

# China's Power Play in Indonesia: Infrastructure Investment and Territorial Incursions

*Jeux de pouvoir chinois en Indonésie : investissements infrastructurels et incursions territoriales*

Dr Daniel Peterson





# China's Power Play in Indonesia

## Infrastructure Investment and Territorial Incursions

Daniel Peterson\*

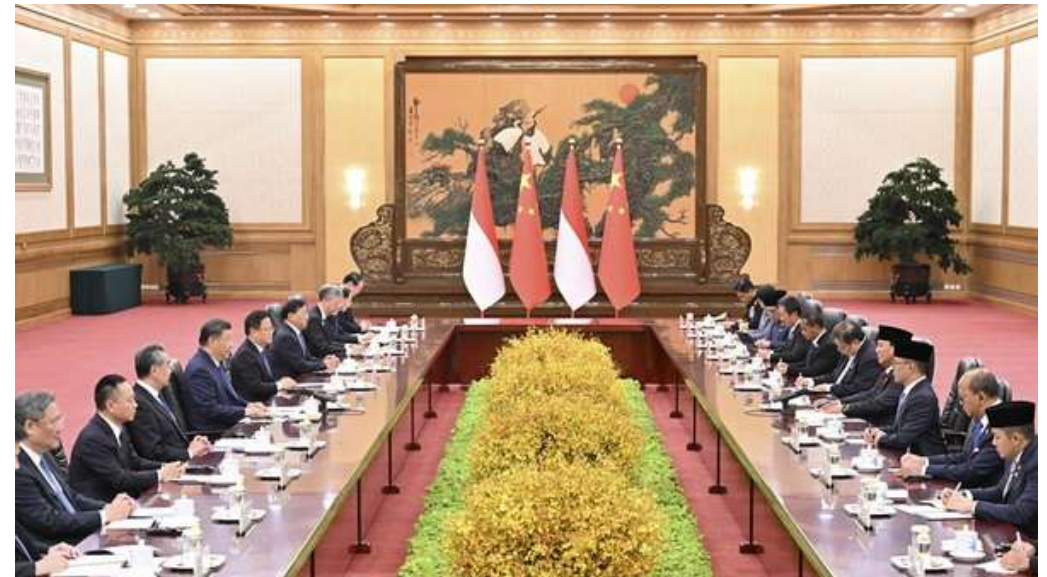
King's College London; Queen Mary University of London

### INTRODUCTION

Since the dawn of this century, Indonesia has become an increasingly consistent target of Chinese economic statecraft and elite capture. China's consistent focus on Indonesia is reflected in AidData statistics, which reveal that between 2000 and 2017, Indonesia was the number one recipient of Chinese development finance in Southeast Asia, both in terms of foreign aid and other official flows (OOF), the latter being loans and export credits priced at or near market rates.<sup>1</sup> Indonesia is indeed pivotal to China's geopolitical goals: its geographic location and proximity to the South China Sea, coupled with its vast array of natural resources, many of which China needs to compensate for its own energy deficit,<sup>2</sup> make Indonesia a



## Prabowo's state visit to Beijing (8-10 November 2024)



# Order of proceedings

1. Chinese economic statecraft vis-à-vis Indonesia
2. Fall-out of Prabowo's November visit to Beijing
3. North Natuna Sea as a bargaining chip
  - a. Then
  - b. Now?

# Chinese economic statecraft

‘**Economic statecraft** is when political leaders intentionally use economic resources to exert influence in pursuit of foreign policy objectives. It is distinguished from commercially motivated actions by its political objectives: *the pursuit of power rather than plenty*. Ultimately, economic statecraft is an influence attempt, an exercise of power.’ (p. 2)



