

Research Article

Indonesia's Infrastructure Gap: How Singapore and China Assisting Indonesia's Economic Development in the Joko Widodo Era

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Abstract

This paper aims to analyse the contribution of Singapore and China, the two most prominent investors, to Indonesia's economic development. Since the 1950s and 1960s, Indonesia has engaged with both nations and experienced dynamic relationships. Since President Jokowi was elected (2014-2024), the relations between Indonesia, Singapore, and China have increased, involving both countries in most projects in Indonesia. We use the qualitative method in this research, utilizing primary and secondary data to ensure our argument. In our findings, we have at least three key points. First, we underline that the historical relationship between Indonesia, Singapore, and China is the foundation of their ties in the modern era. Second, as a rising power, China has started and continued its engagement in Indonesia, together with their investment. At this point, the Belt and Road Initiative is pivotal. Lastly, we underscore that Singapore's contribution to Indonesia is gigantic, for example, how Singapore offered investment in Kendal. We conclude that Singapore and China played significant roles in improving Indonesia's economic development in every aspect.

Keywords: Indonesia; China; Singapore; Economy; Investment

Introduction

Although Indonesia is one of the most influential economies in Southeast Asia, it still faces a significant challenge in terms of infrastructure, which contributes to improving the competitiveness and welfare of the people. However, Indonesia needs more funding to cater to some infrastructure gaps. Ministry of Finance, quoting from the 2015-2019 National Medium Term Development Plan (RPJM), for example, showed that Indonesia required 26.558 trillion rupiah investment, and in the next ten years, Indonesia will need around \$600 billion (Ministry of Finance Indonesia). Therefore, it is necessary to attract more investors to finance strategic infrastructure projects for national development. The two biggest investors of Indonesia, Singapore

and China, have historical relations with Indonesia. When Singapore struggled with its 'fortune,' Indonesia and China already had diplomatic ties in the early 1950s. For instance, Indonesia assisted China in joining the Non-Alignment Movement (NAM) in 1955. On the other hand, diplomatic relations between Indonesia and Singapore occurred after the 1960s, followed by the visit of Singaporean Prime Minister Lee Kuan Yew in May 1973. Despite many domestic problems, both nations have outstanding economic growth and advancing technologies that could have contributed to Indonesia in many realms.

In the Joko Widodo era, Indonesia encouraged and facilitated more economic cooperation with China. It was buoyed by state visits, economic dialogue, and joint frameworks to strengthen economic relations between the two countries. The intensity of relations has increasingly strengthened, making China one of the largest investors in Indonesia. Both through Foreign Direct Investment (FDI) and partnerships with Indonesian companies, China has contributed to several key sectors, such as infrastructure, energy, manufacturing, and tourism. Some examples are the Jakarta-Bandung High-Speed Railway (KCJB), power plants, mining, pushing Indonesia to uphold Special Economic Zones (SEZ), and others (Rakhmat & Pashya, 2022). Jokowi has close relations with Singapore, a neighboring country and global financial centre. In that decade, Singapore has become a major partner in investment and trade in Indonesia, especially in Special Economic Zones (SEZ), such as the Batam, Bintan, and Karimun (BBK) Special Economic Zone, the Kendal Industrial Zone in Central Java, the Jakarta-Bogor-Depok-Bekasi (Jabodetabek) Light Rail Transit, and the Mandalika Special Economic Zone in Lombok, East Nusa Tenggara.

After mentioning those explanations, this research delves deeply into China and Singapore's roles in contributing to Indonesia's economic development in the Jokowi era. We differ our analysis in three parts. First, we elucidated the historical ties between Indonesia, Singapore, and China since the 1950s and 1960s. Second, the part of China's contribution will be explained in section two, followed by Singapore's contribution in the last part.

Literature Review

This section elaborates on references and studies from prestigious scholars about China and Singapore in Indonesia. Although Singapore and China have different ideologies to Indonesia, since President Jokowi was elected, replacing Susilo Bambang Yudhoyono (SBY), President Jokowi switched Indonesia's foreign policy posture, especially in the economic sector, to Singapore and China rather than depending on Japan and the United States — the West-centric.

Laksmana (2011) argues that since the 1990s, Indonesia had a close relationship with China, whereby Chinese companies such as Sinopec and the oil company operated in East Java in 2005 (Laksmana, 2011). Statistically, from 2004 to 2010, China was in the top five investors in Indonesia. It was a milestone for China to amplify its presence in Indonesia. Rakhmat (2022), in his research, carried out some facts underlining that China's presence could be prominent for Indonesia when President Xi introduced the Belt and Road Initiative (BRI) (Rakhmat, 2023). With enormous BRI projects, China engaged in considerable projects in Sumatra, Sulawesi, and Maluku. Since President Xi was pointed, China has committed to funding Indonesia's strategic projects, such as President Jokowi's hopes to build downstream. In another research, Wu Chongbo (2011) has a different argument. He argued that the driving factor of Indonesia-China ties is ethnic connectivity (Chongbo, 2011). Although he noted the same idea of both parties, he argued that history is also prominent. He breaks down his idea into specific aspects, including the history of Zheng He's arrival in Nusantara and some Chinese marriages to the locals.

