CHAPTER I
INTRODUCTION

1.1. Background of Study

Since starting business sector changes in 1978, PRC has moved from a halfway wanted to a market-based economy and has encountered fast financial and social advancement. Gross domestic product development has arrived at the midpoint of about 10 percent a year—the quickest supported extension by a noteworthy economy ever—and has lifted more than 800 million individuals out of destitution. PRC achieved all the Millennium Development Goals (MDGs) by 2015 and made a noteworthy commitment to the accomplishment of the MDGs globally. With a populace of 1.3 billion, PRC as of late turned into the second biggest economy and is progressively playing a critical and persuasive part in the worldwide economy.¹

PRC's rising financial impact has pioneers the world over on the edge of their seats. In any case, Beijing is an anomalous incredible power. Its global potential is obliged by critical local monetary vulnerabilities, and the internal looking Chinese initiative presently can't seem to make a deft and useful universal stance. What's more, as the Chinese economy standardizes, its developing agonies are uncovered. This has the impact of raising dangers and irritating weaknesses in PRC's neighborhood and past. This is not the way many trusted Beijing would take after. As PRC turned into a worldwide monetary power, desires were raised that it would go about as a mindful partner, as Robert Zoellick put it when he was U.S. delegate secretary of state. Beijing, it was trusted, would help shape the universal motivation—steady with standards to a great extent set up by the West—as opposed to keep on adhering to since quite a while ago settled national interests. Furthermore, without a doubt, Beijing appeared to be traveled that way.²

² Yukon Huang, PRC: the Abnormal Great Power, downloaded from http://carnegieendowment.org/2013/03/05/PRC-abnormal-great-power, on June 6, 2016, at 10.40 AM
Although considered to have an unusual part, PRC remains a nation with an essential part in the global political economy which can not be thought little of. PRC progressively expansive part in the economy, urging PRC to keep on being a noteworthy world forces. By performing different monetary achievement, PRC changed into a world financial power alongside nations, for example, the USA, Russia and Japan and different nations.

Countries with low economic growth rates of course to see the success of PRC at the same time the ability of PRC as an enticement for them to work together in promoting economic growth. That's especially important in view of the lack of cooperation along with PRC, of course it will give opportunity for these countries to be able to increase its economic capabilities. Cooperation which is needed by countries are strong reason to support of PRC to invest so that the industry can work well.

PRC's surprising financial advance has urged Beijing to wind up plainly more as opposed to less angry. Most spectators see a reduced probability of PRC assuming a positive part in worldwide undertakings. The discourse is presently about how rising patriotism and related security interests have solidified PRC's remote strategy positions. This has made the impression—ostensibly unjustifiable now and again—that Beijing is more disposed to utilize its financial clout to propel center interests than to reinforce political connections.

PRC's positive role in the global economy seen from a variety of Chinese economic policy through PRC's economic investment policies abroad. The investment policy is PRC's move to strengthen its economic influence in the world. Through its investment policy, PRC expands the scope of its expansion throughout the world. Through political agreement, PRC uses its economic power to enter other countries in the economic cooperation. On the other hand, the interest of other countries to PRC's economic strength has been attracting PRC to take the opportunity to play its role as a country with great economic power to expand the scope of economic cooperation with other countries.

PRC has utilized a few strategy apparatuses to expand its soft power in Southeast Asia. As indicated by a recent report by Henry Yep National Defense
University, in 2003, PRC's aid to the Philippines was around four times more noteworthy than U.S. help, PRC's guide to Laos was roughly three times more noteworthy than U.S. help. In 2002, PRC's aid to Indonesia was generally twofold U.S. help. Chinese guide has developed in size as well as turn out to be more modern. In the past numerous researchers connected PRC's guide with expansive "white elephant" ventures, similar to Vientiane, Laos' colossal companionship lobby. Since the late 1990s, however, Beijing has better fixing help to discrete approach objectives, including advancing Chinese organizations, developing political performers, and alleviating worries about PRC's monetary ascent. In Thailand, Chinese help has been accustomed to convey Thai government officials to study trips in PRC, a case of high delicate power. Beijing has likewise acquired surplus Thai rural items to pacify Thai agriculturists stressed over the impact of exchange with PRC—low soft power.\(^3\)

What is actually PRC has done, is a political and economic changes for other countries in changing the direction or the view that economic power is no longer in the West, but now many countries are more likely to see PRC as a country that many desirable in a variety of economic cooperation.

Interest in other countries to PRC's various economic success makes many countries are trying to cooperating with PRC. Such efforts are to perform a variety of investment policy reform so that PRC would invest some investment, both direct investment or indirect Investment. This step is a form of seriousness at the same interest in PRC. PRC's economic strength has easy step for the country to make other countries follow the wishes of PRC in field of economic investment policies.

PRC's strategy concentrates on various focal government regulatory offices in PRC are in charge of formal policymaking. A gathering of strategies on abroad investment and an examination of the organizations in charge of issuing these arrangements demonstrate that 26 focal government offices have been included in the policymaking procedure. This procedure has been a piece of In 2000 PRC's focal government formally declared the Going Out Strategy, usage of

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which has assumed a part in invigorating Chinese abroad interest lately or known as Outward Outside Direct Investment (OFDI).\(^4\)

This strategy proved successful. This strategy not only internal or on the ability of PRC in making strategy formulation, but the desire of other countries in cooperation with PRC through Chinese investment is a concrete step of the creation of economic cooperation. The interesting thing in Chinese investment to other countries, one of them is Indonesia, is a form of interest in Indonesia to the model of PRC's economic policies or even interest of Indonesia on the growth of Chinese economy continue racing. The absence of coercion and even Indonesia's eagerness to push to encourage PRC to invest the form of the power of attraction of PRC to country, like Indonesia.

1.2. Identification of the Problem

The Indonesian government energizes Direct investment by foreigners or Foreign Direct Investment ("FDI") in many territories of the Indonesian economy, and less so in others. Foreign speculation endorsements can be issued either by BKPM in Jakarta or a Investment Board (BPM) in each Area, Investment Organization in Regime District or through Agent Workplaces of the Republic of Indonesia in a few nations. Outsiders are allowed to contribute with no limitation on the most extreme size of the investment, the wellspring of assets or whether the items are bound for fare or for the household advertise. This is with the exception of in an industry division which is recorded as shut to outside speculation on the Negative Investment List, which connects to the Speculation Law under Presidential Direction. The chief beginning position (not generally the situation by and by) is that all industry or fields of business are interested in remote venture unless said something else in the Negative Rundown. This is given that specific conditions are satisfied and remote interest in an industry is not likewise managed in Ecclesiastical or different laws, directions and announcements.\(^5\)

See the measures the Indonesian Government to formulate policies to increase the amount of investment in Indonesia, pushing Indonesia to take

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\(^5\) KMPG Indonesia, *Investing In Indonesia*, 2015, p.16
aggressive steps to perform a variety of internal changes that can attract other countries to invest in Indonesia. The change is intended to allow investors to find it easy to invest in or even attempt to equate the rule with source countries so there is no objection to the countries that want to invest in Indonesia.

The Investment Coordinating Board (BKPM) released data on investment in Indonesia. In these data, there are achievements that attract Chinese investment realization that the surge by 400 percent over the same period the previous year. This is a positive note for PRC which usually only expressed great interest, without being accompanied by the realization. Based on government data, realization of investment from PRC in the first quarter of 2015 to reach US $ 500 million, equivalent to 6.5 trillion rupiah exchange rate assumption Rp13.000 per US dollar. The value jumped five-fold from the realization in the first quarter of 2014 were only US $ 100 million.6

Referring to the situation of economic cooperation between the two countries that experienced a significant increase in investment, is interesting to study that there is a large intention from PRC and Indonesia to jointly develop the economy. Moreover, Indonesia, as a country with lower economic growth in PRC, certainly very needs support from PRC in improving the economy.

Selection of PRC as a country with great economic capacity, the main attraction for Indonesia to remember PRC has been able to develop the economy at a time when Western countries experienced a setback. The choice of which PRC becomes an important point for Indonesia given the world economy is now focused on Asia in general and Southeast Asia in particular.

For PRC, in spots like Indonesia, as yet enduring the financial impacts of a money related emergency faulted mostly for an as well open economy, the achievement of PRC's formative model holds critical interest.7 This then becomes political reasons at once economic, so that the two countries finally have an agreement in the field of investment. Chinese investment in Indonesia is a step for

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the two countries to boost the economy. Politically, the interest of Indonesia to PRC is a smart move to make Indonesia finally opens the door to Chinese investment policy in Indonesia.

The change of PRC’s picture and impact is because of a scope of elements. PRC has profited from slips by the Unified States, including its ease back response to the Asian money related emergency and post–9/11 counterterrorism nearsightedness. Be that as it may, the change is additionally because of a development in PRC’s soft power—PRC's capacity to impact by influence as opposed to compulsion. This engaging quality can be passed on through different means, including society, tact, interest in multinational associations, organizations' activities abroad, and the gravitational draw of a country's financial quality.  

The influx of Chinese investment through a policy of Outward Foreign Direct Investment (OFDI), PRC began investing in 2010 and the value of investments continue to increase until 2015. Interestingly, the move of Chinese investment into Indonesia is not purely about the economy, but the soft power of PRC is also interesting to discussed. PRC's ability persuasively is a depiction of PRC's soft power in the economic field, especially the Chinese economic investment in expanding economic influence.

1.3. Statement of the Problem

As elaborated in section 1.1 and 1.2, this thesis is becoming the academic work to analyze PRC-Indonesia relations, especially in economic realm. PRC great power in economy, especially in investment policy has already stand as the key point to analyze PRC’s soft power.

Magnet for each country to cooperating with PRC as an economic partner. On the other hand, the need for investment has prompted Indonesia make breakthroughs and policy changes to facilitate entry of investors, such as PRC, to Indonesia.

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The economic strength of PRC as its appeal, had been used by PRC to persuade other countries to accept PRC's economic investment. The absence of forms of coercion even more persuasive is a step leading to PRC to carry out economic investment policies, especially to Indonesia. The time span 2010-2015 became timescales explain rising Chinese economic investment in Indonesia and it is the basis of this analysis. Under these circumstances, the writer formulates research question as follows:

**How did PRC implement Outward Foreign Direct Investment as its soft power to Indonesia (2010-2015)?**

1.4. Research Objective

In this research that aims to explain PRC's soft power in Indonesia, this research is aimed at, first, components of PRC's economic policies as a soft power on, especially in the economic field. Second, explaining the interaction between PRC and Indonesia in the field of investment and investment policy role of PRC as PRC's soft power that encourages Indonesia to open up to the strength of the Chinese economy.

1.5. Significance of Study

This research is an attempt to contribute to the international political economy field in International Relations science, especially in the case of PRC-Indonesia in investment cooperation. This research is expected to explain the Chinese economy as a soft power so that the economic implications of PRC also have an impact on the strength of its political and economic implementation as China’s soft power on in Indonesia.

1.6. Theoretical Framework

In analyzing the investment policies of PRC and Indonesia 2010-2015 in investment, this study will use liberalism as an umbrella approach in international relations that explains economic investment through OFDI and Soft Power.

In addition, the author will also use the concept of economic investment. This concept will be explained about the essence of investment and investment
function in inter-state interaction through OFDI. As we know OFDI contributes in developing countries like Indonesia to get equally the benefits between countries.

As the main point in this research, soft power concept will be used to analyze Chinese soft power through its economic power to understand Investment in Indonesia.

1.6.1. Liberal

This approach emphasizes the economic on cooperation as a way towards world peace. The initial idea of liberalism associated with the four main values or principles, namely: individual moral equality, freedom and individual rights, limited role of government, and private property. Liberalism additionally contended for the individual rivalry in common society and asserted that market free enterprise is the most ideal approach to advance success. Until now, this understanding remains the most influential doctrine, especially in the age of globalization.

The model for quite a bit of this participation has been financial. Early liberals were intrigued with the way showcases seemed to represent singular basic leadership that could prompt positive social results without impedance from the state. Participation required financial on-screen characters to settle on choices grounded in some comprehension of individual monetary pick up. In the meantime, without the coercive energy of the state behind them, these performing artists needed to speak to the longing in others to profit by such a trade also, prompting a more far reaching perspective of self-interest.