## ORCHESTRATION

China's Economic  
Statecraft Across  
Asia and Europe

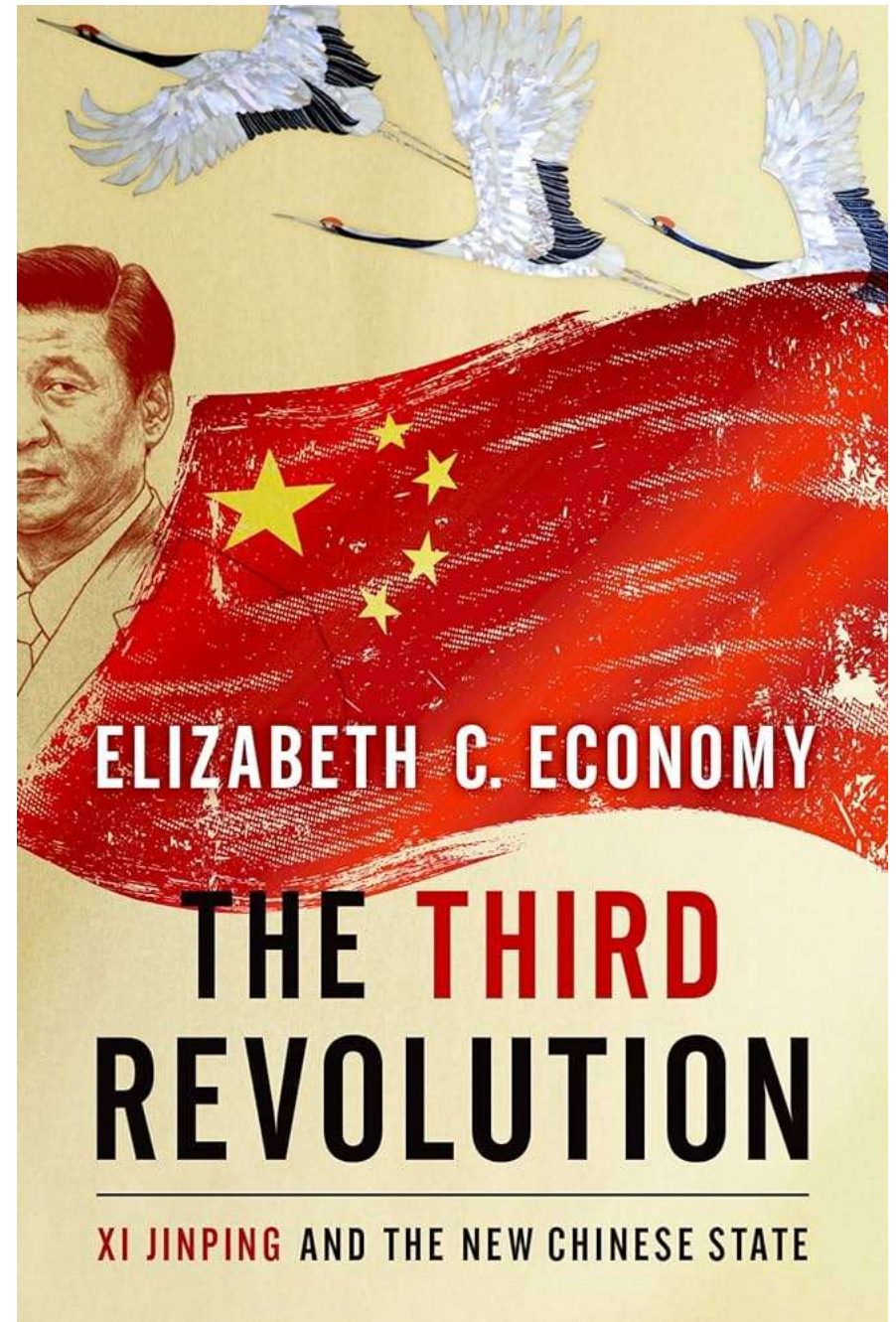


JAMES REILLY



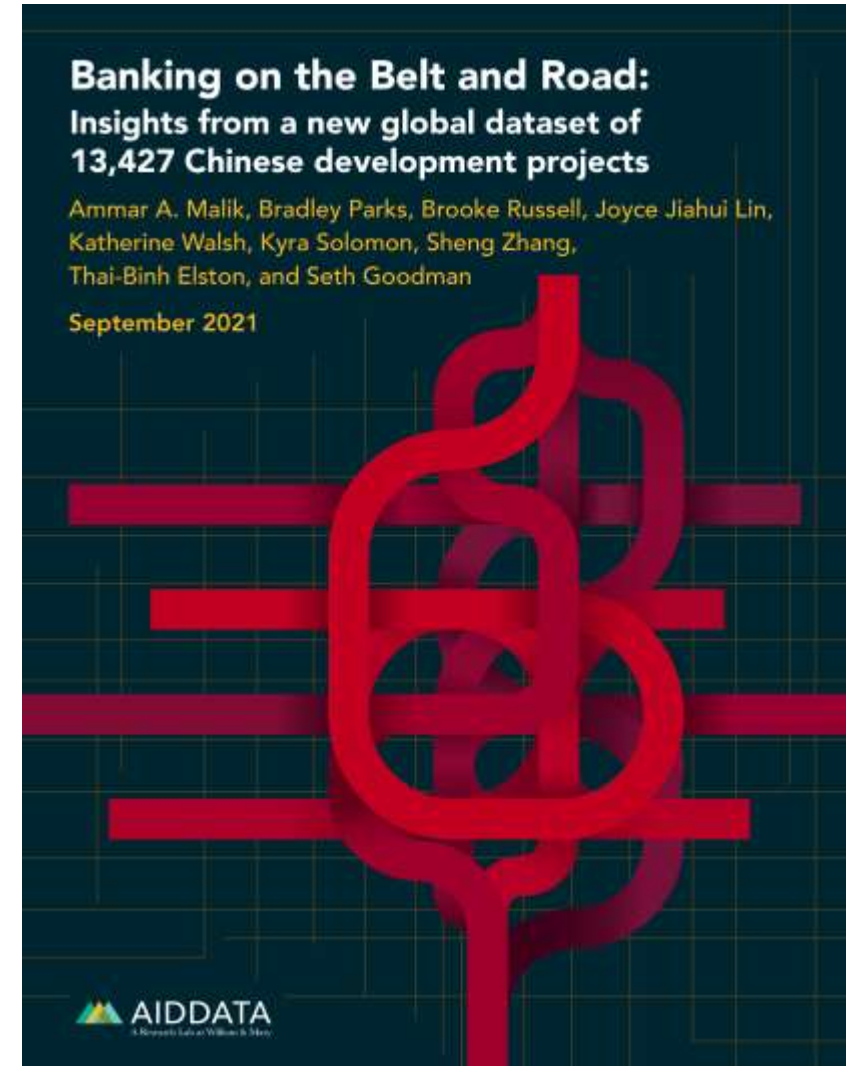
# Chinese economic statecraft

The Chinese Communist Party 'encourages SOEs to undertake investments in high-risk economies (that no other country or multinational would advance) in support of its BRI. Decisions that appear irrational in the context of liberal political systems and market-based economies in the near term thus often possess a longer-term strategic logic with China.' (pp. 15-16)



# Chinese economic statecraft

- The dataset tracks projects over 18 commitment years (2000-2017), with details on the timing of project implementation over a 22-year period (2000-2021)
- 10,849 of the 13,427 records in the dataset are formally approved, active, and completed projects. They are collectively worth **\$843.1 billion**.
- The remaining 2,577 projects in the 2.0 dataset are:
  - i. projects that secured official financial or in-kind commitments from China but were subsequently suspended or cancelled;
  - ii. projects that secured pledges of financial or in-kind support from official sector institutions in China but never reached the formal approval (official commitment) stage; and
  - iii. so-called “umbrella” projects that are designed to support multiple, subsidiary projects.