On the other side, Low (2003) started her research by arguing that relations between Indonesia and Singapore have improved since the crisis (Low, 2003). From 1994 to 1997, Singapore was one of Indonesia's export destinations. Even though some conflicts happened, Low (2003) argued that both countries needed each other. It was strengthened by Abdurahman Wahid's visit to Singapore early in his presidency. Lindblad (2015) argued

that some Chinese businessmen could not run their companies during the crisis and riot in Indonesia (Lindblad, 2015). They pillaged from the locals because Indonesians tended to think that the Chinese ventures were the factors of Indonesia's economic drop. Hence, most Chinese went to Singapore to recreate their companies. Lindblad argued in this section that Indonesia and Singapore, despite the conflict, have strong ties. She also noted that both countries' ties could grow and expand more. In augmenting the argument, Smith (1997) also underlined and highlighted their idea about Indonesia-Singapore cooperation in the context of developing a Special Economic Zone (SEZ) in Bintan, Karimun, and Batam (Smith, 1997). In his previous statement, he spoke about the chance of the triangle trade between Indonesia, Singapore, and Malaysia called IMS-GT.

Some literature mentioned and argued about Indonesia, China, and Singapore. Yet none of them elucidates how Singapore and China contribute to Indonesia's economic development, which is very significant in the Jokowi era. Therefore, this study is a novelty that enriches discussions about Indonesia, China, and Singapore.

Methods

This paper uses the qualitative method. By its definition, a qualitative method is interpretation-based and describes a phenomenon in some ways, such as Focus Group Discussion (FGD), case studies, interviews, etc. Those modes direct the research to analyze his research and validate the argument. The method is appropriate and aligns with the query. In general, the researchers have various ways of conducting and gathering the data, ranging from reading some references to selecting specific references, such as from article journals, books, reports, and credible online media. The data collection mechanism through the use of qualitative methods plays a crucial role in this paper, as it facilitates the exploration of documents and materials, particularly in analyzing the role of Joko Widodo's administration in shaping the direction of economic relations with Singapore and China.

This research relies not only on bureaucratic actors in Jokowi's era and regulations related to economic policy but also on the work of scholars who write about Indonesia-Singapore-China relations. Therefore, information from prominent news media, such as CNN Indonesia and CNBC, which publish in-depth analyses by scholars, is considered one of the most reliable sources to provide information that may not be available in government documents. The collected data, which focuses on Indonesia's infrastructure gap and how Jokowi's vision influences Singapore and China in supporting Indonesia's economic development, will be refined to align with the requirements for addressing the research questions. Therefore, the interpretation or analysis phase will be conducted descriptively to enhance the overall comprehension of the research process.

Result and Analysis

A Brief Historical Exegesis: Indonesia, Singapore, and China Relations

Indonesia and China

After being taken by the China Communist Party (CCP) in 1949, China became an independent country. Mao Zedong led China's foreign policy by having relationships with other countries despite its communist doctrine. Indonesia, in August 1950, was the first Southeast Asia country to establish official ties with China. In the Soeharto era, relations with China were frozen due to Soeharto's allegation of China's engagement with *Partai Komunis Indonesia's* (PKI) coup attempt in 1965 (Liu, 2012). As a result, political and economic ties were limited.

Yet, Indonesia also reformed its policy to befriend ethnic and corporate Chinese. This reform was carried out by abolishing most discriminatory regulations issued during the Old and New Order periods. These regulations included prohibiting the use of Chinese names, languages, cultures, and religions, restricting

political and economic rights, and strictly supervising Chinese organizations and media. By abolishing these regulations, Indonesia gave the ethnic and corporate Chinese the same freedom and opportunity in national development (Supraptiningsih & Fatmawati, 2020).

Nevertheless, relations between Indonesia and China improved after a meeting between Soeharto and Chinese Foreign Minister Qian Qichen in 1989. Chinese Prime Minister Li Peng visited Indonesia in 1990, witnessing the signing of a Memorandum of Understanding (MoU) on restoring diplomatic relations. Since China reformed its economic policy under Deng, the economy has boomed — called “boom economy,” reaching more than 9 percent. China was a ‘giant’ compared to Asian tigers — Hong Kong, Korea, Singapore, and Taiwan — with an average growth rate of 7-8 percent (Whyte, 2009). The economic rate increase signals that Indonesia should cooperate with China. Yet the fact was not. In the early period of their normalization, China was still accounted as a domestic calculation. Indonesia was concerned about the term of “China” after an anti-Chinese riot in April 1994 in Medan; Indonesia warned China not to interfere in the domestic affairs (Sinaga, 2018) .