Trade liberalization and investment policies are also seen as a way to boost economic competitiveness. Improving the competitiveness of an economy can be done through various ways. There is a thought that says that the actual increase in competitiveness is primarily a challenge for each company and the efforts to be at the enterprise level. International cooperation, for example by forming a strategic

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alliance, is one way that is now being done, especially between firms from
developed countries.\textsuperscript{12}

Economic interaction between countries is inseparable from the 'interests'
of persons and groups. Interest centered on economic benefit that form of
investment cooperation be implemented. Through this form of state which run
liberal system, then a country has become a focus in the state that facilitates the
development of political and economic.

Economic liberalization liberates man from the clutches of the ruling
economy. Economic liberalization also cannot be done half heartedly. The
Indonesian economy, which departs from a state that is very static in the past, the
liberalization process cannot be completed overnight. Maybe there was a need for
a phasing (sequencing). Analysis of the economic policies advocated a sequence
of liberalization on economic considerations. Political economy considerations
stated that the sequence was also a political conditioning requires that
liberalization was possible (feasible). Thus, the desirability and feasibility should
join hands. Only with this capital liberalization can be implemented with a
vengeance.\textsuperscript{13}

\textbf{1.6.2. Outward Foreign Direct Investment}

Outward foreign direct investment is a direct investment aboard
investment category related to the population in an economy that has significant
control or level of influence on the management of firms living in other
economies as well as equities that generate control or influence, direct investment
also includes investments related to those relationships, Including investments
that are indirectly affected or controlled, investments in similar companies
controlled by the same direct investor, except Debt selected, and inverse
investment.\textsuperscript{14}

\begin{itemize}
  \item Hadi Soesastro, Kebijakan Persaingan, daya Saing, Liberalisasi, Globalisasi, Regionalisasi, dan Semua Itu, CSIS Working Paper Series, WPE 082, Maret 2004, p. 4-5.
\end{itemize}
OFDI also has advantages; these advantages generate important macroeconomic benefits, reduce some of the typical problems of economic development and provide wider benefits to society. Although there are some limitations, OFDI complements, sometimes in different ways, the benefits of development that have been realized by many countries through trade, migration and FDI into. Emerging economies are best placed to benefit from the return generated by OFDI.

OFDI also contributes to economic development in developed countries in the less developed world. As it is found that multinational companies generate profits when they pursue assets and profits overseas through OFDI. In many ways, financial, intangible and real capacity gains can help alleviate the development needs of a country, such as bringing in additional funds, supporting industry growth and technology capture, increasing production capacity, and providing the stability necessary to support the development process.

These countries are at a later stage of economic development, such as developing countries, which must experience the greatest increase of OFDI this is because their endowments with capital, absorption capacity and international exposure are considerable, while important development needs still exist. The emerging economies have the potential to receive the greatest return variation from OFDI as their company in contrast to companies from high-income economies and other low-income people who have the option to invest in a more advanced, equal and less advanced economy. While the advanced economies of the OFDI also result in varying rates of return, they do not contribute to the specific development of the home economy, such as by narrowing the knowledge gap against the limits of international technology or by providing capital, much needed capital goods or resources to support the industrialization process.

Low-income countries, in turn, are severely constrained by the lack of investment capital and a small number of multinational corporations, so they are less likely to benefit from a significant way of OFDI. Although companies from countries like Indonesia have invested overseas when they have not yet reached
the status of developing countries, and low-income countries can still reap some of the development benefits of individual OFDI projects.\textsuperscript{15}

1.6.3. Economic Investment

Investment assumes six macroeconomic parts:

1. it adds to current request of capital products, in this manner it expands local consumption;
2. it amplifies the creation base (introduced capital), expanding generation limit;
3. it modernizes generation forms, enhancing cost viability;
4. it diminishes the work needs per unit of yield, along these lines possibly creating higher efficiency and lower business;
5. it considers the creation of as good as ever items, expanding esteem included generation;
6. it fuses universal world-class developments and quality models, bringing the hole with more propelled nations and helping sends out and a dynamic support to worldwide exchange. Cumulated ventures after some time offer ascent to capital, opening the way to upgrades underway conditions.

Creation limit, potential efficiency, cost adequacy, generation and process quality will be altogether expanded by legitimately situated investment. Trade aggressiveness ought to likewise rise.

Work can fall if a work substitution speculation wins with genuine yield becoming not as much as physical profitability. By difference, different sorts of investment and financial circumstances offer ascent to an expanding work. The quality and organization of work likewise rely on upon the speculation bearings. For example, green occupations altogether rely on upon wide interest in green areas and advancements.

As a Gross domestic product part from the present household consumption side, speculation immediate affects Gross domestic product. An expansion of

\textsuperscript{15} http://www.tandfonline.com/doi/full/10.1080/13600818.2017.1283009
utilization rises Gross domestic product by a similar sum, different things rise to. In addition, since salary (Gross domestic product) is an imperative determinant of utilization, the expansion of pay will be trailed by an ascent in utilization: a positive input circle has been activated (amongst utilization and pay) by venture. As a result of this instrument, imports will develop also. All the more straightforwardly, investment is frequently coordinated to foreign apparatuses and merchandise, with a quick increment of imports.\textsuperscript{16}

1.6.4. Soft Power Concept

PRC is a country with the world's major economic powers. PRC's ability to improve the country's economy has made the country's economic strength is a major influence in the world economy. Through its economic policy, PRC plays its role through various investment policies to many countries. PRC's efforts in implementing its investment policy not to commit various acts of coercion, but by using its economic power as an attractive tool that many countries wish to invite PRC to cooperate in the field of economic investment.

PRC's monetary quality is a type of soft power. The lexicon discloses to us that power implies a capacity to get things done and control others, to motivate others to do what they generally would not. Since the capacity to control others is frequently connected with the ownership of specific assets, lawmakers and representatives usually characterize control as the ownership of populace, domain, characteristic assets, financial size, military powers, and political strength.\textsuperscript{17}

Rather than the above definition, meaning of soft power is: a nation may acquire the results it needs in world governmental issues in light of the fact that different nations – appreciating values, imitating its illustration, seeking to its level of thriving and openness – need to tail it.\textsuperscript{18}

In the economic field, the dependence among countries encourages every country to cooperate. It is not in spite of inter-state relations in trade, investment or other economic activities that run through policies among countries.

\textsuperscript{16} Investment, downloaded from http://www.economicswebinstitute.org/glossary/invest.htm, on June 7, 2016, at 12.58 PM
\textsuperscript{17} Joseph Nye, Soft Power, Foreign Policy, No. 80, Twentieth Anniversary (Autumn, 1990) p. 154
The world has turned out to be associated in financial matters, in interchanges, in human yearnings." Today, in any case, monetary and environmental issues include huge components of common preferred standpoint that can be accomplished just through collaboration. Verification of power falsehoods not in assets but rather in the capacity to change the conduct of states.  

Countries with economic power will provide interest for other countries to cooperate for mutual benefit. Interestingly, no matter how big the resources of a nation can not of course be used as a soft power on if there is no a change of attitude. Therefore, every country with the power of a great resource should be able to have the ability to encourage others to follow the pattern of the country. The resources can be used as an attraction force to attract other countries in an attitude of cooperation. The purpose of such cooperation is that countries with the resources that appeal can achieve its national interests.

Notwithstanding compelling the way states seek after their national advantages, transnational actors influence the way such interests are at first characterized. Transnational investment makes new interests and confuses coalitions in world governmental issues. A state may accomplish the results it inclines toward in world legislative issues on the grounds that different states need to tail it or have consented to a circumstance that produces such impacts. In this sense, it is similarly as imperative to set the plan and structure the circumstances in world governmental issues as to inspire others to change specifically cases. This second part of energy that happens when one nation gets different nations to need what it needs may be called co-optive or delicate power interestingly with the hard or charge power of requesting others to do what it needs.

Soft power must be utilized on the off chance that others recognize this power, and the individuals who wish to utilize it, can shape it as intends to accomplishing their objectives. In a time of globalization and data upheaval, soft

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20 Tamazian, A.; Chousa, J.P.; Vadlamannati, K.C. Does higher economic and financial

power, for example, social allure, political esteems, and outside approaches are progressively getting to be noticeably essential parts of incredible power. Variables, for example, innovation, training, and monetary development are ending up noticeably more vital, while topography, populace, and crude materials are ending up plainly less critical.  

Soft power not just dwells in a nation's way of life, qualities and strategies, additionally lives in the structure of universal framework, which includes worldwide standards, tenets and establishments.

Soft power of a country will become a strength of the country if that country has a strength that is recognized by other countries and states with the power of soft power could encourage other countries without being forced and it was keen to cooperate through the norms, rules and institutions that facilitate these interactions.

1.7. Scope and Limitation of Study

The focus of this research is the PRC’s soft power in economic investment policy. That’s why the analysis will stress on the way of PRC uses its soft power. While, the country which PRC addressing in its soft power is Indonesia through economic investment policy. So, the scope and limitation lie on both countries interaction and cooperation to know PRC’s behavior and Indonesia openness to PRC’s soft power.

Starting point of this study is the policy of PRC's economic investment to Indonesia in 2010-2015. This period is a period that is an appropriate time because during this period there is a significant increase in Chinese investment into Indonesia.

Analysis of PRC's investment policies is intended to see the investment policy of the country to Indonesia, while PRC's soft power will look at how the economic strength of PRC as an appeal to Indonesia to follow the wishes of PRC in terms of economic investment. Persuasive policy of PRC and Indonesia

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openness towards PRC will be a situation that illustrates how the implementation of PRC's soft power to Indonesia through economic investment.

1.8. Research Methodology

The writer will use a technique data analysis of qualitative method. This method used to seek the understanding of state’s soft power in economic realms. The significance of this approach is to discover the way of states behavior and cooperation in very soft situation. Moreover, the research study that is being used in this research is literature study. In the context of this research, literature study is that “analysis of certain document and literature which support the analysis”. Moreover, this thesis is purposed to describe certain condition in light of earlier events, which based on contemporary issue in international relations. This method could help the writer to produce more comprehensive information regards to the issue by cross checking primary and secondary sources.

There are several instruments that were used to research for information for this thesis, including secondary sources (books, journals, news media, speeches, publications, and the internet). This thesis is also use primary sources – official statements. An emphasis has been put on primary sources by utilizing more sources originating from the government of PRC while secondary sources are used as supplementary information to the primary sources.

In this matter, the writer will lay out and explain the significant variables regarding the topic. The independent variable in this case is the PRC’s economic investment policy to Indonesia and the dependent variable in this case is PRC’s soft power and Indonesia’s openness policy to PRC’s policy. These two variables will be provided in support for analysis of cooperation interaction between the two countries.
1.9. Structure of Thesis

This thesis is written into five chapters as follow:

Chapter I: Introduction

This chapter will elaborate about the background of PRC’s economic investment as the attractive tool in international system, which is done as its soft power. The background becomes the starting point for writer to specify the problem into research question, which is followed by research objective, theoretical framework, scope and limitation of the study, and research methodology in the form of this thesis.

Chapter II: PRC’s Economic Investment Policy to Indonesia

This chapter will highlight the existence of PRC’s economic investment as the proof for the independent variable. The specific thing lies on PRC’s investment policy and PRC-Indonesia’s agreement politically on PRC’s Outward Foreign Direct Investment (OFDI) to Indonesia.

Chapter III: PRC’s Soft Power through Economic Investment Policy

This chapter will analyze PRC’s soft power in economy which is done through investment policy. Several steps will be analyzed to understand PRC’s economy become its soft power.

Chapter IV: The Implementation of PRC’s Economic Investment policy as Its Soft Power in Achieving its National Interest in Indonesia

In this chapter, the writer will elaborate the process of PRC’s policy as tool to persuade Indonesia and the willingness and openness of Indonesia in receiving PRC’s policy. This will picture how PRC’s soft power stand as the persuasive power, not coercion one.

Chapter V: Conclusion

This chapter will provide the concluding statement of the analysis done in the previous chapters. The conclusion will be implemented into content and context of summary of the research.
CHAPTER II

PRC-INDONESIA ECONOMIC INVESTMENT RELATIONS

This chapter discusses PRC as a country with various economic policy. The focus of this chapter is to discuss PRC's economic policy in investment field. Internally, PRC perform various policies to support the formulation of policy measures on foreign investment while considering its national interests.

The formulation of investment policy, or better known as outward foreign direct investment (OFDI) is PRC's move to boost the economy as well as expand the scope of its economic expansion.

