The Belt and Road Initiative in Indonesia: 10 Years Later

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Introduction

2023 marks the 10-year anniversary of the Belt and Road Initiative of the Chinese government, the megaproject of funding roads, ports and other major development infrastructure around the world. The powerhouse that is China that we see today is completely different from the China that we saw ten years ago. In 2013, China's relations with the world were rocky: issues in the South and East China Sea remained large, environmental pollution was severe and the local economy was on the verge of collapse.[1] 2013 also marks the year Xi Jinping came into office. Therefore, he embarked China on what remains one of the largest, most ambitious infrastructure development plans in the world, as he sought to cement his legacy.

The Belt and Road Initiative was created with a broad emphasis on cooperation in five areas: (a) coordinating development policies; (b) forging infrastructure and facilities networks; (c) strengthening investment and trade relations; (d) enhancing financial cooperation; and (e) deepening social and cultural exchanges, all between China and developing countries.[2] As of 2021, China has signed Memorandums-of-Understanding with 140 countries and 32 international organizations, among which 46 are in Africa, 37 in Asia, 27 in Europe, 11 in North America, 11 in the Pacific and eight in Latin America.[3] Furthermore, China's outbound foreign direct investment grew from $82 billion to 154 billion in eight years, making China the world's largest foreign investor today.[4]

The global scale of the Belt & Road Initiative indicates a significant shift in the formation of the country's growth drivers and could induce a worldwide reallocation of economic activity.[5]

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[1] Ye, Min. "Ten Years of the Belt and Road: Reflections and Recent Trends." *Global Development Policy Center,* September 6, 2022.
[2] Laura A. Johnston. "The Belt and Road Initiative: What's in it for China?" *Asia and the Pacific Policy Studies* 6, no. 1. https://doi.org/10.1002/app5.265
[3] Ye "Ten Years."
[4] Ibid.
[5] Laura A. Johnston. "The Belt and Road Initiative: What's in it for China?" *Asia and the Pacific Policy Studies* 6, no. 1. https://doi.org/10.1002/app5.265

Further, the BRI demonstrates that China is playing a larger role than in previous years in global development, and thus is better able to evolve an array of global development finance tools and institutions, leading to greater internationalization of the country.[6] The BRI, if implemented successfully, could determine the future of globalization and truly cement Xi and China's place in the global economy.

Going forward, the BRI is focused on three missions,

(1) Growth-promoting: sharing China's development experience; linking up with other national economies; enhancing the long-term foundation for world development.

(2) Re-globalization: Rebalancing maritime and land globalization; rebuilding a more inclusive and equitable global economy; de-Westernization (decentralizing).

(3) New regionalism: Economic corridors and belts, in contrast to conventional economic unions and zones.[7]

Nevertheless, despite the BRI's continued projects and investments in various countries, criticisms against the project remain widespread. Criticisms of the BRI include increasing reports of flawed construction, corruption and rising debt. In particular, the Chinese government has been accused of engaging in debt-trap diplomacy, i.e. extending credit to a borrowing nation in order to increase political leverage. Further, environmental concerns such as increases in greenhouse gas emissions, habitat loss and increased wildlife mortality typically characterize large development projects, and are sure to come with the BRI.

Further, Chinese companies often approach local officials and bid for projects with a promise that they are able to easily arrange loans from Chinese banks and insurers.[8] Critics argue

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[6] Ibid.
[7] Ye "Ten Years."
[8] Dube, Ryan and Gabriele Steinhauser. "China's Global Mega-Projects Are Falling Apart." *The Wall Street Journal,* January 20, 2023.

that because Chinese loans are relatively easy to obtain, this can lead to inflated project costs because there is not much pressure on the governments to minimize expenses. Inflated project costs have led to the downfall of many Chinese projects in overseas countries. In Pakistan, the Neelum-Jhelum hydroelectric plant had to be shut down by officials after finding cracks in an essential transportation tunnel. In Uganda, a power generation company has found more than 500 construction defects on a Chinese hydropower plant.[9] Uganda and Pakistan are not isolated cases. Although the Chinese government has been more than willing to lend overseas, low-quality construction remains rampant and risks adding on to nations more costs for years to come.

