



Belt and Road Initiative: Advantages and Disadvantages for Indonesia

(BRI-China: Keuntungan dan Kerugian bagi Indonesia)

Saqib Athar Dil

Pakistan Air Force

International Student, Republic of Indonesia Defense University

saqibathardil@gmail.com

Abstract

The Belt and Road Initiative, formerly known as One Belt One Road (OBOR), is a crucial element of President Xi's "Major Country Diplomacy" policy. This policy aims to enable China to take on greater leadership in global affairs as a result of its growing power. The BRI's objective is to foster collaboration and joint development between China and countries in Asia, Africa, and Europe. The launch of the BRI coincided with ASEAN's vigorous promotion of its Masterplan for ASEAN Connectivity (MPAC), a strategy aimed at enhancing intra-ASEAN links. There is an opportunity to combine these efforts in a way that respects each other's borders and sensitivities. Indonesia and China are among the four most populated countries in the world, and the BRI will play a crucial role in their bilateral relations. The partnership between China and Indonesia holds great potential in areas such as trade, economy, technology, education, social services, and culture. This process has advantages and disadvantages for Indonesia, which will be discussed in this article, along with the way forward.

Keywords: *One Belt One Road, Belt and Road Initiative, China and Indonesia relationship.*

Abstrak

Inisiatif Sabuk dan Jalan, sebelumnya dikenal sebagai One Belt One Road (OBOR), adalah elemen penting dari kebijakan "Diplomasi Negara Utama" Presiden Xi. Kebijakan ini bertujuan untuk memungkinkan China mengambil kepemimpinan yang lebih besar dalam urusan global sebagai hasil dari kekuatannya yang semakin besar. Tujuan BRI adalah untuk mendorong kolaborasi dan pembangunan bersama antara China dan negara-negara di Asia, Afrika, dan Eropa. Peluncuran BRI bertepatan dengan promosi gencar ASEAN atas Masterplan untuk Konektivitas ASEAN (MPAC), sebuah strategi yang ditujukan untuk meningkatkan hubungan intra-ASEAN. Ada peluang untuk menggabungkan upaya-upaya ini dengan cara yang menghormati batasan dan kepekaan satu sama lain. Indonesia dan China termasuk di antara empat negara terpadat di dunia, dan BRI akan memainkan peran penting dalam hubungan bilateral mereka. Kemitraan antara China dan Indonesia memiliki potensi besar di berbagai bidang seperti perdagangan, ekonomi, teknologi, pendidikan, layanan sosial, dan budaya. Proses ini



memiliki keuntungan dan kerugian bagi Indonesia, yang akan dibahas dalam artikel ini, beserta langkah ke depannya.

Kata kunci: One Belt One Road, Belt and Road Initiative, hubungan China dan Indonesia.

1. Introduction

Trade is defined by Oxford Learner's Dictionary as, "the activity of buying and selling or of exchanging goods or services between people or countries." (*Trade_1 Noun - Definition, Pictures, Pronunciation and Usage Notes | Oxford Advanced Learner's Dictionary at OxfordLearnersDictionaries.Com, n.d.*). Trade between individuals or groups inside a country is very important for the society's uplift and advancement, similarly international trade is very important for the progress of a country. Especially in a country like Indonesia, with its geographical location at the center of the world's most important trade route, the Strait of Malacca, it becomes even more important to be involved in trade with multiple countries.

China has long recognized that trade is a crucial component of its economy and has become the largest trading nation globally, surpassing the US in 2013 (Monaghan, 2014). During his visit to Indonesia in October 2013, President Xi Jinping suggested the idea of promoting maritime cooperation and trade between China and ASEAN countries, particularly Indonesia. This initiative was later named the 21st Maritime Silk Road. A month earlier, while visiting Kazakhstan, he introduced a similar concept called the Silk Road Economic Belt, which involved the development of road and rail infrastructure. These two proposals are now collectively referred to as the **Belt and Road Initiative (BRI)**. This article intends to briefly explain what the BRI is and its advantages and disadvantages for Indonesia in terms of defense diplomacy.

2. Literature Review

BRI is a futuristic expansion of the old idea of China's Silk Route. Indo-Pacific in particular, is one of the world's most strategic regions not only because of the Strait of



Malacca, but also because it has a lot of potential. World powers have always shown their interest in this region. The rise of China and its expansion in this region has raised alarm for the US and the Western World. However, for the fourth most populous country in the world, Indonesia this is a challenge as well as a huge opportunity.