By doing various investment policies, one to them is Indonesia, PRC expects their mutual relationship and able to shift the competitors, such as the United States, to play its role as a global power through investment policy.

II.1. PRC'S OUTWARD FOREIGN DIRECT INVESTMENT (OFDI) POLICY

In the later past, the greater part of PRC's abroad investment went basically to asset based extraction like in oil and gas in a few nations, as:25

1. Australia,
2. Indonesia and
3. Thailand.

The situation has changed, presently Chinese makers are exploring the district for generation stages to infiltrate new market.26 With its economy growing, PRC continues to spread its wings not only to the three countries above, but also to many countries at once penetrated into various fields.

PRC's aggressiveness is supported by helpful strategy condition either reassuring or specifically financing interests in science and innovation, worker instruction and framework improvement," and further expressed that "the scene for focused assembling is amidst a monstrous power move, in which twentieth-

26 Ibid.
century fabricating stalwarts to challenge and to keep up their focused edge to rising countries, including PRC, as: 27

1. the United States.
2. Germany.

To run its foreign investment policies, PRC saw the importance of facilitating the business actors. As a country, PRC is attempting to run the country's economic mission vision by setting several rules that aim to control and to ensure the achievement of the national interests of his country. The general goal of PRC's present administrative structure for OFDI is Twofold: 28

1. The structure looks to encourage and bolster OFDI so as to sustain all around aggressive Chinese firms. This target, thusly, is the consequence of an interchange of two components. The main component is the administration's longing to have universally focused firms whose arrangement of locational resources gives better access to business sectors and assets (characteristic, vital and different assets) and which itself turns into a wellspring of corporate intensity. The second component is the weight on government by firms that try to internationalize in light of local and global rivalry. Formal fora in which firms can make themselves heard and practice weight on government approaches incorporate the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPCCC). For example, amid the 2013 NPC and CPCCC sessions, a Senior VP of Midea Gathering called for more change and approach advancement to give more extensive support (e.g., back, innovation, financial strategy, human asset improvement) for Chinese organizations traveling to another country ('Outward FDI part' 2013). Other real delegates of the business first class, for example, Dongsheng Li, Leader of TCL, and Shufu Li, Leader of Zhejiang Geely Gathering,

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additionally urged the administration to change its OFDI audit prepare and give more assets and data to bolster OFDI. Deming Chen, the Clergyman of Business at the time, reacted that PRC's endorsement procedure has up to this point concentrated just on the course and measure of OFDI, yet would unavoidably turn out to be less awkward.

2. PRC's institutional system for OFDI particularly looks to energize OFDI that can contribute most to the nation's national improvement. It does this by specifically supporting specific enterprises and exercises in their internationalization through FDI. For the national economy, expanding the extension and topography of venture means more alternatives for financial (re)structuring (e.g., esteem chain updating and reconciliation) and asset designation streamlining (e.g., diminishing the cost of crude materials and work); OFDI in this manner gives more assets and chances to monetary development (Chen 2009). Furthermore, OFDI gives access to unmistakable and impalpable assets that are of direct pertinence to PRC's improvement exertion, starting with crude materials additionally including innovation, mark names, etcetera. This improvement goal is reflected in the way that OFDI is energized by the administration through different instruments (examined beneath) specifically enterprises and exercises that are of unique significance to the advancement exertion.

With the regulatory framework for OFDI, PRC is not only trying to identify the international economic situation, but also looking at the international picture as a reference for the development of the domestic economy. It was intended to find the right instrument in carrying out its investment.

These two destinations were explained on again in various resulting strategy records managing OFDI. The most broad and definitive controlling arrangement was set out in the Express Chamber's Suppositions on Empowering and Managing Outside Speculation and Participation by Chinese Undertakings. It
repeated the goals of the nation's OFDI technique that are:29

- More successfully use two sorts of assets and two markets (i.e., local and international);
- Facilitate the auxiliary change of the economy;
- Enhance the global aggressiveness of Chinese firms;
- Promote participation with OFDI accomplice nations; and advance the improvement of PRC (and that of the accomplice nations).

The importance to formulate various regulatory frameworks is a starting step for PRC to control the implementation of OFDI. This is purposed to ensure:

1. the administrative system encourages and bolsters outward FDI to make all around focused Chinese firms: an arrangement of locational resources in type of a worldwide system of remote members gives access to assets of various types (counting know-how, mark names) and encourages access to business sectors; both improve corporate aggressiveness, including by enabling firms to update their own particular capacities and therefore contend all the more effectively in the residential market (with other household firms and outside subsidiaries in PRC).

2. PRC's outward FDI system energizes the kind of outward FDI that contributes straightforwardly to PRC's advancement, particularly by getting common assets, advancing fares or fortifying the nation's mechanical base. The administration has set up an institutional structure and different instruments ('home nation measures') for this reason.30

By setting the rules, then PRC can take various advantages that can boost the domestic industry. Under the rules made, PRC not only see what it would receive, but also prepared a variety of instruments to support investment policies. By doing so, PRC will become the investor with the role of a great achievement at a time anyway.

PRC is turning into a net outward speculator. One likely ramifications of this pattern is that the administration's enthusiasm for ensuring its outward speculations and encouraging access to business sectors for its organizations would be additionally improved, maybe inevitably besting its enthusiasm to shield its own organizations from internal FDI in specific areas. This, thus, no doubt would have suggestions for the nation's approach position on worldwide investment assentions. The watershed accord come to in July 2013 between the administrations of PRC and the USA (with regards to the USA–PRC Key and Financial Exchange) to proceed with their arrangements of a BIT on the premise of pre-foundation national treatment (i.e., giving outside speculators advertise get to) and the negative rundown way to deal with special cases from such treatment (i.e., posting areas that are limited to remote speculators, rather than divisions that are interested in them) pinpoints the move in accentuation in the nation's point of view from a host nation to a nation of origin. In the meantime, it is obviously completely conceivable that this move in approach was likewise motivated—and maybe enormously so—by the desire that it could help in inside monetary change forms Consequently, the BIT arrangements ('century transactions') amongst PRC and the USA have on occasion been contrasted with the transactions that prompted PRC's entrance into the World Exchange Association, as far as the inner change results this section carried with them.31

PRC's turn by making companion to United States of America is the political endeavors to have enormous parts in WTO. By then, PRC is not by any means the only nation that seeks after its own particular national destinations with respect to the outward FDI of its organizations and that has established home nation measures to advance these targets. For all intents and purposes all created nations (yet just a couple creating ones) seek after—to a bigger or lesser degree—comparative approaches and bolster them through suitable instruments. Thus, if home nation measures turn into a question of worldwide arrangements, various nations would be straightforwardly influenced.32 Step PRC by collaborating with

31 UNCTAD (2010), World Investment Report, Geneva: UNCTAD.

32 Tongzon, Jose L. (2005), ASEAN-China Free Trade Area: A Bane or Boon for ASEAN Countries, in: The World Economy, 28, 2, 191-210
the Assembled States the conciliatory endeavors are expected to have a major part in the association of the world economy. Thusly, PRC is not by any means the only nation that seeks after its own particular national destinations with respect to the outward FDI of its organizations and home nation that has established measures to advance Audits These goals. Basically all created nations (yet just a couple creating ones) seek after to a bigger or lesser degree comparative strategies and bolster them through Proper instruments. Consequently, if the nation of origin measures Turn into a question of universal transactions, various nations would be Straightforwardly influenced.

On a national scale, PRC has an uncommon duty to ensure that their investment abroad are very much planned, arranged, and got. This is especially imperative when speculations appear as M&As and are in enterprises that are touchy (e.g., for national security of social reasons) or include famous targets. (Indeed, even M&As in different zones may evoke worries, as they are habitually connected with rebuilding and the shedding of employments.) Subsequently, governments at all levels should be painstakingly arranged, and the advantages of a specific procurement should be spelled out. In addition, once settled, SOEs need to try to end up ‘insiders’, i.e., great corporate natives that are perceived thusly. This can be accomplished, for instance, through sourcing from neighborhood providers, by utilizing nationals in high corporate positions, getting to be individuals from nearby affiliations, and taking part in different corporate social responsibility (CSR) exercises. Actually, SOE partners in host nations could confer themselves to commit a little rate of their profit to CSR exercises in their host nations and to bolster the activity of the Gathering of 7 to build up a worldwide office that helps creating nations (and particularly the slightest created among them) arrange extensive scale contracts with MNEs to guarantee that both host nations and financial specialists advantage impartially from the speculations made, particularly in characteristic assets.\textsuperscript{33}

In its investment policy, setting rules and bilateral selection also become an option for PRC to establish cooperation with many countries. By doing bilateral relations, PRC with the formulation of investment policy, will use a variety of fields to enter other countries in the name of economic relations between countries.

PRC's reestablished enthusiasm for two-sided engagement with Southeast Asia comes in a few spates, which will be touched upon in the accompanying:

1. The increment being developed guide and exchange volumes;
2. The increment of FDI both internal and outward; third is identified with PRC's requirement for oil, gas and other vitality sources; and
3. Security, safeguard and discretion related matters which can't be isolated from the above.

Options to promote outward foreign direct investment policy are the reason for PRC's entry into various countries. PRC understands that many countries that need support large investments in order to be able to run the industry. To that end, the investment policy became one of the points for PRC. In addition, the Southeast Asia region also be given the choice of PRC have long established relationships with many countries in the region, both in the field of investment, also in the field of trade and diplomacy.

As PRC's outward foreign direct investment (OFDI) has developed, its way to deal with global venture assentions (IIAs) has changed. PRC is presently one of the world's most essential outward speculators, with Chinese FDI confronting across the board feedback. The test for PRC is to adjust to this new arrangement of interests coming from these improvements, both as far as its national strategies and the substance of its IIAs. In this manner, it is probably going to impact, maybe essentially, the further development of global investment law.

PRC's readiness to make investments to other countries also looks at how

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PRC within the scope of its domestic fixed or tie aligns national policy with IIAS. In addition, PRC also has realized his position as a country with great economic power. By doing so, PRC needs to have a mature readiness to use its economic power in IIAS to play in investments. The goal is to remain an economic benefit that can continue to support PRC's economic policy. Various economic motives are the reason for PRC to continue to invest.

A blend of intentions drives the development of PRC's outward FDI, thought processes likewise known from the development of MNEs headquartered in different nations, in spite of the fact that their relative significance may fluctuate. A decent part is resource-seeking, clarified by the way that PRC is shy of mineral and oil assets, while its quick financial development needs these in high amounts. Exchange supporting FDI is vital, mirroring the nation's driving part in universal fares. Additionally significant is the craving to get to business sectors through direct speculation (instead of exchange), including to secure the PRC's exporters against conceivable exchange obstructions. Various investments are besides described by the need to obtain innovation and other resource increasing assets, (for example, mark names and conveyance systems). Given increasing expenses especially in the nation's seaside regions (particularly of work), proficiency looking for speculation is getting to be plainly essential, coordinated fundamentally to some Asian and African nations. At long last, various particular elements assume a part, including round-stumbling reserves once more into the nation (e.g., to profit by the assurance of two-sided speculation settlements (BITs)), to profit by lower assesses (or stay away from duties), to stop finances abroad for future uses, or essentially to remove stores from the nation under the appearance of outward FDI.\(^{36}\)

The importance of the supply of raw materials, trade barriers, and taxes into some part of the reason PRC investing abroad. By securing the supply of raw materials, avoiding trade barriers, as well as get lower taxes, it would make PRC's economy will become even greater. To that end, PRC continues to execute its

investment policy abroad so that more countries PRC goes, the more choice for PRC to safeguard its national interests. From some countries with substantial economic improvement, such as Australia, Brazil, and Belgium, and so on PRC still leads the amount of economic value in its investment policy to the rest of the world. Here's the picture below:

**Picture 1: Chinese Global FDI in The World**

With the estimation of the investment is high, The Chinese government has kept up a dynamic strategy of boosting exchange and investment ties far and wide, particularly with nations in Asia.37

That choice was investing into other countries actually also coupled with Chinese acceptance of foreign investors in the country. But PRC still put forward its outward foreign direct investment. In addition, PRC, statistically also continued to increase from year to year in a variety of investments. This clearly indicates that the choice of investments to various countries has become a focus for the country to continue to expand its economy in every country in the world. In the perspective of national interest, the option to investment abroad will have an impact on economic growth for every business in the country. Therefore. PRC makes every business in the country as the engine driving the economy.