Moreover, in recent years, pundits have called into question the sustainability of taking on Chinese loans. In 2022, Sri Lanka had to default on a mountain of growing debt of more than $50 billion dollars. Due to this, Sri Lanka signed over the rights to a strategic port in China. Pakistan owes nearly one-third of its foreign debt to China, leading to protests around a major project in the country. Zambia is still attempting to come up with a restructuring plan with China, its biggest bilateral creditor.[10] Lending for development infrastructure has also decreased in 2022: 60% of China's overseas lending went to borrowers in financial distress, compared to just 5% in 2010.[11]

The prevalence of issues surrounding the ambitious initiative leads to questions of whether the grand project has truly been effective in ensuring economic growth. To what extent has China's relentless pursuit for global expansion happened at the expense of developing countries, especially through an environmental lens? To examine these issues, this paper applies years of theories and past literature on economic development and foreign direct investment, examining the case study of China and Indonesia, and finds that the Belt and Road Initiative has

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[9] Ibid.
[10] Lu, Christina. "China's Belt and Road to Nowhere." *Foreign Policy,* February 13, 2023.
[11] Ibid.

not been effective in generating economic growth. Given that there is not much literature on Chinese FDI in Indonesia, this paper also aims to add to the growing body that is studying the sprawling initiative, especially in Indonesia and more generally Southeast Asia.

Literature Review

There is an abundance of theories that seek to predict and explain the costs and benefits of foreign direct investment. Bodies of literature exist that document the ways FDI is not beneficial for reasons including but not limited to creating dependency and failing to establish lasting, sustainable changes in the receiving country's economy. However, many other theorists support FDI as they believe it will contribute to the economic development of the host country. This paper will discuss various theories of economic growth and apply them to the case study of Chinese foreign direct investment in Indonesia.

The most prominent of them in support of FDI is the "Neoclassical Economic Theory." This thinking suggests that FDI should have a positive effect on economic growth in developing countries. One of the models under this broad theory is the Harrod-Domar Economic Growth Model, which suggests that economic growth is based on a country's level of savings to its capital-output ratio.[12]

$$Rate\ of\ economic\ growth\ (g)\ =\ \frac{Level\ of\ savings\ (s)}{Capital\ output\ ratio\ (k)}$$

Developing countries, however, may not have enough savings to reach their goals of economic growth. Therefore, the gap between the amount of savings a country possesses and its

[12] Steven A. Mejia, "The economic growth effects of foreign direct investment in developing countries, 1980–2019," *International Journal of Sociology.*

economic growth rate goal is called the “savings gap,” and FDI is considered a means to close this gap. Arguably, the neoclassical economic theory and the model above is most often cited as the explanation behind why FDI will have a positive effect on the economy of the recipient country.

Other arguments under this theory suggest that FDI generates an abundance of spillover effects that contribute to economic growth. For example, one way FDI can have a positive effect is that the productivity of transnational companies can spill out and benefit the domestic economy, especially through increased demand for domestically sourced inputs,[13] also known as *backward linkages.* Similarly, governments are in a position to further tax the profits of transnational corporations,[14] in which tax revenues can be used to develop infrastructure and capital in the country. Increasing the amount of government tax revenues which then finance projects that contribute to economic growth is the process of creating *fiscal linkages.*

In a similar vein, Perroux’s (1950) Growth Pole Theory posits that growth in a core area of an economy helps to drive growth in the peripheral areas of an economy. For example, if FDI is targeted toward specific, key industries, they will become drivers of economic development and the *growth poles* should subsequently help develop the national economy. Economists believe growth will happen in three stages: (1) concentration at the core, (2) diffused concentration at multiple centers, and finally, (3) diffusion to the periphery of the economy. Nevertheless, a research study from Beijing Normal University in 2019 found that growth in an economy depends on a region’s indigenous capabilities to innovate and compete.[15] FDI has been

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[13] Ibid.
[14] Ibid.
[15] Simon X. B. Zhao et al, “Ever-transient FDI and ever-polarizing regional development: Revisiting conventional theories of regional development in the context of China, Southeast and South Asia,” *Growth and Change* 51, no. 1: 338-361. https://doi.org/10.1111/grow.12358

able to develop host countries' economies to an extent, but is not able to generate a large spillover effect cascading to other regions.[16]