Furthermore, Indonesia did not directly ‘cooperate’ with China but used a wait-and-see policy. This means that despite being restored, Indonesia preferred to go along with China in a regional sphere, either in the ASEAN or ASEAN Regional Forum (ARF). The perception of China varies among local people, and this is concerned with the link between CCP and PKI. Although Indonesia and China had slow progress in their economic relations from 1991-1998, Indonesia’s non-oil and gas exports to China amplified from \$580 million to \$1.32 billion (Laksmana, 2011).

President Wahid considered fresh ideas of China and Chinese ethnic groups by enacting Presidential Instruction (Instruksi Presiden) Number 14 of 1967 and replacing it with the issuance of Presidential Regulation (Instruksi Presiden) Number 6 of 2000 concerning religion, beliefs, and customs of the Chinese ethnic group. Through the regulations, the government perhaps recognizes the Chinese as local people. President Wahid embarked on a trip to China, signalling an improvement in the bilateral relations. As a result, China was willing to distribute around \$5 billion in aid and provide credit facilities amounting to \$200 million to purchase foodstuffs (Sukma, 2009). Other cooperations agreed upon were finance, technology, fisheries, the promotion of tourist visits, and cooperation in the form of counter-trade in the energy sector through the exchange of Indonesian LNG (Liquified Natural Gas).

The relationship between Indonesia and China experienced significant progress during the presidency of Susilo Bambang Yudhoyono (SBY). One of the averments was upgrading their program to a “Strategic Partnership to a Comprehensive Strategic Partnership Framework” in 2013. This framework covered various fields of cooperation, such as politics, economy, socio-culture, defense-security, and regional and international cooperation, and the framework also emphasized the importance of mutual respect for the sovereignty, territorial integrity, and national interests of each country. The Indonesian Ministry of Trade reported that the trade volume between China and Indonesia (2004-2014) reached \$437.1 billion, with a surplus of \$27.8 billion for Indonesia (CNBC, 2023; BPS, 2024). China was becoming the largest trading partner in that period, replacing Japan. Indonesia depended on China’s market for coal, palm oil, rubber, nickel, and natural gas. China ranked fourth as an investor, along with Singapore, Japan, and the Netherlands. President Xi promoted BRI in 2013, strengthening both nations' relations; High Speed Railway Jakarta-Bandung was a megaproject funded by the Chinese bank. Jakarta and Beijing also signed 21 business-to-business agreements worth \$28.2 billion, including agreements for mineral resources, oil palm plantations, air and sea transportation, pulp, and transportation (Jakarta Post, 2013).

Indonesia and Singapore

Following the change from Soekarno to Soeharto, Indonesia and Singapore established their diplomatic relationship in 1965 (Liang, 2001). In this case, Singapore, forcibly separated from Malaysia in 1965 and became an independent nation, attempted to seek recognition and restore relations with neighboring

countries, including Indonesia. The Singaporean government understood that gaining recognition and repairing ties with other Southeast Asian countries, particularly Indonesia, could assist in lowering tensions from border conflicts and promote regional cooperation, security, and stability. Therefore, Indonesia's many Chinese sentiments created misunderstanding and mistrust between the two groups (Purdey, 2006). The crisis of trust between both countries led to uncertainty; questions arose about whether the diplomatic relationship could function effectively.

In 1966, Prime Minister Lee Kuan Yew visited Indonesia to address bilateral issues and reduce tensions (Liang, 2001). The same year, a rendezvous took place in Bangkok between Foreign Minister Adam Malik and Foreign Minister S. Rajaratnam, expressing their intention to establish a new regional organization, which eventually laid the groundwork for the founding of ASEAN a year later on 8 August 1967 (Keling et al., 2011). The formation of this regional cooperation later became the gateway to a more diverse range of collaboration between Indonesia and Singapore across various fields, such as to assist in lowering bilateral tensions and creating a broader framework for economic and political cooperation within the ASEAN region.

After ASEAN was established, the cooperative relationship between Indonesia and Singapore experienced a significant improvement. One piece of evidence illustrating this heightened cooperation can be observed in the security field. In 1989, Indonesia and Singapore initiated joint military exercises involving infantry units, known as "Exercise Safkar Indopura." The cooperation fostered a sense of security and gradually mitigated the trust crisis between the two nations, not just through the ASEAN Community (Parameswaran, 2019). Therefore, based on their shared interests in regional defense, Indonesia and Singapore recognized the importance of expanding their bilateral ties to address global geopolitical challenges, particularly in trade and investment.

As a step towards expanding economic cooperation, in December 1989, Goh Chok Tong, the Deputy Prime Minister of Singapore, stated that Singapore, together with Indonesia and Malaysia, could establish cross-border economic cooperation and create what is known as the IMS-GT or Indonesia-Malaysia-Singapore Growth Triangle (Peachey et al., 1998). Consequently, based on the assumptions, Singapore commenced investments in the industrial sector in Batam, Riau Islands, and established BatamIndo Industrial Parks (BIP), with a total investment of \$344 million. It became one of the reasons for the significant increase in Riau's population by 50 percent or over 4 million in 1995 (Peachey et al., 1998).