# Chinese economic statecraft (aid)

NB: Aid = grant element of more than 25% and with development intent

Top 25 recipients of Chinese ODA, 2000-2017

	Recipient	USD 2017 billions
1.	Iraq	8.15
2.	DPRK	7.17
3.	Ethiopia	6.57
4.	Indonesia	4.42
5.	Congo	4.24
6.	Pakistan	4.18
7.	Sri Lanka	4.17
8.	Cuba	3.35
9.	Bangladesh	2.95
10.	Myanmar	2.72

11.	Sudan	2.57
12.	Uzbekistan	2.24
13.	Ghana	2.22
14.	Cambodia	2.20
15.	Zambia	2.10
16.	Kenya	2.03
17.	North Korea	1.71
18.	Cameroon	1.46
19.	Mozambique	1.40
20.	Viet Nam	1.37
21.	Senegal	1.27



# Chinese economic statecraft (debt)

NB: Debt = grant element of less than 25% and/or no development intent

Top 25 recipients of Chinese OOF, 2000-2017

	Recipient	USD 2017 billions			
1.	Russia	125.38	14.	Ethiopia	8.90
2.	Venezuela	85.54	15.	Argentina	8.55
3.	Angola	40.65	16.	Turkmenistan	8.52
4.	Brazil	39.08	17.	Sudan	7.85
5.	Kazakhstan	39.01	18.	Cambodia	7.76
6.	Indonesia	29.96	19.	Sri Lanka	7.69
7.	Pakistan	27.84	20.	Kenya	7.02
8.	Viet Nam	16.35	21.	Bangladesh	6.88
9.	Ecuador	15.92	22.	Nigeria	6.82
10.	Laos	12.36	23.	Belarus	6.73
11.	Peru	10.51	24.	India	6.65
12.	Iran	10.42	25.	Myanmar	6.63
13.	Malaysia	9.67			

**Table 19: Top 10 countries with BRI infrastructure projects underway, by project value**

	Country	2017 USD billions
1.	Pakistan	27.3
2.	Indonesia	20.3
3.	Kazakhstan	12.1
4.	Malaysia	8.4
5.	Cambodia	6.8
6.	Kenya	6.3
7.	Belarus	6.1
8.	Sri Lanka	5.5
9.	Bangladesh	5.0
10.	Ethiopia	4.1

**Table 20: Top 10 countries with BRI infrastructure projects underway, by project count**

	Country	Project count
1.	Cambodia	82
2.	Pakistan	71
3.	Indonesia	71
4.	Mongolia	43
5.	Belarus	35
6.	Myanmar	33
7.	Cameroon	30
8.	Sri Lanka	25
9.	Angola	25
10.	Kazakhstan	21

## High-profile China-funded projects



Jakarta-Bandung HSR ('Whoosh' – inaugurated 2 October 2023)



Morowali Industrial Park, Central Sulawesi



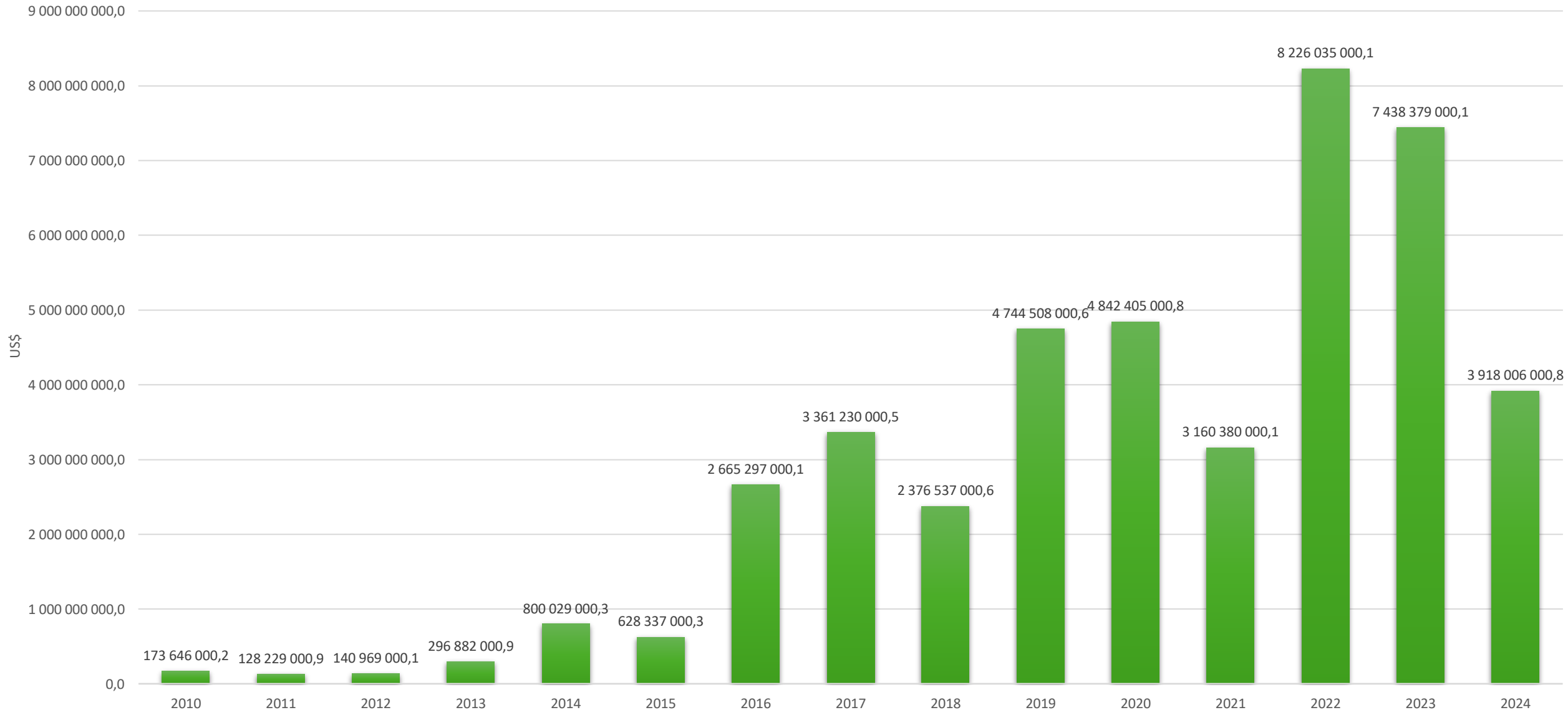
Kayan Cascade Hydropower Project, North Kalimantan



