uniting and expanding the common interest between China and other countries located along the route. The policy will concern on activating potential growth and achieve mutual benefits in more extensive areas. Consequentially the 21st MSR will connect China's port with other countries through maritime connectivity, inter-city cooperation and economic cooperation. The proposed sea route spans from ports on the southern coast of China through the Red Sea then reach the Mediterranean Sea in which it will meet the land-based Silk Road in Venice. Thus, there will be two elements of Silk Road, land-based and

maritime based. In the Maritime Silk Road, Indonesia will become one important partner since the archipelagic state has strategic sea-route in the connectivity scheme. The decision of President Xi Jinping to give a speech in front of Indonesian Parliament about the 21st Maritime Silk Road symbolically shows the vital position of Indonesia under the China's plan (Zhao, 2015).

Given Indonesia's maritime interests and concerns and its vision of emerging as a maritime power, an all-encompassing maritime policy should be designed. The key areas that ought to be addressed are:

1. Port infrastructure

Indonesia's port infrastructure has been the subject of neglect and funding constraint over the years. The problem of connectivity of the islands is mostly faced by the outer islands of Eastern Indonesia, such as Maluku and North Maluku. According to the Indonesian Chamber of Commerce and Industry, transportation accounts for over 15% of the cost of doing business, whereas in other regional economies, it is just 7%. In Indonesia, insufficient port infrastructure has made the cost of shipping of goods across the archipelago extremely expensive; as a result, only 5% of the total freight is delivered via the sea (Saha, 2016).

Maritime connectivity was an important agenda raised by Indonesia at the Asia Pacific Economic Cooperation (APEC) Focus Group Discussion in April 2013. Jokowi plans to upgrade or construct 24 ports over the next 5 years to provide greater domestic connectivity, improve efficiency and increase access to Indonesian harbors by international shipping. The country has plans to invest \$6 billion dollars in the development of ports and it is estimated that it will take \$450 billion dollars to modernize the old infrastructure of Indonesia (Saha, 2016).

During his visit to Japan in August 2014, Jokowi was successful in securing commitments from the Japanese government to assist Indonesia in building its maritime infrastructure. Similar commitments from other major powers like the United States, China, South Korea and Russia are also expected. The Coordinating Maritime Affairs Minister Soesilo recently stated that “construction of four of the planned twenty-four deep seaports had already commenced; however, ensuring sufficient funds for new construction remains an issue”. In January 2016, the government started the construction of a new deep sea port in Medan in Sumatra. Jokowi also hopes to initiate the construction of four more ports by October 2016 and also looks forward to finishing an offshore project begun earlier at Kalibaru in Jakarta by then. Indonesia also seeks to cooperate with Beijing in its US \$40 billion “new silk road” plan for the building of two international seaports in Kuala Tanjung and Bitung (Saha, 2016).

Additionally, for encouraging businesses to use the seas, the government plans to offer incentives to ship operators in the form of fuel subsidies and also proposes to import 2500 boats, to connect the major islands, reduce transportation costs and increase the flow of goods.

## 2. Shipbuilding Industry

Given the national plans for improving maritime connectivity and logistics, it is only logical that Indonesia has turned to shipbuilding industry. Naval development and modernization are also one of the pillars of Jokowi’s GMF vision and hence the acquisition and production of naval armaments like warships, destroyers, frigates, etc. becomes an important requirement. The domestic ship builders have struggled to meet the increasing demands, and the government is looking into reducing or removing import duties and the value added tax on foreign ship

components. Such barriers increase the cost associated with domestic ship production by 25%. Indonesia's shipping company PT PAL has built a warship in the form of landing platform dock, the KRI Banda Aceh. Indonesia has also entered into an agreement with South Korea for the development of its shipbuilding industry to aid in its marine defense development program. Daewoo Shipbuilding and Marine Engineering (DSME), a shipbuilding company of South Korea, has built a submarine for the Indonesian Navy (Saha, 2016).

The state-owned PT PAL launched two warships in January 2016. Indonesia is set to export its first Strategic Sealift Vessel (SSV)-1, a Lloyd Register-class warship built entirely by PT PAL, to the Philippines Defense Ministry by May 2016. This is a part of a contract which the PT PAL had acquired from the Philippines government in 2014 for the construction of two SSVs. The other SSV is being targeted to be delivered by mid-2017 (Saha, 2016).

In regards to economic issues, the study also came up with additional recommendations related to five relevant areas. First, on the connectivity, the MSR should aim at complementing and enhancing ASEAN Connectivity to increase its reach far beyond the ASEAN border so as, whenever possible, also include other non-ASEAN participants of the MSR initiative. At the same time, Indonesia is also working towards improving its domestic connectivity. This will involve improving sea transportation by, among other things, sea toll as well as modernizing and expanding the capacity sea ports around the country. This will require huge investment funds to procure new ships of various size as well as for ports upgrading and for which Indonesia will certainly need investment from abroad. It is in this respect that, from an Indonesian perspective, the MSR initiative can play a pivotal



role. It may act as a conduit for Chinese investors to get involved in Indonesia's domestic connectivity development.

To make it successful, the Government of Indonesia might also consider some adjustments on the policy framework related to maritime services. The current policy regime limits the participation of foreign services providers, including, for example, on the implementation of cabotage principle. Offering greater participation for foreign providers in this sector would not only allow better access to investment and capacity and capability through joint operation and technology transfer. Without providing more flexible policy, it would be difficult to except foreign sources of investment and capital financing to develop Indonesian maritime services, including those come under the MSR, which may jeopardize the grand plan to improve connectivity in the archipelago (Saha, 2016).

Second, and as corollary of the above, Indonesia is aiming at expanding and modernizing its shipbuilding industry so as to enable it to meet the future domestic demand for ships. Incidentally, China is currently the world largest ship producer a position that until recently held by South Korea. China can help Indonesia to realize its goal by investing in Indonesia's shipbuilding and related industries. Again, this could be done in the context MSR initiative. However, Indonesia should also provide greater facilitation for such investments and joint projects to take place. For instance, by allowing grater flexibility and access for foreign investment in ship building sector, or to provide incentives and uncomplicated requirements to start the industry.

Third, as noted Indonesia will have to build electronic highways and electronic gates to guide and monitor the movement of ships along the sea lanes that run through the country's territorial water. This will require both investment and technology for which China is one of the potential contenders to participate in the project.

Fourth, regarding investment in Indonesia's infrastructure development, if and when the AIIB has been established, any loan for infrastructure development is preferably be channeled through the AIIB. On the one hand, this will help the bank to establish its reputation and credibility. On the other hand, it will also avoid problems that often arise in bilateral investment arrangements. Admittedly, the AIIB will not be able to meet all Indonesia's demand for infrastructure financing. Moreover, Indonesia is not the only country that has a pressing need for large amount of funds for infrastructure development; other prospective members of the AIIB such as India are also in the same situation. Indonesia, therefore, will have to secure funds from alternative sources. One such source is the MSR fund itself. It should be noted that the Chinese government has pledged USD40 billion MSR fund to finance MSR related activities. Another potential source is the private sector.

Related to that, the government of Indonesia should ensure that investors would consider investing in Indonesia, e.g., in the infrastructure development, in the manufacturing sector or in any other sector, is as profitable as investing in any other country. For this, the government should improve investment climate by, among other things, simplifying investment contractual agreements be respected by all the parties involved. In addition, the government should also strengthen policy framework related to Public Private Partnership (PPP) in infrastructure development. A better regulatory framework on PPP will facilitate implementation of future action plans under the MSR initiative.