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"With US$ 1.25 trillion in ODI expected throughout the following decade, PRC appears to be set to enter the fast track as a ‘global in. Abroad investment are helping more Chinese organizations from more divisions get to new markets, and gain the experience, innovation, brands and human capital important to end up noticeably more aggressive. Beneficiary nations are additionally profiting by the capital, encounter, cost-focused contributions to the creation procedure and extended market openings that Chinese financial specialists bring. There is an expanding acknowledgment that Chinese organizations can make progress in ranges like foundation and agribusiness by "collaborating" with occupant players in key target markets."

By making any Chinese companies as a way to open a new access into the world economy through investment policies, PRC is not only improving human resources, but also trademarks and technology will also continue to grow. It has become very important for PRC’s economy considering PRC should continue to

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38 PRC Outlook 2015, p. 10
maintain its identity as a country with great economic power as well as encouraging a variety of domestic strength to be more competitive in view of world market share.

PRC's fast walks in extending its exchange relations with Southeast Asia have been paralleled by the development of its part as a wellspring of local investment. As it secures the assets important to fuel its development, Chinese state-claimed ventures (SOEs) are putting intensely in mining, gaseous petrol, and logging openings all through the locale. PRC has conferred US$100 million in help and investment to Myanmar and is effectively extricating Indonesian gaseous petrol, putting resources into foundation advancement in the Philippines, building up rail and interstate connections with Cambodia, Thailand and Singapore, and promising to dig some portion of the Mekong Stream in Laos and Myanmar to make it appropriate for business route.40

Through its investment policy, PRC uses Chinese state-owned enterprises (SOEs) to make investments into various fields. The aims are that the investment made a positive impact not only Chinese companies but also provide positive results for the home country. By the equally interests achieved, then the investment relationship will continue and if it will further strengthen its position in these countries, including Indonesia.

Through the support of economic, Chinese investment – probably the largest of any foreign country– is not found in international statistics.41 That Data explains how big and many of investment numbers of PRC’s did abroad. In Southeast Asia, private language schools in Malaysia and Indonesia report rising enrolment in Chinese classes. This will also have important spill-over effects on future trade and investment patterns.42 Mutual relations felt by PRC and its partners also have been looked in human resources level. This purposed to have better communication among them.

41 Central Board of Statistics (2006), Statistical Yearbook of Indonesia, 2006, Jakarta.
42 Central Board of Statistics (2009), Statistical Yearbook of Indonesia, 2009, Jakarta: Central Board of Statistics.
Other than that, Beijing transparently demonstrates its craving to advance Chinese abroad investment. Chief Wen Jiabao told a business gathering of people at an ASEAN summit in Bali: 'The Chinese government will support a greater amount of its organizations to make speculation and set up their organizations in Asian nations'. More than 100 Chinese business administrators went to a venture discussion held in conjunction with the Bali summit and another 40 organizations went to an Asia Pacific Monetary Gathering speculation meeting in Bangkok that month.\(^{43}\)

Aggressive measures of PRC is very visible in the statements of officials in the country. Investments abroad as a strategy has made PRC as a country that seeks cooperating with regional organizations such as ASEAN and continue to drive the business entrepreneurs from his country to participate in various opportunities that can make it as investors.

Looking at the various strategies of PRC in OFDI, can be seen in how the readiness and capability of PRC in promoting OFDI as a step to play its role in the world economic system as well as a way to get the national interest. The ability of the economy, diplomacy, and the attractiveness of PRC have made the country as an important country with an important role in the economic policies of other countries that want to boost the country's economy.

Strangely, the ascent of PRC's OFDI is making both dangers and openings. The essential risk is that baseless doubts about this investment and its effect will come to overwhelm the approach by host nations (and especially created nations) to PRC's OFDI. In the event that that danger eventuates, it will be unfavorable to both PRC's financial advancement and the monetary improvement of host nations, which would forego the chance of profiting from the unmistakable and impalpable resources related with FDI from PRC. It would further be adverse to the general mix of PRC into the world economy. PRC, the host nations of its OFDI, and the world economy everywhere, in this manner have a motivator to guarantee they

have arrangements set up that enable them to limit any negative impacts and expand the beneficial outcomes that spring from the fast ascent of PRC's OFDI.\textsuperscript{44}

II.2. PRC’S OUTWARD FOREIGN DIRECT INVESTMENT (OFDI) TO INDONESIA 2010-2015

As a country with OFDI as a strategy to play a role in many countries, PRC made Indonesia one of the areas to invest. The economic climate in Indonesia is very appropriate for PRC since Indonesia is a country with sizeable investor needs.

Indonesian economy is ruled by ethnic Chinese which makes the nation appealing to multinationals from PRC. Numerous Indonesian Chinese still speak Chinese, and as at this point every one of them were conceived in Indonesia, they know the neighborhood market and conditions well. Then again, numerous expat territory Chinese don't yet communicate in English well. Multinationals from industrialized nations and recently industrializing economies migrate their work concentrated low-innovation nightfall enterprises to low-wage creating nations to profit by low wages and look after intensity. Multinationals from PRC don't have an indistinguishable motivations to do as such from wages in PRC are as of now moderately low. Or maybe, they tend contribute to serve nearby markets or concentrate assets. In a few areas, e.g. framework and cruisers, Chinese innovation is more best in class than Indonesian and Chinese speculators can profit by joining their innovation with area particular resources.\textsuperscript{45}

With a variety of advantages, PRC comes as the investor which is able to capitalize on the Indonesian market by encouraging the country's various businesses to make investments in various fields.

Circumstance or environment of Indonesia for investor specialist nations, for example, PRC is that Indonesia is rich in characteristic assets, coal, minerals like tin, gold, copper, nickel and bauxite, oil and gas and fruitful land to bolster


rural items. The archipelago's tropical climate and gigantic land bank makes it perfect for creating palm oil, elastic, espresso, cocoa and rice, the staple of the vast majority of the populace. It is these assets, together with the islands' focal area amongst India and the Orient, that have made Indonesia so alluring to outside merchants, rulers and financial specialists both truly and starting today.46

This condition is an added value for PRC to invest in Indonesia. Indonesia's natural wealth for the benefit of PRC's much-needed industry become an important reason for the country to invest. In addition, the geographical position of Indonesia to become a transit point for connecting the continent is also making Indonesia is very strategic for investors.

Controlled wage development, gave joined by a maintained enhancing business viewpoint, ought to bolster "the Indonesian customer story". The substantial populace and utilization base is a major motivation behind why numerous multinationals rank the nation as the remote venture goal of decision in South-east Asia. Indonesia's populace developed at a rate of 15.8% from 2000 to achieve 240 million in 2010 and was 250 million in 2014. It is conjecture to be 263 million by 2020. The Focal Insights Organization (BPS) has assessed that between 2010 to 2035 the nation's populace will develop to more than 305 million at 3 million every year. Another report alludes to assessments of Indonesia's populace surpassing the USA by 2043. The nation is the most crowded country and is likewise the biggest market in Southeast Asia. Indonesia's 250 million individuals make up 40% of the 625 million of consolidated ASEAN nations.47 Close to, Indonesia invites remote venture all alone terms. Government strategies go for guaranteeing that nonnatives work with Indonesians to aid improvement of the nation's economy and expertise base. There is a general acknowledgment that Indonesia needs the improvement capital, and the specialized and administration abilities of outsiders. Government direction of outside interest in Indonesia is showed in an assortment of courses, for instance:48

46 KMPG Indonesia, Investing in Indonesia, 2015, p. 3.
48 Letchumanan, R.; Kodama, F. Reconciling the conflict between the “pollution-haven” hypothesis and an emerging trajectory of international technology transfer. Res. Policy 2000, 29,
- Approved and observed through legislative bodies
- Companies can utilize just a predetermined number of ostracizes, and are required to show gets ready for substitution of those exiles by Indonesians (except for exile executives and chiefs)
- Certain fields of business are shut to investment by nonnatives
- Foreign people are allowed to procure land or land rights with various limitations. An "outside financial specialist" is generally a remote organization joined under the laws of its host country; however remote people are additionally adequate.

This situation is then encouraged PRC to make Indonesia as its investment objectives. With their large market share, Indonesia is very appropriate to be used as investment areas.

Since the old relations amongst Indonesia and PRC has been developing. The Bank of PRC was set up in Indonesia as right on time as the 1930s. Just since political relations amongst PRC and Indonesia were continued in 1990, Chinese FDI begun to stream into Indonesia. The lion's share of Chinese FDI is performed by state claimed undertakings. It is normal to enter through joint endeavors for various reasons: the speculation law in Indonesia does not allow full remote capital interest in certain financial exercises.¹⁴⁹

Regulations that developed in Indonesia do not deter Chinese investors to invest in Indonesia. It is evident from the increasing amount of investment from PRC every year. It can also be seen in the period 2010 to 2015.

In this period, the Indonesian Government claimed that there has been a significant increase in the investment value of PRC through OFDI was increasing. In the period 2010-2014 the realization of PRC’s investment amounted to only 7 percent, while in 2015 amounted to 14 percent.⁵⁰

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The period 2010-2015 was a period of realization of the commitment of PRC to the Government of Indonesia as a result of an agreement between the two countries in several opportunities for economic improvement.

The increasing of Chinese OFDI in 2015 was 14% indicated that PRC increasingly sees Indonesia as an investment destination as well as concrete proof that Indonesia is a country with a promising potential investment for the investor country.

Such improvements can be seen in the annual report issued by the Indonesian Investment Coordinating Board (BKPM), below:

**Picture 3: PRC’s Investment Progress in Indonesia during 2010-2015**

![Graph showing PRC's outward investment in Indonesia from 2003 to 2015](source: Thomson Reuters Datastream, Ministry of Commerce of the People's Republic of China)

See the picture above, it can be analyzed that there is a positive development in economic relations between Indonesia and PRC. Both countries are now building an economic relationship that is more specific in the field of investment. PRC’s OFDI is a form of seriousness PRC and Indonesia admission to the country of PRC to jointly build and improve the economy of both parties.

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51 Indonesia Investing Coordinating Board, *Domestic and Foreign Direct Investment Realization in Quarter IV and January-December 2015*, January 2016, p. 28.
PRC's economic strength which has become an important player in the world economy and Indonesia as countries that are making improvements in the economic field put the two countries are in agreement to establish cooperation.

BKPM (Indonesia Investing Coordinating Board) recorded throughout 2015, permit application of the principle of PRC that entered the BKPM reached Rp277 trillion. The amount is the largest in over Singapore amounting to Rp203 trillion and Japan amounted to Rp100 trillion. PRC is one of the priority countries BKPM in 2015 along with Singapore, Japan, South Korea, United States, Australia, Taiwan, the Middle East, Malaysia, and the United Kingdom.  

Many countries make their investment in Indonesia, but it is possible for PRC to play a role. Increasing the value of Chinese investment in 2015 could be a starting point for the two countries to continue economic cooperation given PRC's huge economic power and PRC’s investment commitments in Indonesia that have the potential to continue to increase in the period ahead.

The following data is explained in the last five years, the largest sector of Chinese investment in Indonesia was the utilities sector, namely:  
1. electricity, water, and gas accounted for 23 percent,  
2. 21 percent and the mining sector  
3. The metal industry 16 per cent.

President Xi Jinping has stated its commitment to encourage Chinese investment to Indonesia. The presence of Trade and Investment Cooperation Forum Indonesia-PRC is an initiative that is very appropriate for this commitment. Statement of President Xi Jinping can be considered as the serious intention of PRC to see Indonesia as promising partner in investment field.

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CHAPTER III

PRC’S SOFT POWER THROUGH ITS OUTWARD FOREIGN DIRECT INVESTMENT

This part is a chapter on PRC's soft power in the field of investment. As a country with great economic power, PRC was the country with the ability to carry out its economic policy through various institutions that support it in providing broad influence in the world economy. Achievement of PRC lies in the use of economic institutions at regional and international level to expand the market through soft power on the run in the change order policy or global policy. Changes in the global economic order is the way in which the Chinese to influence the passage of the world economic system.

PRC's diplomacy with the ability to create a global economic order that PRC wanted. That country uses force as a soft power on the investment for entry into countries that need support investment. The existence of PRC in various institutions in economic field, aimed to determine the direction and the global economic system through rules and PRC's economic strength to enter the country through the various issues and problems of the economy, particularly investment. Interestingly, the strength of economic, PRC is likely not only to be a model for countries who want economic success like PRC, but also the ability of PRC to set the agenda and structure of the world economy through attractive acts which is admired by many countries toward the economic strength of PRC. PRC's entry into these countries is inseparable from the strength of Chinese investment as its appeal and the needs of other countries on the attraction, one of them is Indonesia.