Table 1. Investment in Batam, Bintan, and Karimun From Singapore

	Batam	Bintan	Karimun
Distance from Singapore (km)	20	45	40
Travel time from Singapore (minutes)	45	45-60	60
Area (km²)	415	1,030	133
Timing of major new projects	1989-1995	1991-1996	1994-1998
Investment Priorities	Manufacturing electronic products	Textile industry, and tourism.	Petrochemical, petroleum, ship

	from a Singapore company.		repair, and heavy engineering.
Key Projects	1. Batam Indo Industrial Park (500ha) 2. Southlinks Country Club (Golf Course and executive housing)	1. Bintan Beach International Resort (23,000ha, divided into 20-30 projects; development of 3,000 hotel rooms and sports facilities by 2000). 2. Bintan Industrial Area (4,000ha)	1. Karimun Industrial Complex (3,600ha)

Source: Peachey, Perry, Wart (1998)

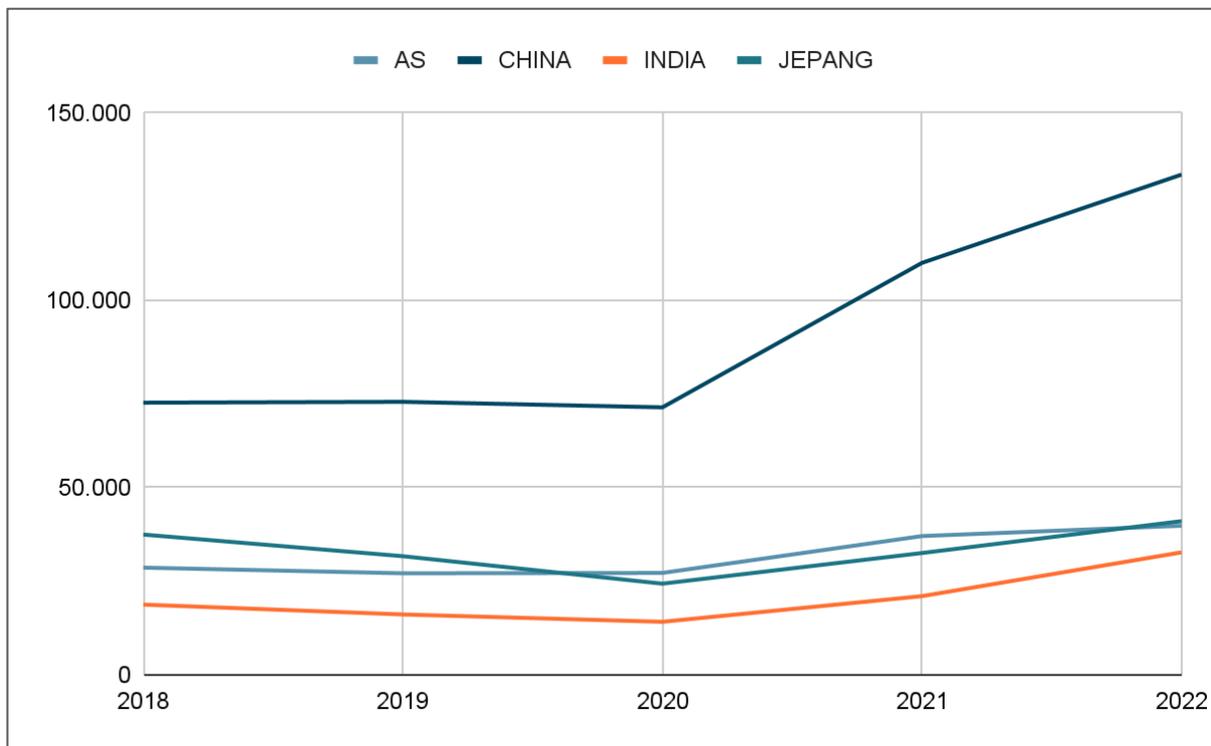
On 28 August 1990, both countries decided to widen their economic cooperation by reducing logistical and administrative barriers related to investment in some areas, such as infrastructure, development, tourism, and marketing. Furthermore, the agreement includes Bintan Beach International Resort, Bintan Island Water Project, Karimun Industrial Estate, Karimun Marine Complex, and Sumatra Water Project (Smith, 1997). With this massive investment in developing Riau, Singapore's total investment increased significantly within five years (1990-1995), up from \$684 million to \$1916 million (Smith, 1997).

After the reformation era in Indonesia, which began in the late 1990s, trade relations between Singapore and Indonesia continued to strengthen, and trade value between the two countries increased significantly. In the 1990s, Indonesia exported to Singapore worth \$1,902 million, with a partner share of 7.41 percent (World Bank). Some of the products that serve as Indonesia's export commodities to Singapore include processed petroleum and natural gas products, wood materials/processed wood products, rubber, and seafood products. The significant value of these exports has made Singapore the third-largest destination for Indonesian exports. The substantial export of commodities to Singapore has aided Indonesia in boosting its economic value; the trade balance accounted for \$1,825.00 million, contributing 52.89 percent to Indonesia's GDP, and the total trade in services reached 8.05 percent in 1990 (World Bank).