# CHINESE FOREIGN DIRECT INVESTMENT IN INDONESIA

## 2010 - June 2024

Source: Ministry of Investment and Downstream Industry/BKPM



# Foreign direct investment (2024)

Source: Ministry of Investment and Downstream Industry/BKPM

## Peringkat Realisasi Januari-Desember Tahun 2024: Berdasarkan Negara

No	Negara	Tambahan Investasi (US\$. Juta)	Proyek
1	Singapura	20.075,2	32.285
2	Hongkong, RRT	8.216,5	8.896
3	R.R. Tiongkok	8.106,9	21.464
4	Malaysia	4.244,0	6.554
5	Amerika Serikat	3.696,8	4.831
6	Jepang	3.463,9	12.823
7	Korea Selatan	2.987,7	11.210
8	Belanda	1.977,1	5.706
9	Kepulauan Virgin Inggris	772,9	1.596
10	Inggris	745,4	3.941
11	Australia	739,1	6.772
12	Kanada	492,7	1.103
13	Thailand	389,7	1.068
14	Taiwan	344,8	1.619
15	Jerman	343,3	3.235
16	Perancis	328,1	6.437
17	Bermuda	293,0	32
18	Rusia	262,8	9.671
19	Swiss	244,9	1.731
20	Samoa Barat	218,6	316
21	Kepulauan Cayman	216,8	651
22	Swedia	184,4	580
23	India	173,1	3.412
24	Seychelles	166,7	293
25	Belgia	166,5	1.241
26	Luxembourg	166,2	372
27	Mauritius	82,0	261
28	Norwegia	81,3	180
29	Italia	70,5	1.789
30	Vietnam	63,9	150
31	Austria	53,3	326
32	Spanyol	51,1	1.765
33	Denmark	43,6	528
34	Samoa Amerika	38,0	49

No	Negara	Tambahan Investasi (US\$. Juta)	Proyek
39	Kepulauan Marshall	27,4	99
40	Selandia Baru	26,0	696
41	Irlandia	26,0	248
42	Anguilla	23,2	42
43	Finlandia	22,2	119
44	Turki	19,4	755
45	Yaman	18,7	1.664
46	Lithuania	12,4	253
47	Eswatini	12,0	59
48	Slovakia	11,1	191
49	Siprus	10,4	134
50	Ceko	10,4	352
51	Brasil	9,6	359
52	Pakistan	9,5	541
53	Polandia	9,3	393
54	Qatar	8,4	31
55	Portugal	8,0	177
56	Rumania	7,7	258
57	Yordania	6,6	199
58	Belarusia	6,4	335
59	Afrika Selatan	6,1	342
60	Mesir	5,9	323
61	Estonia	5,8	114
62	Latvia	5,8	193
63	Moldova	4,7	50
64	Panama	4,6	21
65	Trinidad dan Tobago	3,2	7
66	Saudi Arabia	3,2	437
67	Kazakhstan	2,8	128
68	Belize	2,6	19
69	Argentina	2,6	140
70	Slovenia	2,3	59
71	Nepal	2,3	33
72	Bangladesh	2,1	84
73	Peru	2,1	53

No	Negara	Tambahan Investasi (US\$. Juta)	Proyek
78	Lebanon	1,6	121
79	Ghana	1,5	49
80	Grenada	1,4	20
81	Irak	1,4	149
82	Suriah	1,4	100
83	Maroko	1,4	83
84	Kepulauan Cook	1,3	10
85	Chili	1,3	94
86	Meksiko	1,2	44
87	Kuwait	1,0	17
88	Brunei Darussalam	0,9	37
89	Mauritania	0,9	3
90	Costa Rica	0,8	2
91	Monaco	0,8	9
92	Bulgaria	0,8	163
93	Malta	0,7	19
94	Kyrgistan	0,7	52
95	Dominika	0,6	24
96	Uzbekistan	0,6	57
97	Ethiopia	0,6	29
98	Libya	0,5	26
99	Aljazair	0,5	60
100	Guinea Bissau	0,4	3
101	Yunani	0,4	55
102	Guinea	0,4	37
103	Maladewa	0,3	32
104	Sri Lanka	0,3	40
105	Kolumbia	0,3	42
106	Islandia	0,2	18
107	Uruguay	0,2	14
108	Kepulauan Virgin	0,2	3
109	Andorra	0,2	6
110	Kamerun	0,2	72
111	Afghanistan	0,2	26
112	Senegal	0,1	5
113	Vatikan	0,1	2

No	Negara	Tambahan Investasi (US\$. Juta)	Proyek
119	Venezuela	0,1	11
120	Siera Leone	0,1	5
121	Nigeria	0,1	27
122	Gibraltar	0,1	15
123	Skotlandia	0,1	6
124	Tunisia	0,1	41
125	Suriname	0,0	151
126	Tanzania	0,0	5
127	Sudan	0,0	50
128	Myanmar	0,0	5
129	Somalia	0,0	3
130	Palestina	0,0	58
131	Zimbabwe	0,0	20
132	Papua Nugini	0,0	5
133	Barbados	0,0	4
134	Namibia	0,0	15
135	Uganda	0,0	5
136	Saint Kitts dan Nevis	0,0	28
137	Jamaica	0,0	4
138	Vanuatu	0,0	12
139	Israel	0,0	0
140	Pantai Gading	0,0	3
141	Equador	0,0	5
142	Mongolia	0,0	6
143	Turkmenistan	0,0	1
144	Madagascar	0,0	2
145	Kenya	0,0	2
146	Liberia	0,0	20
147	Bolivia	0,0	1
148	Bahrain	0,0	22
149	Tajikistan	0,0	2
150	Oman	0,0	4
151	Makao	0,0	36

# Chinese sectoral investment

In May 2024, Indonesia’s state investment board revealed China’s five preferred investment sectors in Indonesia between 2019 and the first quarter of 2024