Indonesia is a country with huge investment needs. This is in line with PRC's desire to undertake OFDI through interest in Indonesia to PRC as a new economic power in the new global economic order as well.

III.1. PRC’S POLICY IN ECONOMIC REGIMES INSTITUTIONS

PRC's economic development is inseparable from the economic changes that occurred in the era of globalization. This era illustrates the interdependence among countries in economic field, one of them is investment. Moreover,
globalization also play a role in use of institutions engaged in the economic field at the same rule to run and as well as media for PRC to contribute through the international economic structure.

Globalization is quickly changing the general structure of the universal division of work with the move of administrations and assembling from the old industrialized economies to the new developing mammoths – the worldwide office stage in India and the worldwide manufacturing plant floor in PRC. This separation underway, administrations and assembling means a test toward the West but at the same time is an integral part of the natural uneven characters on the world economy.55

The ability of PRC in the global industry is a challenge for Western countries which have been so long became central world economy. The presence of PRC changed the way of viewpoint all countries of the ability of PRC in the world economy. It is a step for PRC to play its role as a country with great economic power.

The world economy is inseparable from the role of institutions is encouraging PRC to make changes in the economic development field. The goal is to not rely on the role of Western countries which have control over every institution in providing loans at once set the rules for countries that are economically weaker.

The latest, conspicuous, and incidentally most case of this wonder was declaration of the New Development Bank (NDB), built up by PRC in conjunction with its BRICS accomplices: Brazil, Russia, India and South Africa. The NDB, made "with the reason for assembling assets for framework and maintainable advancement in BRICS and other rising and creating economies," helpfully fills in as a contrasting option toward the Western-overwhelmed World Bank and International Monetary Fund.56

By developing the New Development Bank (NDB), the PRC has greater opportunities in expanding markets. In addition, PRC is also able to weaken the countries which have mastered the field of monetary lending institutions preformance. By having NDB, PRC is able to set various policies to attract the interest of many countries to cooperate with PRC in the economic field. In addition, these rules could change the order of the world economic structure that has been many years determined by the United States and Western countries.

The ability of PRC to develop the New Development Bank (NDB) has a positive impact for the country to carry out its investment policy without cooperating with countries that have become competitors. By presenting the New Development Bank (NDB), PRC could do more to create an economic order that is no longer oriented to the west.

Instead of viewing the Western nations that command the World Bank or IMF assume acknowledgment for improvement extends in Africa, or Japan driving the Asian Advancement Bank in East Asia, PRC will have the capacity to assume a more huge part in worldwide improvement through the NBD. The advantages to Chinese worldwide impact are self-evident.\(^57\)

In addition to creating the New Development Bank (NDB), direction of Chinese economic policy in the world economy is through cooperation with regional and other global institutions. Through APEC, PRC began promoting its economic power by showing the world that APEC can be partners together with PRC to build PRC's perception of the global economy.

As of late, PRC has progressively utilized APEC as a gathering to skillfully advance and build up its soft power. In October of 2001, in the quick result of the September 11 psychological militant assaults in the Unified States, PRC facilitated the APEC Pioneers Meeting in the blasting city of Shanghai. The overall media consideration on this occasion, which is genuinely escalated in any year, was significantly more noteworthy given the way this was the primary real assembling of worldwide pioneers since the grievous assaults. Everyone's eyes

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were centered around Shanghai.\textsuperscript{58}

United States which has been the engine driving the world's economic institutions, experienced hard times, especially the threat of terrorism that had made the US suffered a setback. This situation is then used by PRC to strengthen its influence in APEC.

In a few regards, PRC’s fruitful facilitating of the APEC pioneers meeting in Shanghai in 2001 was a forerunner to PRC’s facilitating of the Beijing Olympics in 2008, and the present Shanghai World Expo, two occasions which have been much more impactful in flagging PRC's landing to whatever is left of the world. Such soft power showcases ought not be thought little of as a way to shape observations and sentiments - both locally inside PRC, and maybe more essentially in different countries around the globe.\textsuperscript{59}

Through various activities, PRC shows to the world that PRC’s economy is a world economic power. This perception which then continues to grow and make PRC as an economic power that is recognized worldwide. By using the economic institutions or organizations, PRC is attempting to gain legitimacy as a country that is able to support other economies through various economic activities, both capital loans and investment.

PRC has long attached to focusing on financial, social and improvement issues inside UN, pushing for a more grounded concentrate on these "soft" issues as opposed to security. PRC has taken part in the exercises of the purported Gathering of 77 creating countries. G77 is intended to reinforce the impact and use of creating economies inside the UN.\textsuperscript{60}

The presence of PRC in the G77 is a form of the seriousness of PRC to hold a lot of countries in the economic field. The goal is for PRC can engage in economic development given the many countries that recognize and admire, and want to increase economies like PRC.


\textsuperscript{59} Ibid., p. 42.

Through the quality of its economy, particularly its investment arrangement, PRC's developing utilization of "soft power" in Southeast Asia-non-military actuations including society, strategy, remote guide, exchange, and investment has displayed new difficulties to U.S. policy strategy. PRC has utilized its interest to impact Southeast Asia to make strides Washington wants. The Relationship of Southeast Asian Countries (ASEAN)- PRC organized commerce understanding, conceivable simply because of the interest of PRC as a financial model, has constrained Southeast Asia pioneers to think about the district as one monetary coalition, a thought U.S. organizations favor. PRC has demonstrated compelling on non customary security issues, working with its neighbors to address trafficking in medications and individuals.

PRC's desire to expand the market economy is also seen in PRC's involvement in Southeast Asia. This area became PRC's goal as many countries in this region are still using an economic model which many refer to the United States as well as the needs of the countries in the region for foreign investment is quite high. It became the focus of many countries in Southeast Asia that also saw PRC as an economic power and put the presence of the Chinese as the partner for cooperation.

This additionally infers ASEAN has seen a noteworthy calculated change of its Northern neighbor, from what was named a 'PRC risk' to one of a "favorable" PRC with circumstances.

This condition is becoming worldview countries in Southeast Asia toward Chinese presence in the region. This is evidenced by the many investment cooperation between PRC and Southeast Asian countries or regional organization.

Dynamic financial development will drive abroad interest in the ASEAN nations, instead of occupy FDI from the district. 'PRC's fast development will

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61 Thomas Lum, etc. PRC’s Soft Power in Southeast Asia, CRS Report for Congress, January 4, 2008, p. 1.
bring about a move in near preferred standpoint between the district and PRC. PRC well constitute the fourth flood of FDI for Southeast Asia.  

ASEAN needs on the strength of the economy than the United States is very large considering the US itself is experiencing hard times in the economy. PRC's interesting point to the presence of PRC is the soft power of PRC in the region.

The presence of PRC as an economic power, other than the United States provides an opportunity for many countries to regard PRC as an opportunity. On the other hand, PRC itself has the same needs in the expanding market investments. PRC's desire to invest in the region could easily be implemented in view of the strength of PRC's investment is soft on the power to attract the interest of other countries against PRC.

After the emergency, ASEAN Secretary General Rodolfo Severino declared, "PRC is truly rising up out of this noticing great." With Southeast Asian suppositions of Washington falling, and with Taiwan's 1990s investment push into Southeast Asia vacillating, a window was open for Chinese soft power.

PRC's economic strength as a soft power on has brought PRC at least equal with economic strength has been there, such as the US, Japan and Korea. PRC's presence would have an influence in setting the agenda as well as the structuring of regional economic development through the ASEAN plus three.

PRC's choice not to revalue its cash balanced out the provincial monetary request. Soon after that, PRC, Japan and South Korea started having yearly exchanges with Southeast Asia under the ASEAN-in addition to three equation. In 1999, after PRC's promotion to the WTO, ASEAN governments started to stress over the effect of Sino-US exchange relations. Subsequently, PRC proposed a free trade agreement (FTA) with Southeast Asia, the structure for which was marked in 2002. PRC turn into ASEAN's second-biggest exchanging accomplice and two-sided exchange could achieve US$200 billion in 2010. Street and dam building, solidification of control over the South PRC Ocean, exchange and investment

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64 Ibid., p. 31.
joined with overseas development aid (ODA) and military help, may in the long run outcome in PRC's mastery of Southeast Asia paying little mind to Beijing's expectations.  

Various agreements generated by PRC is a testament to the success of PRC's soft power to gain legitimacy as a large country and the success of PRC in determining the economic agenda in Southeast Asia. PRC's involvement in ASEAN is the first step of PRC to encourage economic order where PRC as a country that plays an important role.

The report describes PRC's evolving diplomacy and more active role in regional organization such as the Association of Southeast Asian Nations (ASEAN). PRC's active role as a country that is able to shift its competitors, such as Japan and South Korea to contribute to the regional economy.

Through the strength of its economy, PRC began to establish cooperative relations through the ability to attract and influence ASEAN to cooperate. The entry of PRC to cooperate with the regional organization has been running long enough.

Official relations amongst PRC and ASEAN started in July 1991 when Beijing began going to the ASEAN Post-Ministerial Conference. This was trailed by different collaboration and association concurrences with ASEAN, including one on Thorough Monetary Participation, one on the South PRC Ocean, and another on Non-Customary Security Issues. Since July 1994, PRC has likewise turned into a full discourse accomplice of ASEAN and an individual from the ASEAN Provincial Discussion (ARF). All these discretionary association assentions help to guarantee the ASEAN-nations of a more benevolent PRC in its standpoint and national technique, and have decreased the past discernment. PRC is progressively being perceived as a favorable power, as well as a dependable performer on the world stage. The way to this arrangement change has been Beijing's turn towards logic, which can be seen in both PRC's household strategies

67 Thomas Lum, etc. PRC’s Soft Power in Southeast Asia, Op. Cit, p. 1.
and outer relations. Southeast Asia acknowledges the standardization of PRC's new approach. This is enveloped in a more prominent modernity of its outside approach, and Beijing has intentionally overhauled its general vital engagement with the locale in light of a dynamic arrangement of key companionship with ASEAN nations.\textsuperscript{68}

The presence of PRC in various fields in ASEAN gave PRC access to be involved in many issues. In addition, the contribution of PRC, one of them is in economics, has made the country as a force that many involved for each deal. PRC not only have the power of a much-wanted other countries to engage PRC sees opportunity but also as a form pragmatism to achieve its national interests.

PRC appears to have moved more quickly than the United States in promoting trade with the region through establishing free trade agreements (FTAs).\textsuperscript{69} To ensure the involvement while keeping its chances, PRC continues to run its foreign policy by encouraging various agreements. On many occasions, PRC-ASEAN had done so much economic interaction in the field of trade and investment.

ASEAN-PRC exchange totaled US$ 39.5 billion and US$ 41.6 billion separately in 2000 and 2001. ASEAN's offer in PRC's remote stock exchange has been consistently on the ascent, expanding from 5.8 percent in 1994 to 8.3 percent in 2000. PRC is presently the 6th greatest exchanging accomplice of ASEAN. The two-route exchange amongst PRC and ASEAN has been developing at a substantially quicker pace than that amongst Japan and ASEAN as of late. PRC-ASEAN exchange topped $100 billion in 2004, and took off 25% in the main portion of 2005 from a year prior in the midst of progressing diminishments in levies. ASEAN is currently PRC's fourth-biggest exchanging accomplice behind the European Union, the US and Japan. PRC has as of now superseded the US as the greatest exchanging accomplice of Japan and South Korea. For ASEAN, the US and Japan are as yet the two greatest exchanging accomplices. It is simply an

\textsuperscript{69} Thomas Lum, etc. PRC’s Soft Power in Southeast Asia, \textit{Op. Cit}, p. 1.
issue of time before PRC will supplant both as ASEAN's greatest exchanging accomplice.\textsuperscript{70}

The success of diplomacy PRC to become a partner of ASEAN through soft power on the interest of ASEAN countries to partner in the field of trade and investment, now make the country an actor who is able to shift the existence of the United States and its allies and PRC as an economic model that many reckoned the world.