China in Indonesia: Growing Gradually?

China has been a "seraph" for Indonesia's economic development. Its contribution, as an essential partner, impacts many aspects (OECD, 2022). Many Chinese companies have offered billions of dollars to projects. President Jokowi was eager for the offer and expected to unpack enormous opportunities for China's funding. In the Jokowi era, the total trade volume of both nations was significant.

Figure 1. The Comparison Trade Volume Between the United States, China, India, and Japan with Indonesia from 2018-2022 (US\$)



Sources: BPS (2022); the Indonesia Ministry of Trade (n.d.)

According to the Central Statistics Agency (BPS) and the Ministry of Trade for 2018-2022, the chart shows that China was leading as Indonesia's top trade partner, growing gradually since 2020. The record surpassed traditional partners like the US, India, and Japan. Despite China's footprint, Indonesia was still in deficit against China. From 2018 to 2020, for example, BPS showed that the deficit slowly grew, particularly from 2018 to 2019. Nevertheless, Indonesia recorded a surplus against China in 2021 with a total of \$3.1 billion, and it doubled the following year (BKPM, 2022). A study from Indonesia Financial Group in 2024 elucidated that Indonesia has highly depended on China, underlining the correlations between China's GDP and Indonesia's GDP growth (Indonesia Financial Group, 2024). Rohman, Setiawan, and Naufal (2024) argued that Indonesia's economy only contributed to 1.93 percent of China's overall exports, while China was Indonesia's gigantic export destination in 2023.

Some discourses underline China's role during COVID-19 in Indonesia. Although COVID-19 was discovered in Wuhan, China began altering by pouring more funding on its research division, resulting in its vaccine for COVID-19 coinciding with AstraZeneca, China's vaccines were dominated. With the arrival of the vaccine, China's investment increased by 9 percent to \$2.4 billion in the first half of 2019 (CNN Indonesia, 2020). In September 2021, China agreed to bring in 2 million Sinovac vaccines and even decided to collaborate with two other Chinese companies, Sinopharm and CanSino. In the same year, the Chinese government was estimated to have exported 215 million vaccine doses to Indonesia. If calculated with Chinese exports, vaccine exports to Indonesia reached 20 percent of its total export. China even encouraged Indonesia to become a vaccine manufacturing hub in Southeast Asia. Statistically, in mid-May 2021, 90 percent of Indonesia's 75.9 billion vaccine doses were Sinovac. President Jokowi has repeatedly said that Sinovac is the best Chinese product to encourage people to speed up vaccination.

The BRI vision aligned with Jokowi's vision, the Global Maritime Fulcrum (GMF), through a Memorandum of Understanding (MoU) on Jointly Promoting Cooperation within the Framework of the Global Maritime Fulcrum

Vision and the Silk Road Economic Belt and the twenty-first-Century Maritime Silk Road Initiative in 2018. Indonesia unveiled four economic corridors in North Sumatra, North Kalimantan, Bali, and North Sulawesi. Within these corridors, Indonesia was expected to amplify its economy. According to the CELIOS report, Indonesia has 71 infrastructure-related projects under BRI. The project's total value is estimated at around \$20.3 trillion. Compared with recipients of BRI projects, Indonesia is the second highest in Southeast Asia, behind Cambodia, with 82 BRI projects (CELIOS, 2023).

In recent years, Chinese investment in Indonesia has experienced popularity and polemics, such as the Jakarta-Bandung High-Speed Railway (KCJB) or "WHOOSH," the Capital City of the Nusantara (IKN), the Rempang issue, and the mining sector. The KCJB project is a "megastar" program for Indonesia-China relations. Initially, this project experienced acid criticism. Bhima Yudhistira, director of CELIOS, argues that KCJB is not based on "a guidance book." For example, China's KCJB's feasibility study was generated in less than one year; Indonesia preferred to choose China's proposal because the project fund was cheaper than Japan's. Some Japanese companies have carried out a feasibility study since 2012. KCJB also spent a budget of 131 trillion rupiah, an increase of 18.02 trillion rupiah after COVID-19 (CELIOS, 2023). This budget was far from the agreement, which was only 113 trillion rupiah. KJCB also uses the Indonesian State Revenue and Expenditure Budget (APBN), which becomes a polemic because it would increase the burden on APBN performance. In addition, according to the Ministry of Finance, Indonesia and China agreed to use the project under the business-to-business (B2B) scheme (CNBC Indonesia, 2023).