Sector	Monetary value (US\$)	Percentage of overall sectoral investment
Basic metals	12.8 billion	41%
Transportation, warehousing, and telecommunications	7.9 billion	26%
Electricity, gas, and water	2.5 billion	8%
Chemicals and pharmacy	2.4 billion	8%
Industrial parks and office housing	2 billion	7%



# Indonesia-China two-way trade

## Chinese customs statistics:

2021: US\$124.34 billion

2022: US\$149.09 billion (up 19.8%)

- 25.24% of Indonesia's annual trade that year
- Imports from China = 28.52% of Indonesia's total imports
- China's exports to Indonesia = US\$71.32 billion (up 17.8%)
- Imports from Indonesia = US\$77.77 billion (up 21.7%)

2023: US\$139.4 billion (down 5% but attributed to adjustment to global commodity prices)

<https://www.china-briefing.com/news/china-indonesia-trade-and-investment-profile-opportunities/>

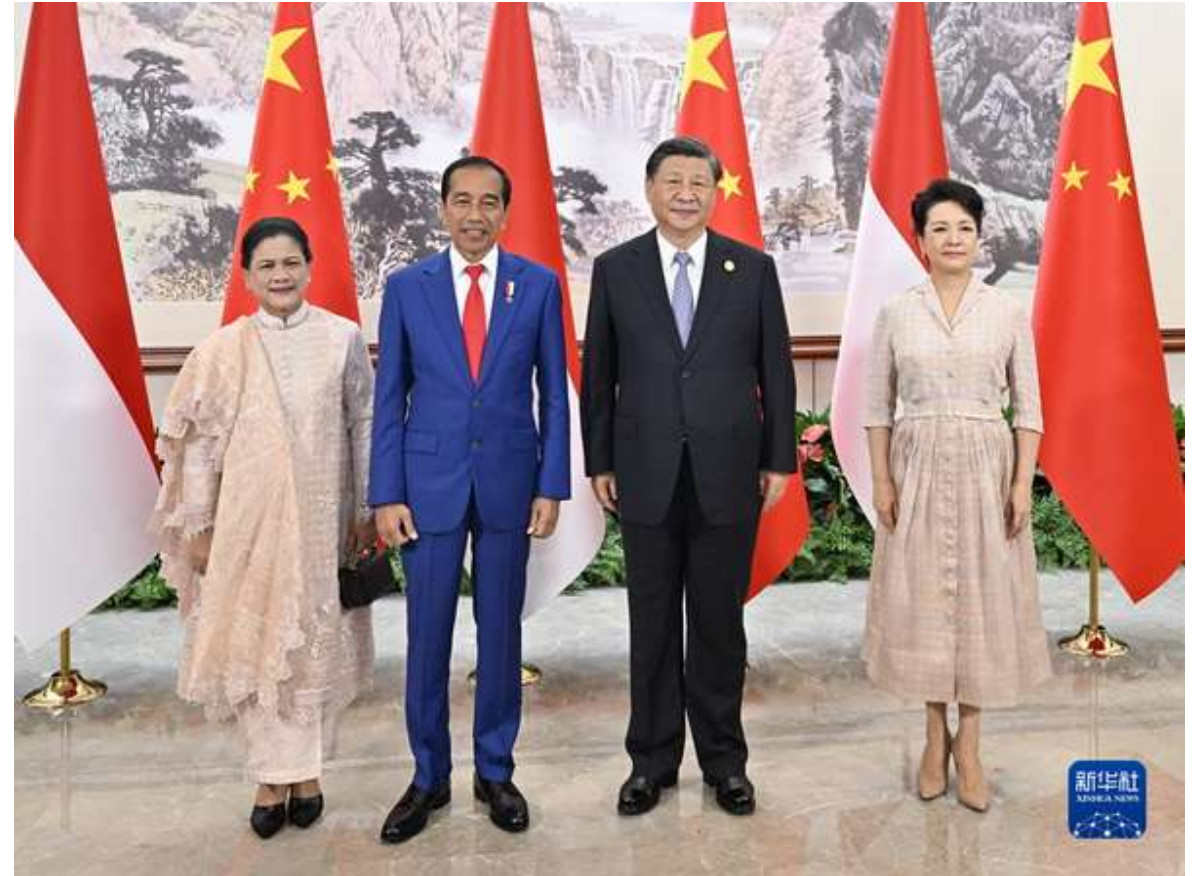
# Recent Chinese FDI

**27 July 2023**

- China committed US\$44.89 billion to investments in Indonesia

**8 September 2023**

- Chinese Premier Li Qiang confirmed a new investment pledge of US\$21.7 billion from China
- Covers sectors such as e-commerce, industry, agriculture, fisheries, science and technology, and innovation



L-R: First lady Iriana; President Widodo; President Xi; First lady Peng Liyuan  
Chengdu, China (27 July 2023)

# New ten-dash line

23 August 2023

Economy | International Trade

## 'Hegemonism not in China's DNA': Xi calls for BRICS expansion

*Xi says China seeks a more just and equitable international order and rejects 'bloc confrontation'.*



Chinese President Xi Jinping has called for an expansion of the BRICS grouping of emerging economies [Phil Magakoe/ AFP]

23 Aug 2023



Chinese President Xi Jinping has called for an expansion of the BRICS grouping of emerging economies to build a more just and equitable international order, insisting "hegemonism is not in China's DNA".

28 August 2023



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# Prabowo's recent China visit



Indonesian President Prabowo Subianto, center, applauds after presiding over a signing ceremony of cooperation documents between Indonesia and China during the Indonesia-China Business Forum in Beijing, on Nov. 10, 2024. (AP Photo)

- Indonesian and Chinese companies signed agreements worth more than US\$10 billion, following Prabowo's visit to Beijing in November 2024
- Prabowo and Xi also agreed to deepen ties and added security as an additional 'pillar' of collaboration
- Indonesia and China's defence and foreign ministers will conduct their first ever joint meeting next year

# ‘Overlapping claims’

- On 9 November 2024, China released a 16-page joint statement
- Page 10, para 1:

The two sides reached important common understanding on **joint development in areas of overlapping claims** and agreed to establish an Inter-Governmental Joint Steering Committee to explore and advance relevant cooperation based on the principles of "mutual respect, equality, mutual benefit, flexibility, pragmatism, and consensus-building," pursuant to their **respective prevailing laws and regulations**.