2.1. The Belt and Road Initiative (BRI): What Will it Look Like in the Future? : Vera Schulhof, Detlef van Vuuren, Julian Kirchherr

China's BRI, considered as the world's largest infrastructure program, has primarily invested in energy and transportation networks in Asia, the Middle East, and Africa. Over time, the BRI has expanded in its scope, participants, and areas of investment and is still evolving, particularly due to the impact of the COVID-19 pandemic. Despite the growing body of literature on the subject, it remains challenging to predict how the BRI will develop in the next decade and a half, up to 2035. (Schulhof et al., 2022).

2.2. Challenges in Institutionalizing Rules-based Order in the Indo-Pacific Defending or Reordering the Status Quo: Dr. Ngaibiakching

Looking at it from another viewpoint, China's objectives have ideological undertones and strive to reshape the current order. Notable examples include the establishment of the Asian Investment and Infrastructure Bank and the Belt and Road Initiative (BRI). When a country attains sufficient wealth and power, it typically seeks political influence commensurate with its economic impact. However, China's efforts to enhance its political and economic clout have sparked censure. For instance, the BRI has been criticized for "debt-trapping" less developed countries and resorting to exploitative practices. (The, 2022: 37-38)

3. Research Methodology

A quasi-qualitative research methodology was adopted for analysing the Belt and Road Initiative of China and the opportunities it brings forth for Indonesia, along with



the threats. A focused framework was adopted as per quasi-qualitative research requirement considering the issues at hand. Whereas many books, scholarly articles, media interviews, news, and internet sources were rereferred to gather data and draw inferences.

4. Belt and Road Initiative

In 2013, China's government adopted a global infrastructure investment strategy named the Belt and Road Initiative, previously referred to as One Belt One Road (OBOR). This initiative is deemed a centerpiece of the foreign policy of Chinese leader Xi Jinping. The BRI plays a crucial part in Xi's "Major Country Diplomacy" approach, which aims to have China play a more significant leadership role in the global arena by virtue of its rising power and influence (Smith, 2021). By August 2022, 149 countries had reportedly signed up for the BRI (*Countries of the Belt and Road Initiative (BRI) – Green Finance & Development Center, n.d.*). Its objectives are to promote cooperation, prosperity, and joint development between China and participating countries in Asia, Africa, and Europe. The plan is to enhance connectivity through infrastructure development among participating nations. Over the past eight years, China has invested in various projects as part of the initiative, such as constructing roads and railways, oil and gas pipelines, electricity networks, and other connectivity-related infrastructure projects in participating nations. The BRI emerged at a crucial moment in the globalization process, with China endorsing the international process by fostering connectivity via BRI. Furthermore, the BRI was launched at a time when ASEAN was actively promoting its Masterplan for ASEAN Connectivity (MPAC), a strategy aimed at enhancing intra-ASEAN connectivity (ASEAN Secretariat Jakarta, 2017). In theory, these two programs should complement each other. Therefore, ASEAN and China should discuss how they can work together to advance these efforts without running into any issues. China must also consider the sensitivities of ASEAN members towards the initiative.

There is ongoing debate regarding the exact reason behind China's initiation of the Belt and Road Initiative (BRI). The lack of clarity is due, in part, to the Chinese



government's failure to clearly express its objectives and methods for achieving them. Although the government has identified five areas for cooperation, it has not provided its perspective on how this cooperation should occur. The BRI has been implemented in a piecemeal fashion, with each segment consisting of a bilateral agreement between China and a participating country, without input from other participating countries, including neighbouring nations.