Table 2. Summary of Several KCJB Problems

Year	Problems
2019	- As a result of the Pertamina fuel pipe explosion, the project was hampered, resulting in one person's death.
2020	- There was flooding on the Jakarta-Cikampek toll road due to the bored pile and pile cap work - Explosive techniques to create train tunnels caused residents' houses to crack
2021	- A pillar collapsed, supporting the fast train line caused by the contractor violating the SOP. Even though it did not cause any casualties, this project is predicted to take longer. - There was an increase in project costs.
2022	- The incident occurred again. One year later, the technical train went off the track and caused six people to become victims. - There is a transition in the KCJB project financing from B2B to involving APBN funds.
2023	- PT KCIC increased its debt to the China Development Bank (CDB) to cover cost overruns. - Coordinating Minister for Maritime Affairs and Investment, Luhut Binsar, failed to negotiate with China to reduce loan interest from 3.4% to 2%.

Source: Celios (2023)

After the completion of this project, Jokowi would initially provide subsidies. However, this program was canceled because the KCJB project was not eligible for subsidies. One of the reasons is that KCJB is not an economic and pioneer train category which defies *Undang-Undang (UU) No. 23/2007* concerning railways. KCJB

officially began operating in Indonesia on 2 October 2023. Despite challenges and criticism, China has helped Indonesia to have high-speed trains in Southeast Asia, along with Thailand, Laos, and Vietnam.

The recent ambitious project of Jokowi's was to move the capital city of Jakarta to Kalimantan, North Penajam Paser Regency, and Samarinda — *Ibu Kota Nusantara* (IKN) — and Indonesia needed around \$32 billion (McEwan & Skinner, 2024). The Indonesian Minister of Public Works and Housing, Basuki Hadimuljono, believed the project faced challenges, including the land purchasing mechanism. In contrast, President Jokowi prepared 34,000 ha of extraordinary land for foreign investors. In July 2023, President Jokowi embarked on a trip to China and had a rendezvous with President Xi Jinping, hoping that Chinese ventures would invest in IKN and become similar to Shenzhen, the industrial city in China (Kementerian Perhubungan, 2023). In mid-2024, the Chinese company Delonix Group invested in IKN worth 500 billion rupiah.

Apart from IKN, Indonesia is still hit by the Rempang conflict between the government and local people. Rempang is located around Batam, bordering Bintan Island and Singapore. The Indonesian government plans to turn Rempang into an eco-city to reduce gas emissions. However, the Rempang people refused to be moved by the central government. Through this aspect, the Chinese venture Xinyi Glass Holdings Ltd. agreed to invest in conducting the project eco-city by collaborating with PT MEG, which has managed Rempang since 2004. China committed to processing quartz sand (*pasir kuarsa*) (a glass-based material) worth \$11.5 billion (CNA, 2023).

The Indonesian government plans to collaborate with China on 5G signals to connect people from underdeveloped areas. Indonesian and Chinese ventures, such as XL Axiata, Telkomsel, Indosat, and Huawei, agreed to build the project. Indosat, for example, signed an agreement to offer 100,000 people access to 5G. The discourse was being brought to the high-level of government. The Chinese Foreign Minister Wang Yi had a trip to Indonesia in January 2021. For China, Indonesia is not only a "centre" of economy but also would be the first country in Asia collaborating on cyber security.

Apart from that, both nations are the two largest producers of coal in Asia. China has been the destination for Indonesian coal for decades; China's market is promising. In its history, the crisis of electricity in the last three years happened since the worst in 2010-2011. In addition, the tension between Australia and China due to the debate over the origin of Covid-19 also hampered the export of Australian coal. Indonesia, for China, has been one of many choices. According to BPS, the total value of Indonesian coal exports reached \$46.74 billion in 2022, a high increase compared to two years before (BPS, 2024). Otherwise, China invested in the downstream project in Indonesia involving nickel and coal. The Indonesian government forecasted that its nation will reduce emissions — implementing the green economy. One example is China's involvement in Morowali, Sulawesi.

Generating about half of the global demand in 2023, Indonesia is the largest nickel ore distributor in international trade. Through the effect of President Jokowi's energy transition, Indonesia wants to render its nickel as a global player. Morowali Industrial Park (IMP) is a powerhouse for the nickel industry and produces a gigantic portion of it. Tsingshan Group belonged to IMP by having 50 percent of the project, followed by the Indonesian Bintang Delapan Group and PT Sulawesi Mining Investment with 25 percent each (Trend Asia, 2024). The Chinese government deployed its banks to fund the project, including China Development Bank, Export-Import Bank of China, Bank of China, and the Industrial and Commercial Bank of China. IMP is promising that Indonesians will obtain job opportunities. There is no specific number of Indonesian workers in IMP, but 5,000 workers are Chinese and sit as managers and supervisors.

Singapore in Indonesia: What have they been offered?

Since the 1992 ASEAN Free Trade Area and the 1996 Double Taxation Agreement (DTA), Singapore has been a longstanding trading partner of Indonesia. In 2017-2018, BPS reported that compared to Malaysia and

Thailand, the total trade volume between Indonesia and Singapore increased from \$29.613,4 million to \$34.431,1 million. It proves that Singapore ranked third after Cina and Japan (BPS, 2018). Data from BPS in 2022 also showed that Singapore's investment reached \$10.54 billion, up 12.24 percent from the previous year (Annur, 2023). This number is also the highest record over the last decades compared to China, Hong Kong, Japan, and Malaysia. Offered by Indonesia, Singapore participated in investing in IKN, driven by factors such as economic opportunities, strategic partnerships, and regional dynamics (Ramadhany, 2024).