In 2005, ASEAN turned into PRC's fourth-biggest exchanging accomplice behind the European Union, the US and Japan. PRC has as of now superseded the US as the greatest exchanging accomplice of Japan and South Korea. It is simply a question of time before PRC will supplant the US and Japan as ASEAN's greatest exchanging accomplice. PRC's fare structure is comparative in many regards to that of the ASEAN nations. The PRC is a fare opponent to its provincial neighbors in both work concentrated items and in products with more noteworthy innovative intricacy. It is additionally a rival as far as its ability to pull in FDI, which can just increment to the detriment of others. In focused fare limit the PRC is a danger to Thailand and other Southeast Asian economies' pieces of the pie in the EU, US and Japan. More serious rivalry is, consequently, not out of the ordinary in third-nation markets and ASEAN local markets with the foundation of a FTA. PRC has the least unit work cost and accordingly a near wage advantage in connection to the first ASEAN-6. Indeed, even as to efficiency build, PRC's yield per laborer is becoming speedier than that in the Philippines, Malaysia and Indonesia.\textsuperscript{71}

In conducting its soft power on, PRC is not only dependent on its economic power that has become an attraction for other countries, but also the source of PRC's strength also lies in its human resources.

Beijing is in certainty utilizing patriotism and the 'glories of the Chinese civilization' to ingrain a feeling of solidarity among Chinese nationals locally and among the Chinese Diaspora in Southeast Asia. Despite the fact that Beijing may


recognize that wild patriotism could represent a threat to its own inside steadiness, it has keenly outfit it to construct another Asian pride and personality, which it expectations could help set up another Asian arrangement of governmental issues, financial matters, security and culture inside the "ASEAN+3" system.\textsuperscript{72}

PRC's approach has been inconspicuous, utilizing soft power and financial tact to construct a benevolent multilateral structure in the state of a facilitated commerce concurrence with ASEAN.\textsuperscript{73} PRC has had the high ground by taking various early solid activities. In a geo-financial viewpoint, the Framework Agreement for Overall Economic Cooperation marked in November 2002 turned into the beginning stage for the production of the world's greatest facilitated commerce zone with more than 1.8 billion individuals. Under that understanding, PRC and the old ASEAN individuals will put zero taxes on most fundamental items by 2010.\textsuperscript{74} PRC has additionally supported the 'North-South Passageway' investment to manufacture a roadway connecting Kunming and Bangkok by means of Laos. The expressway is planned to be totally opened to movement in 2011. Japan shrugged off subsidizing the venture, incompletely out of dread of loaning PRC a submit expanding its impact southward on the IndoPRC landmass. PRC additionally set up an uncommon store totaling $20 million inside the ADB for neediness easing of the area in 2004. As a financial, political and social power house, PRC has been skilled at surpassing the US in what American political researcher Joseph Nye has named the soft power approach in affecting remote social orders' popular suppositions, and accomplish sensitivity.\textsuperscript{75}

Sympathy gained by PRC, the country has not only played a role in the field of trade and investment, but also on foreign aid and debt for countries that need a cash injection. Usually a lot of countries want the International Monetary Fund (IMF) to play a role, but now PRC is able to change the order of the structure.

\textsuperscript{72} Ibid., p. 41.
\textsuperscript{73} Buckley, P.J.; Clegg, L.J.; Cross, A.R.; Liu, X.; Voss, H.; Zheng, P. The determinants of Chinese outward foreign direct investment
\textsuperscript{74} Ibid., p. 39.
PRC avoided depreciating the renminbi as well as gave a US$1 billion advance bailout of Thailand. In spite of complaints by the IMF and Washington, in June, 2003, 'PRC and 10 other Asia-Pacific nations, including five ASEAN individuals, consented to set up an Asian Security Subsidize worth more than $1 billion to help salvage economies in emergency'. Not long after in December 2004 PRC executed moment security finance for another $2 billion to be put resources into Asian cash designated government bonds.\textsuperscript{76}

With its economic capabilities, PRC is not only to make himself as attractive, but also a solution for the economic problems of the countries that are economically weaker.

Keeping in mind the end goal to fathom the intentions and destinations of Chinese practicality, it is vital to put both respective and multilateral political activities and remote arrangement into the general exchange and security setting and comprehend the interior and outer imperatives for a Chinese far reaching methodology in Southeast Asia. The locale all in all keeps up an exchange surplus with PRC of US$8 billion every year, generally from its colossal fares of crude materials and accuracy hardware. PRC likewise consented to an 'Early Harvest Package' that is seen by ASEAN as 'to a great extent a concession' to give benefits through tax decreases on 573 items including agrarian and produced products.\textsuperscript{77}

PRC's ability to attract other countries is not only done in the form of trade, aid or investment, but also PRC is able to accommodate the desires of the ASEAN countries. The aim is that the ASEAN countries do not feel the compulsion, but rather the form of interest on the strength of PRC's reliable.

Through the investment policy, PRC and Southeast Asian countries involved in the deals. Although not yet fully large role, but PRC continues to be attractive for the countries in the region.


\textsuperscript{77} Athukorala, Prema-Chandra (2008), Singapore and ASEAN in the New Regional Division of Labour, in: \textit{Singapore Economic Review}, 53, 3
FDI into Southeast Asia has been declining significantly. In this unique circumstance, it is straightforward why ASEAN is presently attempting to build up a cozy relationship to PRC. In 2000, Southeast Asia got just $10 billion of remote capital, a 37 percent decrease from the $16 billion in 1999. The figure was $27 billion in 1996 and $19 billion in 1998. PRC is the solitary recipient of the worldwide ventures streams while Southeast Asia both on individual nation by nation premise and as a locale has been rejected as a noteworthy beneficiary of worldwide FDI streams.78

Although PRC has not been able to contribute so much, but the policies of economic, PRC continues to focus on the region of Southeast Asia, making the country as required by the investment policy. The aim is that the countries in the region still provide access for PRC to play its part in economic structure, as well as to prevent the strength of the economy to get involved.

Informal reports by ASEAN authorities guarantee that the outside arrangement point is a piece of a more extensive pushed by PRC to convey multilateralism against what it sees as US unilateralist dominion in the region and the world. 'This is a long haul diversion that PRC is playing,' says a senior ASEAN official. They need a circumstance in Southeast Asia that naturally considers PRC's interests. The entire target of the strategy is to stay away from vital circle by the U.S.79

Desire of the countries of Southeast Asia to keep engaging PRC in the region, encouraging these countries to establish closer cooperation. Desire of countries in the region not only involve PRC in a regional organization but rather lead to bilateral relations. The Association of Southeast Asian Nations, the most critical territorial gathering, is obviously expected to consider its interests initially, settling on choices in light of Southeast Asia's needs. In any case, a few Southeast Asian nations, similar to Burma, Cambodia, and bigger and wealthier Thailand, have grown such close binds to PRC that they regularly appear to consider Beijing's interests while they are settling on choices in Asean. In fact, Southeast Asian representatives say that in the previous three years, accord at

Asean gatherings frequently is deferred as part countries investigate how Beijing will respond to any choice. "A great deal of Asean nations obviously mull over what the Chinese think—and data unobtrusively gets spilled back to Beijing about who's on their side," says one senior Southeast Asian negotiator. "Asean countries are attempting to make sense of what PRC needs early.\textsuperscript{80}

PRC's involvement not only in ASEAN and ASEAN countries, but also in the larger regional order, the East Asian Summit (EAS) involving countries that are economically strong. PRC has been an inexorably dynamic player in multilateral associations that incorporate Southeast Asian states, for example, ASEAN in addition to three — ASEAN, PRC, Japan, and South Korea — and the East Asia Summit (EAS), which incorporates PRC, Japan, South Korea, India, Australia, and New Zealand, and also the ASEAN states.\textsuperscript{81}

Other than Asia, PRC is likewise seeking after an approach of soft power on somewhere else on the planet. PRC moved down its changing methodology with genuine activities. In Latin America, it joined the Association of American Expresses, the most critical local gathering, as an onlooker; it seen at the Between American Improvement Bank, the real universal monetary establishment in Latin America; and it consented to an arrangement on nearer relations with the Andean People group. In Africa, PRC started to offer help to the African Union and to assume a bigger part in the African Development Bank. In Asia, PRC joined the Association of Southeast Asian Nations as an exchange accomplice, assumed a developing part in the Asean Provincial Discussion, turned into a noteworthy constrain behind the primary East Asia Summit, and made an Asia Collaboration Reserve to help Chinese government offices increment their participation with Asean. Truth be told, as indicated by Asian negotiators, PRC has started much more joint ventures with the Relationship of Southeast Asian Countries than other Asean accomplices, similar to Japan or the United States.\textsuperscript{82}

\textsuperscript{81} Thomas Lum, etc. PRC’s Soft Power in Southeast Asia, \textit{Op. Cit}, p. 3.
PRC likewise is pondering working with other guide contributors so that its help does not undermine World Bank or IMF programs supporting great administration. In a few regards, PRC's guide fills crevices—PRC builds streets and scaffolds crosswise over Africa and Latin America, where most significant givers surrendered financing foundation decades back, and it regularly creates framework much more economically than temporary workers working for Western guide associations. PRC may make its guide programs more straightforward and advanced. In emergencies like the Asian torrent, PRC has facilitated with different givers. On different events, in Cambodia and East Timor, Chinese authorities were welcome to gatherings of every significant contributor, and started going to, demonstrating their enthusiasm for working with different nations. Beijing additionally has unobtrusively advised guide masters that it needs to construct a Chinese rendition of the Unified States Organization for Worldwide Improvement (USAID), a lasting guide administration. Building a Chinese USAID would make Chinese guide more responsible, since it would make an autonomous association brimming with help experts as opposed to depending on the Chinese Service of Trade—which essentially connects help to PRC's prompt political and financial needs—to dispense help.\(^8\)

The success of PRC's active role in regional economic agenda and the structure does not make the country to stop expanding its influence. With the soft power of its power, PRC is not only playing in ASEAN, but the country also seeks to show its presence on a global level. This was evidenced by PRC's efforts to make the appeal to the world. Through the World Trade Organization (WTO), PRC continues to run soft power.

PRC is utilizing soft power' solutions for support 'cooperation’s with many creating nations to cement its position on the World Trade Organization, utilize its muscles on the world stage and go about as a balance to US control. It appears to be evident that the Chinese authority endeavors to build its capacity to draw in

and convince the world group, territorial gatherings and individual states to agree to its interests.  

PRC's developing monetary power has driven it to end up plainly progressively included in worldwide monetary strategies and activities, particularly gone for financing framework advancement abroad, including the current creation by PRC of two new speculation banks. PRC's developing monetary impact internationally has brought up various issues, and at times, worries, with reference to how PRC's ascent will influence U.S. monetary interests and impact on worldwide financial approaches. PRC's monetary ascent has turned into a consider congressional verbal confrontation over different parts of U.S. exchange arrangement (that are not specifically identified with PRC, for example, the recharging of Trade Promotion Authority (TPA) and the Trans-Pacific Organization (TPP).  

In order to further strengthen its presence in the world of the international economy, PRC also joined in several organizations, such as the World Trade Organization (WTO), and BRICS is an acronym for Brazil, Russia, India, PRC and South Africa as a country that is believed to be a new shaft rotation economic wheel. The Chinese movement makes its economy is forecast to be the highest in the world to beat the United States.

PRC entered the WTO as well as the reason PRC's entry into the Olympic members. In the Olympics many rules unfair and dictated by a few large countries. Similarly with the WTO. PRC is not anti-globalization in the sense of globalization of technology, rule of law, for all countries. But, which is opposed by PRC and the third world is "Americanized peg all global standards for environmental issues, trade, and moral". Most of the world trade turnover is within the WTO. Without going into the WTO, PRC will not get the opportunity to compete more broadly and is responsible for obtaining market.  

This is an inevitable requirement for PRC's economic growth. In

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86 Ibid., p. 221.
addition, there is a political need for PRC with their entry into the WTO. PRC hopes to have a voice in the WTO and could be a country that express the aspirations of the Third World. Another requirement is that PRC can learn and update the legal system and trade. PRC needs the world body to fight poverty. Xiao Lian said it is not a guarantee for PRC to make a profit with the entry into the WTO, but a chance to compete in the global economic structure.87

Establishment "BRICS Development Bank", as the realization of the previous meeting and that is very important because this bank will help the five countries take advantage and increase profits with each other, they also sincerely hope to cooperate with other developing countries. "BRIC Development Bank" is expected to play an important role in promoting economic growth in five countries, and facilitate trade and investment. Different from the IMF and the World Bank, Development Bank of the BRIC will be adjusted to offer projects in developing countries in ways that are more profitable and fair trading system.88

Through the soft power on, PRC has played an important role in many agendas and economic structures in many regions and globally. The ability of PRC's economy has become the country's appeal to encourage the many countries involved in the deal economy.