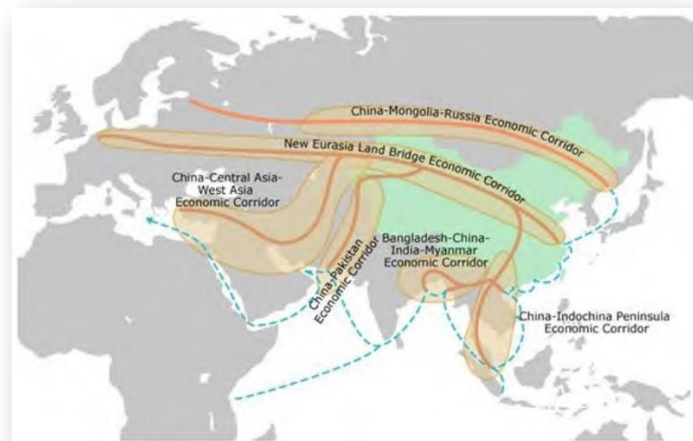
5. China and Indonesia

China and Indonesia are two of the most populous countries in the world, with China's population at 1.45 billion (*China Population (2022) - Worldometer, n.d.*) and Indonesia's at 280 million (*Indonesia Population (2022) - Worldometer, n.d.*), making up around 22% of the world's population. The Belt and Road Initiative (BRI) is set to have a significant impact on the bilateral relationship between the two nations, which holds vast potential not only in terms of trade and economy but also in technology, education, social sectors, and culture. Over the years, China and Indonesia have shown a consistent tendency of contributing more to the global gross domestic product (GDP), with their total GDP share climbing from 7% in 2005 to 13% in 2016, indicating their rising influence on the global economic stage. Both countries' active participation in regional and multilateral forums like the G20 summit, APEC summit, and East Asia Summit, further highlights their shared commitment to improving regional and global cooperation. Additionally, China has emerged as Indonesia's most significant bilateral trade partner.

Without a doubt, the BRI could enhance and supplement the existing strong bilateral relationship between the two nations. For instance, in late 2017, both countries made a decision to increase their collaboration in the field of research and technology. As one of the partnership's priorities is the establishment of a joint research center that primarily focuses on seaport construction and disaster mitigation management, this collaboration could potentially be integrated into the implementation of the BRI.

The BRI is also in line with Indonesia's present goal of promoting infrastructure development, accelerating industrial expansion, and especially enhancing both domestic and global interconnectivity. These priorities are included in the current Indonesian government's list of nine national priorities (Nawa Cita) (*"Nawa Cita", 9 Priority Agendas for Jokowi-JK, n.d.*). Indonesia would be open to any initiatives and projects that could help one or more Nawa Cita points. Additionally, Indonesia wants to expand its maritime activity. Since Indonesia is an archipelagic nation, maritime operations including resource extraction and sea transportation to link the many islands have become a vital component of many Indonesians' way of life.

Three land routes and two ocean routes make up the BRI's five integrative routes (Lee & Kim, 2017). Through Central Asia, the Middle East, and Russia, land routes link China to the region of Western Europe. The South China Sea and the Indian Ocean are connected by nautical routes. The six economic corridors connecting China to practically the entire rest of the globe are summarized by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in the Figure below:



- Bangladesh-China-India-Myanmar (BCIM)
- China-Indochina Peninsula (ICP)
- China-Central-West Asia (CAWA)
- New Eurasian Land Bridge (NELB)



- China-Mongolia-Russia (CMR)
- China-Pakistan Economic Corridor (CPEC)

6. BRI in Indonesia: Advantages and Disadvantages

Indonesia's role is critical in the Belt and Road Initiative (BRI), especially in the 21st Century Maritime Silk Road segment introduced by President Xi Jinping in Indonesia. The BRI is regarded as China's attempt to revive the ancient Silk Road as its primary trade route with its neighbours, and Indonesia's strategic location makes it an essential part of this maritime connectivity.

From Indonesia's perspective, the BRI presents a significant opportunity to enhance its infrastructure and connectivity, thereby strengthening its position in the global market. As the world's largest archipelago nation situated at the intersection of the Pacific and Indian Oceans, Indonesia must leverage its strategic location for its own benefit and that of the country.

6.1. Infrastructure Development

President Joko Widodo attended the inaugural BRI Summit in Beijing in May 2017. The fundamental objective of the BRI is to promote deeper sub-regional, regional, and inter-regional integration by enhancing the logistics and transport infrastructure of participating nations, like as ports, railroads, and highways, which are essential for facilitating commerce between them. Additionally, the effort is consistent with Indonesia's goal of becoming a more maritime nation, which is outlined in President Joko Widodo's Global Maritime Fulcrum (*ASEAN Maritime Security The Global Maritime Fulcrum in the Indo-Pacific - IPSH*, n.d.) policy. The Indo-Pacific region serves as the world's maritime fulcrum.

While the opportunities that BRI can bring to the Indonesian economy are numerous, some concerns are highlighted below.

6.2. Foreign Workers from China



Concerns about a probable influx of numerous Chinese workers due to the rise in Chinese investment in the nation are a significant problem. This is a valid worry since Indonesia seeks to restrict the entry of foreign employees as it struggles to add more than two million new jobs each year to accommodate new entrants into the labour market. In the meantime, China is presently experiencing overcapacity in several industries, including cement, steel, and others. China is also dealing with a surplus of unemployed employees. To reduce industrial overcapacity and pollution, China has reportedly been planning to lay off five to six million people (Kang Lim, Benjamin; Miller, Matthew; Stanway, 2016).