In 2015, together with other ASEAN countries, Indonesia and Singapore joined the ASEAN Economic Community (AEC), which focused on a single market and production base, enhanced economic competitiveness, and promoted equitable economic development across member nations. As part of the AEC, Singapore has committed to reducing and eliminating tariffs on various goods, such as food and beverages, by up to 90 percent (Amin & Wirayani, 2016).

Singapore's investment benefits Indonesia. In 2016, Prime Minister Lee Hsien Loong met President Jokowi to demonstrate their friendship and inaugurate the Kendal Industrial Park (KIP). KIP was developed by PT Jababeka Tbk and Sembciro Development Inc. in October 2012 (Kendal Industrial Park, 2016; PMO Singapore, 2016). After its inauguration, KIP increased the investment to 6.5 trillion rupiah from 2016 to 2019, which was received from 50 investors (Kemenperin, 2019). The area has successfully attracted 95 industrial companies from 11 countries from Asia to Europe, with a total investment reaching 70 trillion rupiah (InCorp Indonesia, 2021). According to BPS, Kendal Regency received 4.61 trillion rupiah of total investment in 2022. This achievement places Kendal Regency among the top five regencies or cities with the highest investment contribution in Central Java and absorbed 33,000 workers. In 2023, the unemployment rate in Kendal decreased from 7 percent to 5.59 percent, the highest decline in Central Java. It aligns with the increase in the Human Development Index in Kendal Regency, which rose from 70.11 in 2016 to 73.86 in 2023, placing Kendal Regency at 17th rank in Central Java Province (BPS, 2023).

In September 2020, the 'First Protocol' was implemented among Indonesia, Singapore, and four other countries, including Brunei Darussalam, Malaysia, Thailand, and the Philippines, through the Trade In Goods Agreement (ATIGA). Through this protocol, the members agreed to ensure the free flow of goods for nearly all product lines in ASEAN by committing to tariff liberalization, trade facilitation, and the removal of non-tariff barriers (Medina, 2023). Through AEC and ATIGA, Indonesian businesses gained access to the Singaporean market. By gaining access to the Singapore market, Indonesia has opportunities in a high-income market willing to pay more for quality products and services, which can drive revenue growth and profitability (Economic Research Institute for ASEAN and East Asia (ERIA), 2021). The impact of ATIGA and access to the Singapore market, in the year 2021, total value of Indonesian exports to Singapore reached \$11.63 billion, with electronic equipment exports accounting for \$2.14 billion and mineral fuels, oils, and distillation products contributing \$3.67 billion (Badan Pusat Statistik, 2021). This collaborative effort was pivotal in positioning Indonesia as the 27th largest exporter and the 16th largest economy in 2021 and indicates an increase in the value of exports from Indonesia to Singapore. In 2020, the total exports from Indonesia to Singapore were \$10.66 billion, with intermediate goods (semi-finished products) constituting the largest export sector at \$4.19 billion.

From a strategic partnership, in early March 2023, Indonesia signed Governmental Regulation (PP) Number 12 of 2023 to support the development of a financial center within IKN to attract investors. Singapore, by its geographical proximity, is also essential to facilitate easier communication and collaboration. In mid-2023, President Jokowi and Prime Minister Lee Hsien Loong stated that there were 20 letters of intent (LOI) from the Singaporean private sector to invest in IKN (Tempo, 2023). Nine business-to-business agreements exist in the energy, health, and digital sectors (Presiden Republik Indonesia, 2023). Although Singapore's investment has many benefits for Indonesia, several criticisms have emerged regarding its development. One of them is environmental problems. Several Singapore investment projects in Indonesia are suspected of potentially damaging ecosystems and biodiversity, such as the construction of IKN in East Kalimantan, which threatens

orangutan habitats and tropical rainforests. In addition, there are also concerns that the investment in renewable energy will come at the expense of agricultural land and local communities that depend on natural resources. Therefore, there needs to be strict supervision and law enforcement to ensure that investment in Indonesia does not harm the environment and society.