On the other hand, there are several theories that aim to evaluate how FDI negatively affects economic growth in developing countries, and one of these is the Foreign Investment Dependency Theory. This theory suggests that there is an inverse relationship between FDI and economic growth in developing countries. Though it is regarded that FDI is a way to stimulate economic development, host countries receiving FDI will aim to increase their comparative advantages in the economy by providing harmful incentives that make it easier for foreigners to invest.[17] These incentives come in the form of enabling "free trade, free enterprise, the free repatriation of profits, capital grants, 'promises' of cheap labor, the formation of special economic zones and export processing zones , exemptions from minimum wage laws, and the removal of joint ventures, local content, and reinvestment requirements."[18]

Although these changes in the dynamics of a country's economy may make it easier for foreign investors to enter, they may result in negative repercussions for the domestic economy, especially in its role of suppressing domestic investment. Further, elites in developing countries may band together with foreign investors to suppress demands for better working conditions, which will affect economic growth in the long run[19] and broaden the wealth gap in countries already plagued with copious wealth inequality. What often happens in developing countries is that the poor migrate to the city in hopes of better opportunities and gaining employment, but find that there are only jobs for them in the low-paying tertiary sector.[20] This results in a

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[16] Ibid.
[17] Mejia "The economic growth."
[18] Ibid.
[19] Ibid.
[20] Ibid.

"depressing effect on wages in the more productive sectors"[21] of the economy, and is often the case in developing countries, especially in Indonesia.

Similarly, other theorists also argue that because host countries aim to maintain the flow of investment into the country, an increase in global FDI has led to a degradation in labor standards. Critics of FDI argue that governments are more likely to protect labor rights that are not immediately costly to investors such as collective labor rights, as these are relatively cheaper ways to boost the reputation of leaders and investors alike.[22] Messerschmidt and Janz's study finds that although there is a positive relationship between FDI stock as percent of GDP and overall labor standards, the flow of FDI is connected to less protection of outcome standards such as working hours or fair contracts.[23] Thus, the theory holds that the notion of the race to the bottom only applies to some rights, instead of all labor rights that may be considered costly.

Kentor (2003) argues that although foreign investment has a short-term positive effect on economic growth, it has a negative effect in the long run, whereas Dixon and Boswell (1998) believe that findings that portray a significant inverse relationship rely on methods that are counterintuitive and therefore are inaccurate.[24] The body of literature on FDI has presented various findings with mixed conclusions about the true effectiveness of foreign investment; this paper will add to the previous research on the subject.

Empirical Analysis – *The Case Study of Indonesia, China and the BRI*

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[21] Ibid.
[22] Luca Messerschmidt and Nicole Janz, "Unraveling the 'race to the bottom' argument: Foreign direct investment and different types of labor rights," *World Development* 161. https://doi.org/10.1016/j.worlddev.2022.106097
[23] Ibid.
[24] Mejia "The economic growth."

Exactly a decade ago, Xi Jinping announced the inception of the BRI in Kazakhstan and Indonesia calling for a "Silk Road Economic Belt" and a "Maritime Silk Road." The next year at the Asia-Pacific Economic Cooperation (APEC) summit China committed $40 billion to the Silk Road Fund and $20 billion to the Maritime Silk Road Fund in Indonesia.[25] From the beginning of the BRI, Southeast Asia and its largest economy has served as China's centerpiece of the megaproject. Deepening China's footprint in the Southeast Asian region would open new doors and consolidate Chinese hegemony in the world.

Southeast Asia is expected to grow up to 526 million people by 2050.[26] In fact, more than two-thirds of all people of ethnic Chinese ancestry outside of China reside in Southeast Asia.[27] Further, the Southeast Asian region is home to four out of thirty-four of the earth's biodiversity hotspots and to the Coral Triangle, also called the Amazon of the ocean, which is the home of more than 600 coral reef species.[28] Currently, ten countries represent 60% of China's total development financing, and Asia as a continent is the biggest borrower.[29] The table below illustrates China's overseas investments to Southeast Asian countries between the years 2014-2017.

[25] Yee, William Yuen. "Ten Years On, How is the Belt and Road Initiative Faring in Indonesia?" *The Jamestown Foundation,* March 3, 2023.
[26] Lechner, Alex M., Tan, Tan, Tritto, Angela, Horstmann, Alexander, Teo, Hoong Chen, Owen, Owen and Campos-Arceiz, Ahimsa. *The Belt and Road Initiative: Environmental Impacts in Southeast Asia*. Singapore: ISEAS Publishing, 2019. https://doi.org/10.1355/9789814881432
[27] Yee "Ten Years On."
[28] Lechner. *The Belt and Road.*
[29] Ray, Rebecca and Blake Alexander Simmons. "Tracking China's Overseas Development Finance." *Global Development Policy Center* (Boston), December 7, 2020.