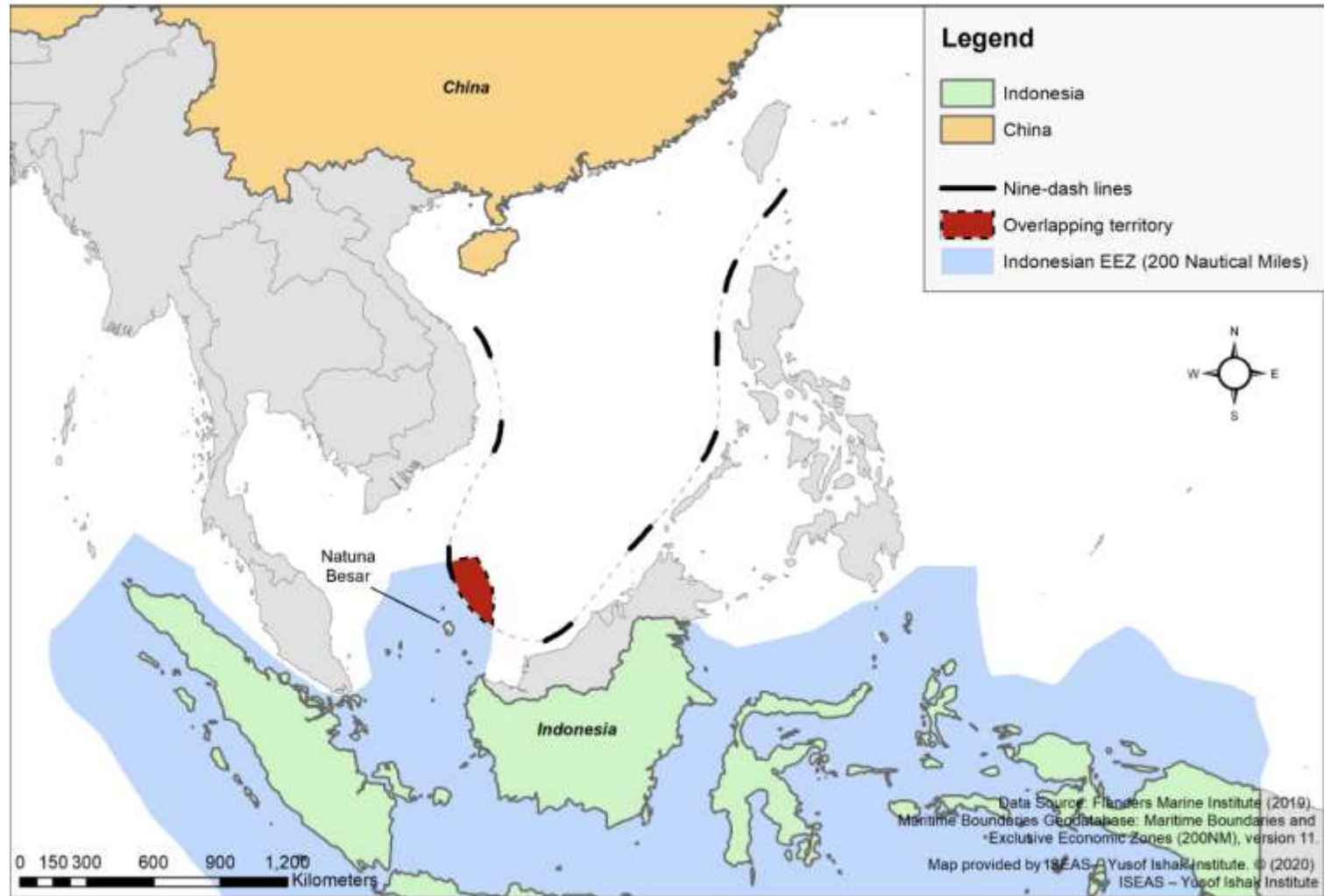
# ‘Overlapping claims’

- The joint statement makes no mention of UNCLOS

**NB: Indonesia did not release this document**

- Chinese language version of the statement:

*The two sides reached important consensus on carrying out joint development in the overlapping waters claimed by the two countries*





# North Natuna Sea as a bargaining chip

Susi Pudjiastuti – Minister of Maritime Affairs and Fisheries (2014-2019)



Luhut Pandjaitan and President Joko Widodo

## Indonesia has sunk 556 illegal boats: Pudjiastuti

October 7, 2019 14:11 GMT+700



Photo File: Minister of Maritime Affairs and Fishery Susi Pudjiastuti oversaw the sinking of illegal fishing boats in Pontianak, West Kalimantan Province, Sunday (Oct 6, 2019). ANTARA/HO/KKP/GTM

Minister Susi Pudjiastuti revealed in a statement that ANTARA received here on Monday that 26 of the 556 illegal boats were Indonesian-flagged ones, while 321 Vietnamese, 91 Filipino, 87 Malaysian, 24 from Thailand, two of Papua New Guinea, three from China, and one each from Nigeria and Belize.

The foreign ships were sunk in line with the Law of Fishery and the judge's verdict on the crime committed by the boat operators, Pudjiastuti, who chaired the task force, stated.