The appeal of the Chinese economy make the country as the country with the soft power skills that many countries at once become reckoned many countries during this determines the direction of the world economy is slowly losing influence and being replaced by PRC. It makes many countries, one of them is Indonesia, to see PRC's economic strength as an attractive value for Indonesia.


88 Ibid.
III.2. PRC’S ECONOMIC GROWTH AS THE ATTRACTIVE VALUE FOR INDONESIA

As a country that is heavily involved in the world economy, the country is able to determine the various agenda and structure of the world economy. PRC's economic strength in determining the world economy makes the country as a country that has great appeal not only for organizations or economic institutions, but also the interest of many countries, one of them is Indonesia, to make PRC as an economic partner, especially in the field of investment policy of PRC's foreign or better known as PRC's Outward Foreign Direct Investment (OFDI).

Indonesia's enthusiasm to PRC lies on PRC's fast monetary development to two fundamental components: substantial scale capital investment (financed by expansive residential reserve funds and outside investment) and quick efficiency development. These two variables seem to have gone together as an inseparable unit. Financial changes prompted higher effectiveness in the economy, which helped yield and expanded assets for extra interest in the economy.\(^9\)

Indonesia's need for foreign investors and PRC's soft power lies in the attractive value items, namely economy. That makes PRC as a country that Indonesia wants. The values developed by PRC in improving its economy to attract Indonesia to look at PRC as an economic power that is needed for Indonesia.

PRC's soft power endeavors in Asia—by utilizing monetary and social levers, for example, help, investment, and open strategy—have effectively collected various advantages for the PRC. Some view the disappointment of the Assembled States to give quick help to East and Southeast Asian states amid the 1997 Asian budgetary emergency and PRC's broadly advertised refusal to downgrade its cash at the time (which would have constrained other Asian states to go with the same pattern) as a defining moment, making some in Asia address which incredible power was more dependable. PRC additionally utilizes monetary

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guide, and the withdrawal thereof, as a device of national power, as found in PRC's extensive guide endeavors in Southeast Asia.90

A few business analysts have reasoned that profitability picks up (i.e., increments in proficiency) have been another central point in PRC's fast monetary development. The enhancements to efficiency were created to a great extent by a reallocation of assets to more gainful uses, particularly in divisions that were in the past intensely controlled by the focal government, for example, horticulture, exchange, and administrations. For instance, farming changes supported generation, liberating laborers to seek after work in the more beneficial assembling division.

PRC's decentralization of the economy prompted the ascent of non-state ventures, (for example, private firms), which tended to seek after more profitable exercises than the midway controlled SOEs and were more market-situated and more productive. Also, a more noteworthy offer of the economy (mostly the fare division) was presented to focused strengths. Neighborhood and commonplace governments were permitted to set up and work different endeavors without impedence from the legislature. Moreover, FDI in PRC carried with it new innovation and procedures that helped effectiveness.91

Some US based spectators see PRC's reciprocal engagement with Asia as more political than financial. In a declaration to Congress, Right hand Secretary of State James Kelly guaranteed that the reciprocal understandings mean little in financial terms, 'however they serve notice of how PRC is utilizing its recently won monetary energy to grow its nearness and political impact among its southern neighbors.92

PRC's remote aid has had a developing, unmistakable effect in numerous nations in Southeast Asia, despite the fact that it is hard to measure, because of an absence of information and to the one of a kind attributes of Chinese help. In contrast with major respective givers in the district, PRC gives moderately little

90 Chin Hao Huang, PRC’s Soft Power in East Asia: A Quest for Status and Influence?, NBR Special Report, Vol. 43, January 2013, p.3.
advancement help and does not have a formal framework for deciding improvement objectives and designating help. The PRC manages a more extensive scope of financial help that incorporates nondevelopment help and low-premium credits, and also exchange and investment understandings.93

A few nations now seem sufficiently agreeable with PRC's ascent that they do see it as a model of advancement. In spots like Vietnam or Iran, where administrations are endeavoring to keep up control while developing the economy, strategy producers appear to be persuaded that in the event that they gain from PRC, they can copy PRC's accomplishment in advancing advancement while hindering political progression. In Vietnam more youthful arrangement creators have received what they call a "Chinese model" of gradually opening the economy while holding control of the political framework. Over the fringe, arrangement producers in Laos consider PRC to be a wellspring of motivation.94

Beijing has started to utilize help, exchange, investment, and the appeal of PRC's financial model, which consolidates development with state control, to enchant different countries.95 PRC's objectives incorporate keeping up peace and dependability on its outskirts, depicting itself to different countries as a considerate and valuable performer, potentially turning into a model of advancement to different countries.96

That is to state, 10 Southeast Asian nations need to vie for the staying 23.5 percent of the FDI left by PRC - a normal of minimal more than 2 percent for every nation.97

PRC's exchange with different countries developed around eight times quicker than general world exchange, enabled PRC to construct exchange surpluses with the world of more than $100 billion every year. PRC amassed the biggest money holds on earth and lifted 200 million individuals out of neediness,

93 Thomas Lum, etc. PRC’s Soft Power in Southeast Asia, Op. Cit, p. 4.
95 Ibid., p. 84.
96 Ibid., p. 130.
one of the best financial achievements ever. PRC turned into Asia's biggest beneficiary of remote direct investment, getting more than $60 billion in interest in 2005. By 2025 PRC ought to end up plainly the world's second-biggest economy; measured by acquiring power equality, it as of now is.98

PRC's economic policies through various offers made many countries keen to accept PRC as a partner in the economy. It later became PRC's soft power once the admiration of many countries in view of the economic strength and Chinese economic policy as attractive value, particularly for Indonesia.

The fascinating thing about Chinese monetary approach is PRC's different offers exceedingly impossible rejected by numerous nations requiring financial change, in particular PRC would be everybody's companion; Beijing would tune in to the necessities and yearnings of different countries, as far as anyone knows without requesting anything consequently; PRC would not meddle or intrude. Foreign countries could profit since PRC would not make requests upon other countries' sway, monetary models, administration, or political culture.

PRC likewise would not debilitate or endorse anybody—it would console different nations that it had no forceful longings. "To accomplish serene advancement is an earnest expectation and unremitting quest for the Chinese individuals," Beijing reported in a point of interest approach articulation entitled "PRC's Quiet Improvement Street," playing into the more extensive idea of PRC's tranquil ascending to control. PRC will "choose discourse in settling debate, venture up participation in looking after security, and achieve enduring peace and solidness in Asia.99

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PRC's developing impact or soft power in Southeast Asia and somewhere else is for the most part monetary instead of military (hard power), social, or political. PRC's developing capacity to influence the activities of state actors to a great extent originates from its part as a noteworthy wellspring of remote guide, exchange, and investment. The PRC has likewise used power in the locale through tact and, to a lesser degree, deference of PRC as a model for advancement and antiquated culture, and an accentuation on "shared Asian value."

Alongside offering financial promptings, PRC has eased worries that it represents a military or monetary risk, guaranteed its neighbors that it endeavors to be a capable individual from the global group, and created genuine advantages to the area through guide, exchange, and investment.\(^\text{100}\) PRC's reciprocal relations with Southeast Asia prompts a sub-territorial division between its moderately

\(^\text{100}\) Thomas Lum, etc. PRC's Soft Power in Southeast Asia, *Op. Cit.*, p. 2.
more powerful position with territory Southeast Asian states, especially Burma, Cambodia, and Laos, and its generally less persuasive position with sea Southeast Asian states (Indonesia, the Philippines, and Singapore).

As indicated by the Association for Economic Cooperation and Development (OECD), the biggest respective benefactors to Indonesia, on a normal yearly premise (2004-05), are Japan ($963 million), Germany ($191 million), the United States($163 million), Australia ($145 million), and the Netherlands ($128 million). Between 2002 and 2007, yearly U.S. help to Indonesia totaled about $136 million.

As indicated by one master, in 2002, PRC's guide to Indonesia was generally twice that of the Assembled States. In 2005, PRC President Hu Jintao and Indonesian President Susilo Bambang Yudhoyono marked an assertion broadcasting a “strategic partnership” that was joined by a guarantee of special credits worth $300 million. Some foreign aid specialists condemned PRC's generally constrained offers of debacle help taking after the 2004 Indian Sea seismic tremor and wave. The PRC vowed $63 million to Indonesia contrasted with Taiwan's $50 million and the United States' $405 million.101

Offers given by PRC through economic aid and investment policies by peaceful means and dialogue, as well as non-intervention make the country much-admired country. Therefore, Indonesia as a country with various economic policies, requires PRC and of course were interested in cooperation with that country.

In the long haul, Indonesia ought to welcome the changes in accordance with PRC's economy. PRC is right now the world's second-biggest economy with a thriving white collar class bigger than the whole populace of the US, and the normal per capita extra cash in urban ranges is above US$3,000. Exchange openings with PRC ought to duplicate notwithstanding the possibility of slower development. The huge and developing Chinese white collar class gives potential

markets, as Chinese customers turn out to be more modern and keen on item assortment. Indonesia, which as of now has a FTA with PRC (under the ASEAN-PRC FTA), can fortify collaboration and investigate advertise openings from the developing consumerism in PRC by providing claim to fame items running from strength espresso to top of the line melodic instruments.102

The possibility of PRC climbing the esteem chain gives chances to nations to return to its discouraged near favorable position in preparing or to incorporate further with provincial worldwide creation arrange. Higher wages in PRC can help Indonesia recapture a relative favorable position in labor-escalated parts, giving that Indonesia has the correct foundation, enhanced access to fund and a rational administrative system. Before long it will be exorbitant for PRC to stay focused in providing work concentrated items.103

Indonesia can likewise take advantage of FDI that is expanding and migrating from PRC. News about Foxconn, a multinational maker of iPads and iPhones, wanting to set up a creation office in Indonesia ought to be invited and encouraged. Be that as it may, policy makers ought to likewise look forward and streamline administrative structures to permit the Indonesian innovation bunch, which incorporates producers, administrations, explore offices and advanced education, to flourish from nearer business collaboration with outside partners. Generally Indonesia would remain a constructing agent of 'cutting edge' items without essentially including more esteem included into the economy.104 Jakarta needs FDI earnestly and Beijing is promising to convey.105

The ability of PRC as an attractive value for Indonesia, as an influential country in the region and as a country that needs a lot of investment support, is a positive step that should be viewed Indonesia as an opportunity. Attractive value-owned by PRC has made Indonesia as a country that admires as well as puts great hopes in the cooperation with PRC. PRC's success in establishing legitimacy as a

103 Ibid.
104 Ibid.
105 Johannes Dragsbaek Schmidt, PRC’s Soft Power Diplomacy in Southeast Asia, Op. Cit, p. 34.
country with soft power that has an attractive value in the long process of the country's economic policy.

PRC has started to depict itself as a country looking for positive and dynamic ties with different nations by expanding its political endeavors in East Asia, particularly with South Korea, Japan, Vietnam, Indonesia, Thailand, and the Philippines. It has sought after nonthreatening strategy and arrangement approaches, expanded local exchange, turn into a dynamic part in territorial associations, for example, ASEAN and the East Asia Summit, and intensely expanded its unlimited foreign aid, all of which have exceptional interest to the nationals of developing countries.106

PRC reliably positions high in general idealness. In a July 2011 survey, about 70% of Indonesian respondents held an exceptionally ideal perspective of PRC generally speaking, 62% held an exceedingly positive perspective of PRC as a monetary power, and 44% held a very great perspective of PRC as a military power. Grove clarifies this is on the grounds that "Indonesians have not considered PRC to be an immediate military risk."107

In line with this, PRC also viewed Indonesia as an opportunity for PRC to run soft power. The existence of PRC’s interest to Indonesia push that country as a force to support the economy of Indonesia. On the other hand, PRC also assessed positively Indonesia. Therefore PRC sees Indonesia as a country that may be invited to cooperate in the fields of economy, that investment.