Table 2. Outgoing Chinese Overseas Investments to ASEAN Countries in 2014–17 (US$ million)

	2014	**2015**	**2016**	**2017**
Brunei	3	4	142	71
Cambodia	438	420	626	744
Indonesia	1,272	1,451	1,461	1,682
Lao PDR	1,027	517	328	1,220
Malaysia	521	489	1,830	1,722
Myanmar	343	332	288	428
Philippines	225	28	32	109
Singapore	2,814	10,452	3,172	6,320
Thailand	839	407	1,122	1,058
Total	7,816	14,659	10,279	14,119

Source: China MOFCOM (2019).

Source: The Belt and Road Initiative: Environmental Impacts in Southeast Asia[30]

ASEAN remains a focus of BRI investment and represents huge opportunities for China. Firstly, major investments in the Southeast Asian region have transformative potential in terms of connecting infrastructure and creating logistics corridors that form unprecedented linkages with China.[31] Further, since China is its immediate maritime and continental neighbor, China has the ability to integrate the BRI infrastructure into its own networks and leverage its proximity. In these ways, if the Belt and Road Initiative is successful China could reshape Southeast Asia's economic, geopolitical and physical landscapes while the host countries are benefiting from increased development and economic growth.[32]

In this regard, Indonesia is seen as one of the most crucial countries in the BRI. Given its strategic location, nestled between the Pacific and the Indian Ocean and along major sea lanes

[30] Lechner. *The Belt and Road.*
[31] Ibid.
[32] Ibid.

connecting East Asia, South Asia and Oceania, and growing in size, having major Chinese infrastructure and the ability to dictate the economic and geopolitical landscape in the country will be crucial for Xi's vision of a powerhouse that is not to be messed with.

In 2014, Jokowi presented the vision of the Global Maritime Fulcrum (GMF) where Indonesia will return to become a maritime powerhouse in the world. Under his vision, Indonesia would be the one to keep the Indo-Pacific region peaceful, safeguarding the region from territorial disputes and mere seizure of natural resources. Further, the GMF would consolidate maritime connections and lanes between various islands, maintain the flow of goods and lessen inequalities through the development of infrastructure. It was said that a total of 4,796 trillion IDR was required to meet the government's target: central and local government budgets could contribute 41% to the financing, state-owned up to 22%, and 37% needed to be sourced from other places.[33] In this respect, foreign investment, especially from China, was a favorable source of funding.

During Jokowi's first official visit to Beijing in March 2015 includes a phrase, both sides seemed to agree that "the initiative of the 21st‑Century Maritime Silk Road proposed by President Xi Jinping and the strategy of the Global Maritime Fulcrum initiated by President Joko Widodo are highly complementary to each other."[34] Both countries are engaged in a mutualistic relationship of growing their hegemony in the world, and see the other as crucial elements to the puzzle, as Jokowi described during the Inaugural Belt and Road Forum for International Cooperation (BRF) in 2017, the Indonesia-China cooperation is " exactly the sort of courage and real action the world needs right now."[35]

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[33] Hidetaka Yoshimatsu, "Indonesia's response to the Belt and Road Initiative and the Indo-Pacific: A pivotal state's hedging strategy," *Asian Politics & Policy* 14, no. 2 (April 2022): 159-174.
[34] Ibid.
[35] Yee "Ten Years On."

In 2021, the two countries reaffirmed their commitments to one of the flagship projects of the BRI: the Two Countries, Twin Parks project. The current project highlights both countries' commitment to GMF and BRI cooperation, and boasts around 36 investment projects with a value of "19.8 billion RMB ($2.8 billion USD), including ports, logistic systems, food inspection service centers, a joint China-Indonesia R&D center for seafood, and a joint Sino-Indonesian."[36] Further, In the first half of 2022, Chinese investment in Indonesia totaled $3.6 billion and Indonesia became the third-largest recipient country of Chinese investments, behind Saudi Arabia and the Democratic Republic of Congo.[37] Indonesia also has the title of the third-most BRI infrastructure projects, trailing Cambodia and Pakistan.[38]