Indonesia and Singapore signed a cooperation MoU in renewable energy in March 2023, including solar photovoltaics (PV) as well as battery energy storage systems (BESS), which store excess energy. Power for later use. This MoU will also facilitate the development of solar farms and BESS to supply renewable energy to Indonesia and for energy exports, including the export of green electricity and, where possible, hydrogen and ammonia, using solar PV and BESS produced in Indonesia. It supports the development of Green Corridors in the Riau Islands and other potential areas in Indonesia. Singapore's investment contribution in the renewable energy sector is hoped to help Indonesia achieve its renewable energy mix target of 23% by 2025 and reduce greenhouse gas emissions (Presiden Republik Indonesia, 2023). Although both nations committed to supporting the development of the Green Corridor in Indonesia, this realm faced some challenges that need to be overcome. Some of the main obstacles that hinder investment in the renewable energy sector are the lack of supportive regulations, such as the determination of electricity purchase prices from renewable energy plants that refer to PLN's cost of generation (BPP), which are considered not to reflect the economic and environmental value of renewable energy; the unattractive risk profile of renewable energy project returns, due to uncertainty in the power purchase agreement (PPA) with PLN, such as force majeure risk sharing, tariff adjustment, and take or pay clause; the high capital requirement for the development of renewable energy projects, especially for the exploration and construction stages, which require long-term financing with low-interest rates; the limited financial products that suit the characteristics of renewable energy projects, such as loan tenure, guarantee scheme, and eligibility criteria; the small scale of renewable energy projects offered, which are not attractive enough for large investors, as most projects are small or medium scale, resulting in high transaction costs; and the low interest of local financial institutions in the renewable energy sector, due to the lack of knowledge and experience in assessing the risks and opportunities of these projects.

During the COVID-19 pandemic, the two countries sought to enhance health cooperation through various initiatives. In April 2020, the Indonesian Embassy in Singapore launched the "Indonesia Care" program to raise funds from the public and companies in Singapore to assist Indonesia in handling COVID-19. The program successfully collected 1 million Singapore dollars (about 10.8 billion rupiah) that were used to buy personal protective equipment (PPE), ventilators, and masks for medical workers in Indonesia (Kementerian Koordinator Bidang Perekonomian RI, 2020). The MoU was also part of a broader bilateral cooperation framework called the Indonesia-Singapore Health Care Working Group (ISHWG) (Kementerian Kesehatan RI, 2020). In September 2020, Indonesia and Singapore held a virtual ministerial meeting to discuss cooperation in managing COVID-19 and economic recovery. In the meeting, the two countries agreed to strengthen cooperation in the health sector, including through ISHWG, and facilitate essential business travel between the two countries with strict health protocols. One form of collaboration was the Travel Corridor Agreement (TCA), which allowed crucial business travel between the two countries with the condition of negative PCR tests and short quarantine (Kementerian Koordinator Bidang Perekonomian RI, 2020).

Conclusion

Indonesia requires substantial investment to build large-scale infrastructure to advance its economic development. During the Jokowi era, China and Singapore—both key economic players in Asia—have emerged as Indonesia's most prominent investors, overshadowing some of its traditional economic partners such as Japan and the United States. As the leading investor, Singapore has actively participated in various development projects, including the Batam, Bintan, and Karimun (BBK). Notably, the collaboration between Indonesia and Singapore has led to the development of the Bintan Beach International Resort and the Bintan

Island Water Project, among others. During COVID-19, Singapore also contributed some medical supplies to Indonesia, demonstrating the depth of bilateral ties despite criticisms related to economic and environmental concerns.

Similarly, China has played a crucial role in Indonesia's economic landscape. Historical interactions between Chinese traders and local communities facilitated the growth of Chinese ethnic communities in Indonesia. However, relations between the two countries deteriorated in the 1960s due to political tensions. It was not until the 1990s, following a meeting between President Soeharto and China's counterpart, that diplomatic normalization occurred. Since then, bilateral ties have strengthened significantly, particularly after President Xi Jinping and President Jokowi formalized Indonesia's participation in the Belt and Road Initiative (BRI). One of the most significant projects under this initiative is the Jakarta-Bandung High-Speed Railway (KCJB), which President Jokowi officially inaugurated in early October 2023.

Given Indonesia's high dependence on foreign investment, policymakers must ensure that every investment agreement aligns with the national development priorities. Moreover, the government must ensure that investment cooperation is carried out with a strong commitment to long-term sustainability goals. Guaranteeing investment partnerships that incorporate these elements is essential to balancing safeguarding national interests and attracting foreign investment, particularly in critical sectors such as infrastructure and technology. The government must also ensure transparency in all investment collaborations. It is vital to mitigating public concerns regarding economic dependency, potential environmental degradation, and the protection of labor rights resulting from foreign investments.

Additionally, Indonesia needs to strengthen regional cooperation with other ASEAN countries. Beyond expanding economic partnerships, this strategy can also help prevent Indonesia from becoming overly reliant on a few major investors. This study has examined the dynamics of Indonesia's economic relations with its two major investors, China and Singapore, particularly in the context of national development during the Jokowi administration. However, it has not yet explored these three countries' historical backgrounds or geopolitical dynamics. Historical analysis in this context is essential to understanding how past interactions influence long-term investment strategies. It includes assessing the potential roles of emerging investors such as South Korea and European countries. Future research could examine foreign investments' social and environmental impacts, particularly in megaprojects like the Jakarta-Bandung High-Speed Railway (KCJB), to support more sustainable policy decisions. Investigating how domestic industries can leverage foreign direct investment (FDI) to enhance technological innovation and human capital development would also provide valuable insights for shaping Indonesia's long-term economic strategy.

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