6.3. Transfer of Technology and Environment

The reliability of Chinese firms planning to invest in Indonesia is another area of concern. This unease is largely due to Indonesia's past experiences with Chinese investors, including the PLN fast-track program in energy cooperation with the Indonesian National Electricity Company. The initiative aimed to boost electricity capacity in Indonesia to meet growing demand and was implemented in two stages, each adding 10,000 MW to the existing capacity. The first stage commenced in 2006 and was initially intended to conclude in 2010, but due to various problems, it was extended until 2014.

It has been questioned whether China is willing to share its expertise and technology with its regional allies. The administration appears to want to make sure that foreign investment brings in knowledge and technology and not just dollars since they recognize that knowledge and technology are the keys to the nation's future. The government is hoping that Chinese businesses will be more eager to share their knowledge and innovations with domestic businesses as compared to businesses from foreign nations.

There have been successful Chinese infrastructure projects in Indonesia as well, for example, Suramadu Bridge connecting Java and Madura Island was completed close to its timeline.



Apart from infrastructure development, a significant portion of Chinese investment in Indonesia goes to the mining industry, which can result in environmental harm to the surrounding areas during both construction and operation. As such, it is crucial to carefully consider the long-term environmental impacts of all BRI projects in Indonesia. To ensure this, all BRI projects must abide by the country's environmental laws and regulations.

6.4. Trade Balance and Fiscal Burden

The trade balance between Indonesia and China poses a challenge, as Indonesia has been experiencing a sustained trade deficit with China in recent years. There is concern that infrastructure finance under the BRI will further increase imports from China, as Chinese investors are likely to use Chinese parts, components, and equipment. Although this concern is understandable, it is unavoidable for several reasons:

- Regardless of the source of infrastructure financing, imports of most of the necessary parts are likely to increase.
- The trade balance should not be viewed as a bilateral issue in isolation from the rest of the world's trade balance, but as an overall trade balance.
- As infrastructure development increases imports, Indonesia's total trade balance may worsen, but the government has no choice but to proceed with the development plan. Improvements in infrastructure are likely to enhance the country's competitiveness, leading to improved trade balance in the future. However, Indonesia should attempt to diversify its technology sources to avoid excessive reliance on technology from a single country.

7. Conclusion and Way Forward

China is a rapidly growing economy and is on track to become the world's largest economy soon. It is already Indonesia's most significant trading partner. Therefore, having a positive economic relationship with China is crucial for Indonesia. While



Indonesia is keen to speed up infrastructure development, it has been limited in its efforts by a shortage of financial resources. BRI offers a chance to tackle this issue to some extent.

In this scenario, defense diplomacy plays a very important role for Indonesia. Being the largest country in ASEAN and geographically located with the Strait of Malacca, Indonesia can utilize its maritime security forces to take the lead role in the security of this trade corridor and come to negotiate on equal terms with China. Where China provides the capital for development, Indonesia provides security, along with its allies like Singapore, Malaysia, and the Philippines. Already there is an opportunity in the shape of the G20 meeting in the current month of November 2022. Diplomats at all levels need to sit and work out a win-win situation. If the US is threatened by Chinese presence in the South China sea, then Indonesia can take over the role of security in the region and act as a neutral state. The free and active foreign policy of Indonesia is a plus point in this regard. The heads of Maritime security forces of all the countries involved close to this trade route have to sit together and find a diplomatic solution.

The concept of a free and open economy was once given great importance by the US government, as it believed that free trade could foster cooperation among other nations and result in mutual economic benefits, including those for the US. However, this stance has shifted under President Donald Trump, who adopted a protectionist approach towards Chinese trade from 2017 to 2021. This was a response to the negative impact of free trade, which ultimately led to China's economic expansion surpassing the US's trade supremacy.

Despite public demand for renegotiation, the protectionist policy implemented by President Donald Trump remained in place during the Joe Biden administration. The US's dissatisfaction with the free trade system and its failure to align with US interests led to the adoption of a protectionist stance, which has, ironically, negatively affected the US domestic economy. Free trade, after all, is intended to benefit all parties



involved. This has had implications for both the Chinese and Indonesian economies, particularly the latter as a developing country (Napang, 2022).

ASEAN already provides a solid platform to amicably resolve any potential friction among its members. This forum has to bring in China, US and Australia to discuss the BRI and carry out a SWOT analysis, and then with Indonesia as the mediator try and resolve the issue for the greater good of world trade.

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