Applying the Neoclassical Economic Theory, and the Harrod-Domar model of growth, China did fulfill the savings gap needed to meet the infrastructure goal set by the Jokowi administration. Especially in realizing its Global Maritime Fulcrum vision, Chinese investment was crucial in closing the funding gap that the Indonesian government was experiencing. Nevertheless, although Chinese overseas spending did close the gap, it is unclear whether or not Chinese investment has actually increased economic growth in Indonesia. In fact, Indonesia's debt to Chinese creditors continues to climb, reaching $22.01 billion in March 2022.[39] If Indonesia's debt continues to climb without any prospects of paying these back, in the midst of economic slowdown, Indonesia could grow to become debt-laden like those of Sri Lanka and Zambia.

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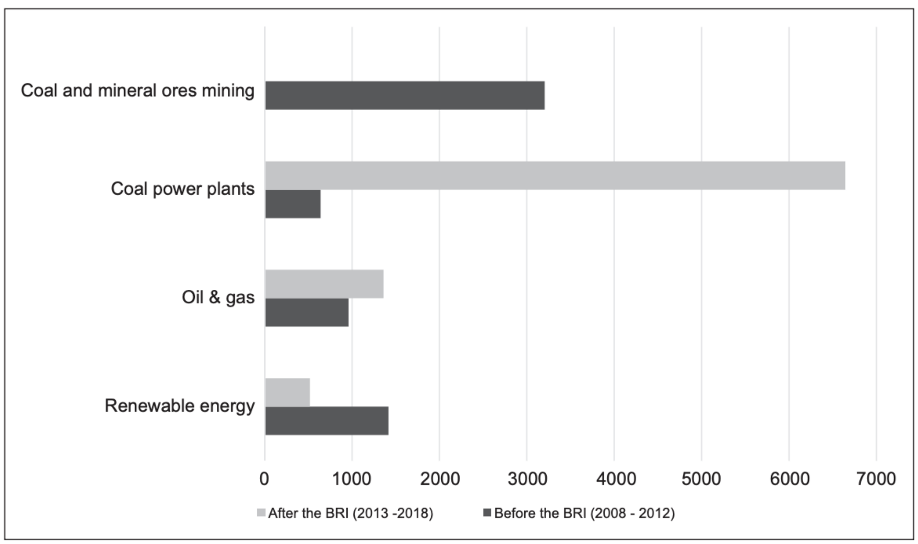
[36] Ibid.
[37] Ibid.
[38] Ibid.
[39] Ibid.

Currently, BRI projects in Indonesia are underway and will continue to be built in the years to come. However, with continued construction, many are worried about the potential environmental concerns that are to come with increased development. Indonesia has made the commitment to reach net zero emissions by 2060, but their actions prove otherwise. Between the years 2013 and 2015, fourteen new deals were struck to build new coal power plants.[40] After 2013, Chinese companies started investing more in coal power plants, in an effort to lessen the export of raw commodities while promoting a "developmental" economy in Indonesia.[41]

Figure 2. Chinese Investments in Indonesia's Energy Sector (US$ million)



Source: The Belt and Road Initiative: Environmental Impacts in Southeast Asia[42]

The graph above highlights the changes in Chinese investment in Indonesia. Before the BRI, Chinese financiers heavily invested in mining, as it was a booming industry and remains profitable for those that are involved. However, after the BRI, investments in coal power plants

[40] Lechner. *The Belt and Road.*
[41] Ibid.
[42] Ibid.

exponentially increased. Although it is profitable, getting energy from dirty sources such as coal can lead to significant environmental and health effects. Further, investments in power plants are not helping Indonesia in meeting its climate goals by 2060. Instead, it is slowing down Indonesia from meeting its climate commitments and making it even harder for Indonesia to untangle themselves from their dependency on natural resources like coal.

On top of environmental concerns, many are worried that developmental projects in Indonesia will lead to eviction of indigenous peoples' as well as the destruction of biodiversity. Boston University's China Overseas Development Finance (CODF) is the first to track and record Chinese overseas development finance and covers the years 2008-2021. According to the database, 14 FDI projects in Indonesia overlap with potential critical habitats, two within the 12 overlap with indigenous peoples' lands and another two overlap with nationally protected areas.[43] Of the projects in Indonesia, 16 of their effects on protected areas or indigenous lands remain unknown.