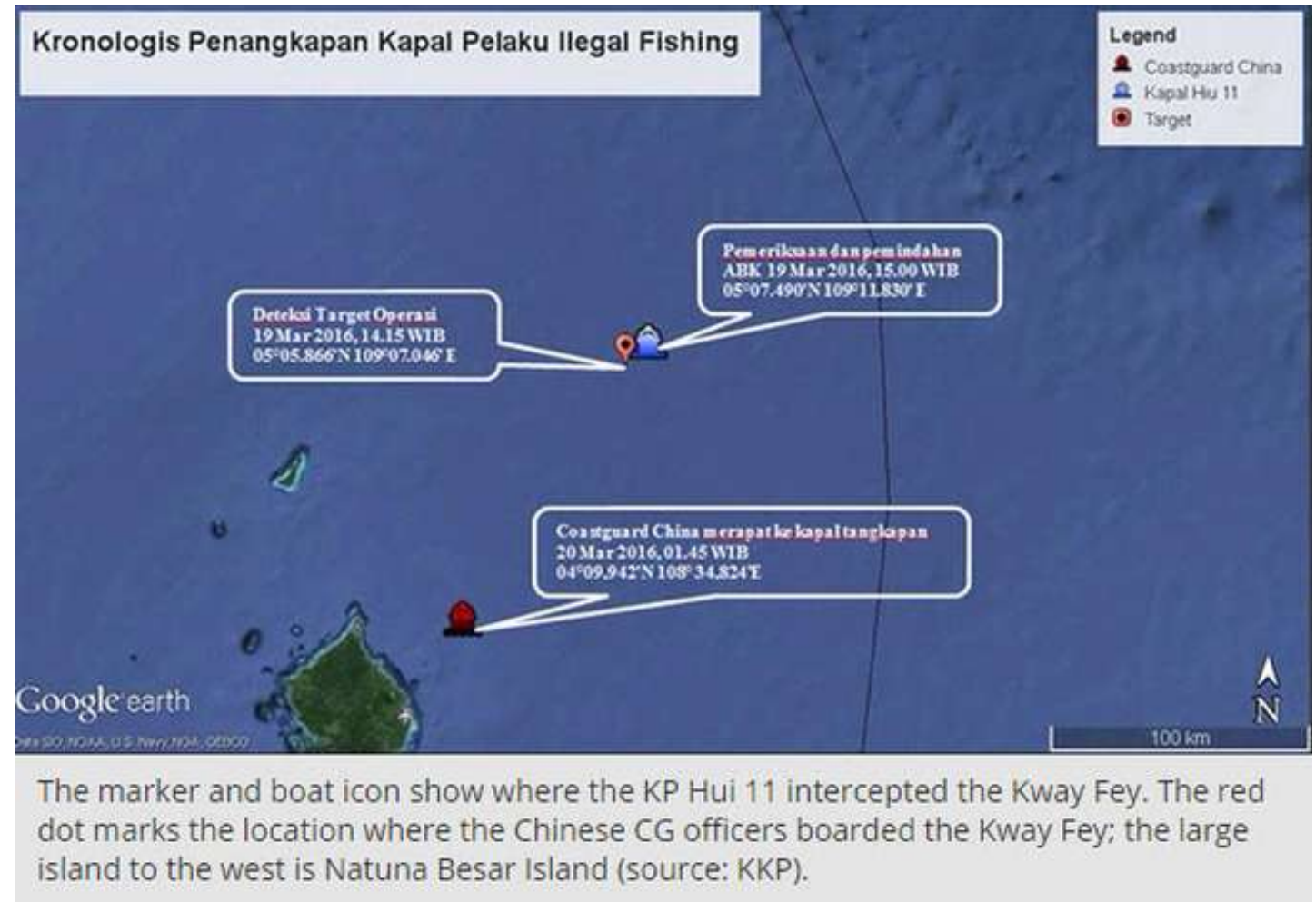
# North Natuna Sea as a bargaining chip

## 19 March 2016

- Indonesian naval authorities detained the Chinese trawler 'Kway Fey' and arrested eight Chinese fishermen on board for 'stealing fish' in Indonesia's EEZ
- The Chinese trawler was intercepted 68 nautical miles from northeast of North Natuna (Indonesia's northernmost island) and 420 nautical miles from China's Hainan island
- China said these were 'traditional Chinese fishing grounds'

## 20 March 2016

- Eleven hours after the arrest and seizure, on approach to Natuna Besar (inside Indonesia's 12-nm territorial waters), the China Coast Guard rammed the Chinese fishing boat under Indonesian detention
- Thirty minutes later, a larger, heavily-armed CCG craft arrived, giving Indonesia no other option but to release it







# North Natuna Sea as a bargaining chip

**Respondent:** *Because it's not a priority. ... So, Susi was seen as a block for getting any Chinese deals. Because China was always asking that a part of the deal was 'we want to fish in your seas', and Susi said, 'No, we don't want that.' ...*

*So, China lobbies everywhere, including Jusuf Kalla, Jusuf Wanandi – they're there too. OK – we had a lot of enemies because from the Vice President, from [Luhut Binsar Pandjaitan], from the Coordinating Minister of the Economy, from all of the Indonesian Chamber of Commerce or the National Committee of Economy and Industry ... they really hated Bu Susi's policy because we were a blocker to a lot of things.*

**Me:** *Chinese money. I can guess, I can guess. You don't have to say anything – I can guess.*

**Respondent:** *\*nods\* ...*

*The function of the Ministry of Maritime Affairs and Fisheries used to be paralysed by money. So, you don't need a high-performing minister – it's so that people don't know a lot; so that people can do business on the side. There's a lot of money in fish.*

# Interview with the late Faisal Basri (November 2021)

force. Two days after I finished my time there, Susi came into my office and asked me to join Task Force 115, which I did happily. So, I went from the Oil and Gas Mafia task force to the illegal fishing mafia [task force]. At that time, Susi was very tight on state sovereignty. She monitored—there was a special monitor in her office and in the workroom displaying the movement of all vessels in Indonesia in real time. It showed the Chinese vessels—and a lot were captured. You may have heard in the news that Chinese vessels were captured, but it never happened. Chinese fishing vessels were safeguarded by their coast-guard when they would enter the Natuna waters. This is my concern. This is our sovereignty. And there is a large oil and gas reserve there, and China is very aggressive in the South China Sea. I was worried we'd [be forced into a] compromise, because Susi and Luhut used to fight a lot—[they] would argue amongst themselves; cabinet meetings would become heated [with] the two ministers debating. Luhut wanted Chinese vessels to be permitted to enter.