Further, from a dataset of more than 13,000 Chinese development projects, nine of Indonesia's BRI projects worth a total of 5.2bn involve scandals, controversies or alleged violations. Of the nine, one of them is the Morowali Industrial Park. The park helped Indonesia rise to become the world's second-largest stainless steel producer, creating 3 million tons of stainless steel each year.[44] Ironically enough, it is Indonesia's growth and success as a stainless steel producer, fueled by Chinese investment, that has made them a primary competitor for domestic stainless steel products in China.[45]

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[43] Boston University Global Development Policy Center. 2023. China's Overseas Development Finance Database. Retrieved from http://www.bu.edu/gdp/chinas-overseas-development-finance/.
[44] Yee "Ten Years On."
[45] Ibid.

However, the park has been home to violent tensions between local Indonesians and Chinese workers, as well as various strikes to protest the influx of Chinese people into the area. Racial tensions between employees were triggered by the spread of misinformation about mass influxes of Chinese workers and turned deadly when one Chinese and one Indonesian worker both died[46]. Moreover, hundreds of Indonesian staged protests and rallies to protest a rumored attack by a Chinese worker on a colleague.[47]

Outside of the industrial park, relations between native Indonesians and ethnic Chinese-Indonesians remain complicated and deep-rooted into the country's past. The 1998 riots in Indonesia were heavily targeted towards Indonesians of Chinese ancestry and were characterized by violent acts against those who looked like they were of Chinese descent. Further, due to the success of many Chinese entrepreneurs in Indonesia, many native Indonesians believed Chinese-Indonesians were stealing the jobs of locals and taking their money unfairly. Wounds from the '98 riots remain fresh, and tensions between ethnic and Chinese Indonesians prevail even today. Not only among the local population but among the political elites of Indonesia, many of which are retired generals who were in office during the riots.

Despite affirmations of commitments from Indonesia, their engagement in the BRI was half-hearted compared to other Southeast Asian countries that are part of the project, and this could be attributed to the diverse views towards China among the Indonesian political elites. Reformists in Indonesian politics saw China as a model of modernization to be followed as well as a source of funding for development, to fulfill Indonesia's vision of becoming a maritime powerhouse.[48] At the same time, former high-ranking officials, retired military generals and

[46] Ibid.
[47] Ibid.
[48] Hidetaka, "Indonesia's response."

leaders of conservative organizations had a critical view towards China.[49] The lack of elite cohesion contributed substantially towards Indonesia's hesitance in accepting Chinese money for infrastructure development.

Outside of racial tensions, Indonesia and China have complicated relations geopolitically. In 2016, various security tensions complicated Indonesia-China relations. Firstly, Chinese vessels violated Indonesia's territorial rights and entered Indonesia's Exclusive Economic Zone (EEZ) near the Natuna Islands to rescue a China-flagged fishing vessel that had been arrested for committing illegal fishing (hedging strategy). For the first time, China asserted that they were in Chinese "traditional fishing grounds" as part of China's nine-dash line.[50] In response, the Jokowi administration adopted various policies to assert its position as a maritime leader. The Indonesian army held its largest military exercise in the South China Sea waters, near the Natuna Islands, and in 2018, they opened a military base near the area. Jokowi went a step further to strengthen diplomatic and military connections to the US.[51]

Given the tense US-China relations, Indonesia has also been reluctant on completely taking sides and therefore is hesitant on completely committing themselves to the BRI projects in Indonesia. In the past, Indonesia has cemented its international presence as the only Southeast Asian member in the G20 and a historic leader of the non-aligned movement. Today, Indonesia still remains strategically non-aligned in the face of tense global relations against world leaders, especially the US and China. Thus, despite China's abundant investments into Indonesia, the country remains open and welcoming towards other investments from the US and Japan, to name a few. This is also known as the strategy of hedging, or a signaling of ambiguity, to avoid any clear-cut alignments.

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[49] Ibid.
[50] Ibid.
[51] Ibid.

Applying the Growth Pole Theory that was discussed above, although Chinese investment poured into the crucial sector of the country, as most Chinese investments were geared towards the power industry,[52] this still didn't matter given the state's indigenous capabilities and local and political contexts. In the case of Indonesia, matters of racial tensions, lack of elite cohesion, as well as a reluctance to maintain a clear-cut alignment towards one great power has contributed to the hindrance of the success of the Belt and Road Initiative. For example, because of ethnic tensions among the workers, the Morowali Park does not meet its full potential. Further, lack of cohesion of views among the elites led to the reservation to substantial commitments to the BRI. The initial investments were able to help Indonesia jumpstart its infrastructure development to an extent, but were not able to generate a large spillover effect that cascaded to other regions.

Finally, applying the Foreign Investment Dependency Theory, one is able to see how in an effort to increase foreign investment, Indonesia has adopted laws that lower their labor standards that although are good for the economy, harmful for the people and the environment. In November 2020, Jokowi formally enacted the Omnibus Law on job creation with the aim of increasing foreign investment, creating new jobs and stimulating the economy by simplifying the process of obtaining licenses and reducing bureaucracy in the government.[53] Various labor unions, academics, students and Islamic groups have protested in response to the creation of the bill.

Among other changes in regulations, many protections from the 2003 labor legislation have been deleted. For example, the new law will not consider inflation rates for the minimum wage, weakening already poor, rural areas and leaving them vulnerable from rising costs of

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[52] Yee "Ten Years On."

[53] Tani, Shotaro and Koya Jibiki. "Jokowi signs controversial omnibus bill into law." *Nikkei Asia,* November 3, 2020.

living.[54] Further, under the law, employees are not able to provide a permanent job contract. Instead, they can provide a temporary contract for an undefined period, which means that the worker can lose their job more easily. The new law also presents concerns for environmental issues: although it kept the environmental impact assessment requirements, the independent committee of NGOs and activists who are typically invited in the process of creating new projects have been removed.[55]

Thus, as infrastructure development is deemed as crucial for Indonesia to become a bigger player in global politics, the administration is willing to attract investment at the expense of vulnerable citizens and the environment, as larger projects and investments will lead to environmental degradation and the further loss of rainforests.

Discussion and Conclusion

Now, 10 years after the inception of the BRI, there is no more discussion of Indonesia becoming the Global Maritime Fulcrum. Beijing also appears to be softening its rhetoric around the capabilities of the BRI, focusing on smaller projects and helping debt-ridden countries. The initiative seems to be waning: after the economic slowdown and the COVID-19 pandemic, it was hard to regain its forward momentum that jump-started many of these projects. Xi also announced in 2021 the Global Development Initiative, focusing on education, clean energy and poverty together with the United Nations.[56] What does this mean for the future of the Belt and Road Initiative? For the future of China and Indonesia?

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[54] Aniello Iannone, "The Development of Jokowi's plan; why the Omnibus Law is good for the economy but a threat to civil rights in Indonesia," *Center for Southeast Asian Social Studies.*
[55] Ibid.
[56] Lu, Christina. "China's Belt and Road."

Although the US and its allies have much more developed economies, incomparable technological strength and more developed infrastructure, China has an extremely deep footprint in many parts of the world.[57] This raises concerns about the future of US-China relations, and concerns on how to deal with a bipolar world trying to check each other's balances. The US has increased efforts to have a larger stronghold in the Global South through their Indo-Pacific Strategy, and Indonesia remains at the crossroads between the two great powers, and remains a pivotal state that could determine the fate of the region, as well as international stability.

This paper demonstrated the various theories that can be applied to the case study of China and Indonesia. Firstly, after analyzing this case study, the Foreign Investment Dependency Theory rings true: in an effort to attract investment, the Jokowi administration has created the Omnibus Law. Although the laws increase Indonesia's comparative advantage, it does so at the expense of international labor standards, the vulnerable people and the environment. Secondly, this paper also highlights that theories of economic growth may apply to a certain extent. However, indigenous capabilities can become a severe hindrance. For example, the lack of elite cohesion among politicians, tense racial relations and an unwillingness to align to a global power led to reservations towards completely leaning into Chinese investments and making large commitments. Further, the extent of economic growth happened with its fair share of environmental concerns, such as an increase of dirty sources of energy through the coal power plants.

Although this paper adds to the literature and conversation of overall foreign direct investment, and more specifically the Belt and Road Initiative in Indonesia, there needs to be more transparent, cross-sectional data that is more recent and has a more expansive scope. Since Indonesia is moving its capital to Kalimantan, and there are various Chinese investments in the

[57] Ibid.

new capital, more transparency of data is necessary in order to inform the public of the projects and also to ensure that these investments are put to good use.

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