'The Palgrave Handbook of Political Norms in Southeast Asia'

<https://link.springer.com/book/10.1007/978-981-99-9655-1>

# North Natuna Sea as a bargaining chip

*Daniel, go to the OJK website. ... between 2016 and 2017, China agreed to provide a \$3-billion loan distributed among three state banks: Mandiri, BRI, and BNI.*

*Then, there's another fee. From that figure, US\$500 million was credited to Bosowa, Jusuf Kalla's company.*

*Another US\$300 million was distributed as credit to Toba Sejahtra. Who owns Toba Sejahtra? Luhut Binsar Pandjaitan. This is actually all the background that explains why we are so close with China.*

**~ Sinologist/journalist respondent (16 November 2021)**

**NB: On 16 September 2015, China Development Bank made the deposit**



Rini Soemarno (Minister of State-owned Enterprises, 2014-2019) and Luhut Pandjaitan



# North Natuna Sea as a bargaining chip

**Tabel: Pinjaman yang Disalurkan kepada Grup Kalla & Grup Toba Sejahtera**

Kreditur	Perusahaan	Nilai Pagu Kredit		Jangka Waktu (Tahun)	Bunga
		USD	Rp		
BRI	PT Poso Energi Satu Pamona	143.110.000	-	10	7%
	PT Bosowa Energi	90.893.644	-	8	6%
	PT Semen Bosowa	55.697.870	-	8	6%
BNI	Misi Mulia Petronusa	-	680.000.000.000		
Total Grup Kalla		289.701.514	680.000.000.000		

Kreditur	Perusahaan	Nilai Pagu Kredit		Jangka Waktu (Tahun)	Bunga
		USD	Rp		
BRI	PT Kertanegara Energi Perkasa	85.929.760	-	8	7%
BNI	PT Kertanegara Energi Perkasa*	-	472.000.000.000	12	7,50%
Total Grup Toba Sejahtera		85.929.760	472.000.000.000		

*\*Fasilitas kredit belum diambil oleh perusahaan*

*Sumber: OJK*

**16 September 2015: US\$1 = IDR 14,420.30**

IDR 680 billion = US\$47,155,745.70

IDR 472 billion = US\$32,731,635.30

Grup Kalla (Jusuf Kalla): US\$336,857,260.00

Grup Toba Sejahtera (Luhut Pandjaitan): US\$118,661,395.00

# North Natuna Sea as a bargaining chip

*Yeah, it is public data, that deposit. And the deposit only 'made it through' after it was determined who [would] be on the receiving end from our part, and some of those receiving it from our part were companies affiliated with Jusuf Kalla and Luhut, for example.*

*And that was done not far along after we 'solved' the Natuna crisis in 2016. ...*

*But not many people actually want to dig deeper on that. That's like touching on the Lord's coffers and you don't really want to touch the Lord's coffers, right? It's sacrosanct.*

**~ Academic respondent (17 December 2021)**

# Marine sand exports

15 May 2023

- Regulation passed ending a 20-year-old ban on the export of marine sand
- Producers must ensure domestic supplies for reclamation work and other infrastructure development projects before exporting
- Dredging may only take place in open-water marine areas where 'natural' sedimentation has occurred (coastal areas and small islands are off-limits)





# Marine sand exports

[Features](#)[Videos](#)[Podcasts](#)[Specials](#)[Articles](#)[Shorts](#)[Donate](#)

## Illegal seabed dredging surges as Indonesia resumes sand exports



M AMBARI, YOGI EKA SAHPUTRA

20 FEB 2025 ASIA INDONESIA FISHERIES

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<https://news.mongabay.com/2025/02/sea-sand-dredging-indonesia-fisheries-export-marine-ecosystem-singapore/>

The fisheries minister, Sakti Wahyu Trenggono, said in October 2024 that there was a danger that “new islands will form” if dredging isn’t done. “When that happens, communities can no longer go out to sea, and eventually, they won’t be able to engage in aquaculture,” he said.

Sakti added the ministry would put a stop to the dredging if it’s shown to harm the environment and disadvantage fishers.

# Marine sand exports

In South Sulawesi province, for instance, dredging activity sparked fierce resistance from local fishers. The community blamed dredging operators for disrupting their traditional fishing grounds, leading to a decline in catches of up to two-thirds since the activity began in February 2021. The Center of Economic and Law Studies (CELIOS), a Jakarta-based think tank, estimated that while the state could potentially earn the equivalent of \$10.9 million in export revenue, and the dredging companies \$32.1 million in profits, the potential losses to fishing communities could amount to \$77.4 million.

Dredging would also threaten Indonesia's marine carbon storage, CELIOS said. The country has the capacity to sequester an estimated 3.4 billion metric tons of carbon dioxide equivalent in its various marine ecosystems, or 17% of the global total of so-called blue carbon. The government plans to include this vast store in its carbon trading policy, but this would be undermined by dredging activity, said Bhima Yudhistira, executive director of CELIOS.

# Before and after: China builds artificial islands in South China Sea

By [Matt Liddy](#) and [Ben Spraggon](#)

Posted Tue 22 Sep 2015 at 2:52am, updated Tue 22 Sep 2015 at 4:49am



# Interview with the late Faisal Basri (November 2021)

*So, China doesn't want to cooperate with the KPK? Of course. And if the KPK wanted to investigate a case connected to China they'd have to cooperate with China, without which it would be difficult, right?*

Yes, correct, and they've tried over and over and never been successful. But to return to your question, why is China so easy like that? Perhaps Chinese actors are also corrupt, because even though it's said that corrupt officials are hanged, the data show that those corruptors arrested by the Chinese government are those without close ties to Xi Jinping's government. So, if one of Xi Jinping's people is corrupt, they're afforded protection.

*OK—I get it because, as you said, if governance is lousy on both sides, both actors are a good fit, right?*

Water and oil don't mix, right? Only oil and oil, or water with water. Perhaps it's natural law, right?





# Fin

- Thank you
- Merci
- Terima kasih

[Google scholar](#)

[X \(fk. Twitter\)](#)