PRC has viewed Indonesia as a good friend, good neighbor, and good partner (3Gs) that assumes a solid part in the locale. PRC, one of the world monetary motors, trusted that Indonesia will turn into its biggest accomplice in the Southeast Asian locale, climbing from its fourth rank after Malaysia, Singapore, and Thailand, PRC’s Vice Minister of Foreign Affairs, Fu Ying, educated Indonesia writer in Beijing, in 2012. To be sure, since the two countries pronounced a vital organization in Jakarta in 2005, PRC and Indonesia have been

seeing quick development in reciprocal exchange and monetary ties. Sofyan Djalil commented that PRC is imperative vital accomplice of Indonesia. the two countries additionally marked an Update of Comprehension (MoU) on enhancing the advancement of coal-let go control plants.

Looking at what PRC’s respond to Indonesia, it seems that PRC keeps playing its soft power by attracting Indonesia attention to persuade Indonesia to be the one who gets influenced of PRC’s soft power. In the other side, Indonesia acknowledges that PRC becomes magnet for Indonesia to be the important actor, especially in economic development. I Wibowo, a specialist on Chinese studies in Indonesia, which is still struggling to recover from the Asian financial crisis, says, “Indonesians might not know much about PRC, but they know that PRC has been successful in making their economy grow, and they see PRC as a model”—a place where some individual sacrifices have created prosperity. “There’s great admiration of PRC,” agrees Dewi Fortuna Anwar, former assistant minister for foreign affairs in the Indonesian government. “Indonesians look at PRC and see a situation Indonesians would like to emulate.” Next door in Malaysia, “PRC’s model of government mobilizing society for economic gain, while keeping down tension—this is attractive here,” says Gavin Khoo, a research fellow at the Asian Center for Media Studies, a Malaysian think tank. “There is little emphasis on individual rights and freedoms here, even among average people.

See Indonesia's response in view of the success of PRC as a world economic power as well as a wide range of Chinese policies that are so attractive and the ability of PRC in attracting the interest of many countries, one of them is Indonesia, to cooperate with these countries, PRC as a country with the power of soft power that can not be denied. PRC's ability in offering a wide range of policies to provide an overview of PRC's success in economic field, make Indonesia as a country that admires PRC's economic growth as an attractive value for Indonesia.

109 Ibid.
CHAPTER IV

THE IMPLEMENTATION OF PRC’S ECONOMIC INVESTMENT POLICY AS ITS SOFT POWER TO INDONESIA

This chapter discusses how PRC is attempting to persuade other countries, including Indonesia through its investment policy, because the focus of this chapter speaks about PRC persuasive way to get into Indonesia through its investment policy. PRC persuasive way as implementations in running the soft power of PRC run through the persuasive skills that are totally unrelated to the coercive measures.

The real proof of the persuasive ability of PRC will look at how the results of PRC's investment policies that ultimately make Indonesia accept the Chinese with open arms and even encourage PRC to make investments in Indonesia. Indonesian openness towards PRC looks of how Indonesia perform various actions to prepare by encouraging various elements to simplify the process of entry of Chinese investment into Indonesia.

Persuasive step of PRC and Indonesia openness towards PRC will be the main theme which discusses the implementation of the investment policy of PRC’s soft power to Indonesia.

IV.1. PRC’S PERSUASIF POLICY TO INDONESIA

As a country with the soft power capability, PRC has plans to implement persuasive policies so that other countries will find it requires the presence of PRC. Generally PRC did not have the idea of "region", rather it had the idea of "neighboring area" from the point of view of Sino-anti- centrism. For quite a while, PRC did not deal with its relations with neighboring nations from a provincial point of view, yet from a two-sided viewpoint.111

PRC’s steps in cooperating with other countries covered in the neighborhood policy in region, is not only done on a broad level, the regional, but

111 Shulan Ye, PRC’s Regional Policy in East Asia and Its Characteristic, PRC Policy Institute, The University of Nottingham, October 2010, p. 3
run more specifically by encouraging the efforts of bilateral cooperation. This effort make PRC as the country with the presence of more powerful compared to only play at regional level only.

The aim of the bilateral cooperation built by PRC is very clear, that PRC wants to be a country that is not only known as a country that has influence, but PRC can easily get into countries to also increase the strength of soft power.

In addition to using the concept of a neighboring country, PRC also encourages stakeholders to change the mindset that has been looking to PRC as a threat. It was necessary to make PRC as a country that is acceptable to all parties.

PRC attempted to draw out the idea of "PRC opportunity" to supplant the idea of "PRC threat". PRC's liberality to ASEAN nations prevailing with regards to persuading the ASEAN nations that PRC's development can make more open doors for them. The possibility of PRC's "peaceful rise" (heping jueqi ), however later was changed to "peaceful development " (heping fazhan).112

By focusing on a peaceful approach, especially in the Southeast Asian region through the organization of the ASEAN region, PRC is able to spread its influence in the region, moreover, many countries in Southeast Asia using ASEAN as an umbrella organization for economic policy.

PRC has put more weight on setting up the great neighboring arrangement, which demonstrates the expanding importance PRC authority puts on her Asian neighbors. The expression "regional cooperation" and the new “policy of friendship and partnership with neighboring countries” (yulin weishan, yulin weiban). It was expressed that PRC ought to reinforce local participation with its neighboring nations. The beginning stage of PRC's great neighbor arrangement was the nation's companionships and associations with its neighbors and that PRC was eager to add to world peace and improvement through fortifying local collaboration. Relations with neighboring nations were not just the beginning stage of PRC's neighboring arrangement, additionally an essential part of PRC's

rules for managing remote undertakings. PRC's strategy was to be a decent neighbor and a decent accomplice, to reinforce ties with its neighbors, to enhance local collaboration and to push PRC's trades and participation with its neighbors to another high.\textsuperscript{113}

With a more friendly policies, PRC proved to be able to attract the attention of countries in the region. That makes Indonesia as a country with influence in ASEAN to see PRC as an economic partner, not only regionally but also bilaterally. By shaping the policy of good neighbor and a good partner, PRC is able to change a situation where many countries accept PRC as a country that has the strength and motivation to cooperate with many countries aimed at strengthening foreign relations.

PRC gave numerous great medications to the ASEAN states to demonstrate its benignancy. Seeing the PRC-ASEAN FTA as a certainty building understanding, PRC has likewise intensely put resources into the ASEAN states and gave some budgetary help to them. PRC's great neighbor arrangement actualized with genuine activities continuously changed the impression of ASEAN towards PRC. The gathering has conceded that PRC's improvement is an open door for its part nations. ASEAN states have communicated fulfillment with PRC's conduct as a mindful power in the locale. From one perspective, they are worried about PRC's ascent in spite of the fact that they don't utilize the expression "PRC risk"; on the other, they need PRC to give more authority in settling regional issues.\textsuperscript{114}

Through its economic power, PRC has become a country that a lot of providing assistance to countries in the region. Assistance provided by PRC make the country as a country of great influence and is expected to play a stronger role, especially in the economy. PRC's presence proved to be an opportunity which is widely used in the countries of Southeast Asia to be the way out of the economic problems of the region.

In regional extension, particularly in Southeast Asia, PRC's territorial

\textsuperscript{113} Shulan Ye, PRC’s Regional Policy in East Asia and Its Characteristic, \textit{Op. Cit}, p. 5

\textsuperscript{114} \textit{Ibid.}, p. 6
approach displays solid moralism. PRC regularly stresses her great convention, for example, peace-lovingness, kindness and exemplary nature, disregarding the way that PRC had attacked others ever. PRC likewise utilizes the expressions of Confucianism to exhibit that PRC has dependably been a tranquil adoring nation and that PRC will grow gently until the end of time. PRC sees herself as the most lesson of the real states.  

PRC’s ability to run a more friendly economic policies make Indonesia sensed an opportunity than a threat. The presence of PRC is considered as a country with great potential and more friendly in the relationship between countries.

PRC additionally needs to take genuine activities to demonstrate her positive attitude since guarantees are insufficient without earnest activity. PRC should be more touchy to the requests of different nations as far as their feeling that all is well with the world and advancement. PRC can give more public goods to fulfill the request of her neighbors. She can give cash to help her neighbors share the advancement of PRC. PRC has an incredible remote money save, so she can put more in the region.

PRC steps in view the various needs of other countries, related to the economy, making many countries, especially Indonesia believes that PRC may be an economic solution for Indonesia. This solution is then run by PRC through investment policy. Implementation of PRC's economic strength in the investment policy as the soft power of PRC, making that country has a great opportunity to engage in various economic policies Indonesia. One of them is Indonesian openness to Chinese investment.

An investigation of PRC's reciprocal relations with Southeast Asia prompts a sub-territorial division between its generally more persuasive position with terrain Southeast Asian states, especially Burma, Cambodia, and Laos, and its moderately less compelling position with sea Southeast Asian states (Indonesia, the Philippines, and Singapore). Thailand, while more autonomous

115 Shulan Ye, PRC’s Regional Policy in East Asia and Its Characteristic, Op. Cit, p. 26
116 Ibid., p. 31
than Burma, Laos, and Cambodia, and alongside the Philippines a noteworthy non-NATO partner of the United States, has all the earmarks of being generally more alright with close relations with PRC than other local states. Muslims in the district (Indonesia, Malaysia) look less to PRC but rather more they do to whatever remains of the Muslim world for models outside their national settings. Given that Muslims speak to roughly a large portion of the number of inhabitants in Southeast Asia, and are gathered in oceanic Southeast Asia, this ought as far as possible on the degree of Chinese soft power impact there. Vietnam's one of a kind chronicled association with PRC, which incorporates past control by PRC and a later outskirt war, will likewise put restricts on the degree to which those two countries will probably meet up. Singapore, the most vital considering and exchange subordinate state in the district, has elevated an adjusted way to deal with the contribution of extraordinary powers in its region.\textsuperscript{117}

Looking at the data above, it is clear that PRC implements its excellent soft power. PRC is slowly seeing every country with character economic needs vary, and then enter that country in accordance with the economic needs of Indonesia. As Indonesia focusing on the maritime area, it sees PRC as an opportunity to encourage Indonesia to accept the presence of PRC in the investment policy in Indonesia.

A center distinction amongst PRC's and America's soft power in Southeast Asia is the sorting out standard of their individual approach. Both nations' outside strategy ways to deal with the district contain components of a variety of needs including geopolitical, security, and exchange interests. All things considered, the U.S. approach puts an accentuation on vote based system and related goals alongside its fundamental subject of advancing U.S. security interests. By complexity, PRC's "non-interference" strategy is less meddlesome in the residential undertakings of provincial states. While this approach may not gather broad deference, it is more attractive to generally tyrant administrations in the area, and in some cases wins open gratefulness since it seems conscious of

\textsuperscript{117} Shulan Ye, PRC′s Regional Policy in East Asia and Its Characteristic, \textit{Op. Cit.}, p. 2
national power.\textsuperscript{118}

PRC's remote aid has had a developing, unmistakable effect in numerous nations in Southeast Asia, in spite of the fact that it is hard to measure, because of an absence of information and to the special qualities of Chinese aid. In contrast with major reciprocal benefactors in the locale, PRC gives moderately little improvement aid and does not have a formal framework for deciding advancement objectives and distributing help. The PRC directs a more extensive scope of financial help that incorporates non improvement help and low-premium credits, and additionally exchange and venture assentions. As per a few investigators, when these sorts of help are included, PRC winds up noticeably one of the biggest respective aid contributors in Southeast Asia.\textsuperscript{119}

In territorial approach, there is a PRC-ASEAN Discourse relation, Chinese Chief when Jiao Bao recorded four primary conclusions that he drew from the development in respective relations:

1. Peaceful advancement is the essential for the development of PRC-ASEAN relations. Both sides seek after an approach of good neighborliness and companionship, see each different as helpful accomplices and take each other's advancement as an open door, not a danger.

2. Equality and common trust are the establishment of PRC-ASEAN relations. Both sides regard each different as equivalents and attempt to create agreement by looking for basic grounds while setting aside contrasts.

3. Win-win collaboration is the objective for PRC-ASEAN relations.

4. People's support is the main thrust behind PRC-ASEAN relations, to some extent since participation lessens destitution, limit [the] improvement hole, accelerate development and

\textsuperscript{119} Ibid., p. 4.
conveys a superior life.\textsuperscript{120}

Next to that, PRC's target in making a FTA with ASEAN and contributing in its regional collaboration was to persuade ASEAN nations that PRC's opening up, intensity and development since its entrance into WTO show challenges, as well as new open doors for ASEAN. PRC's drive for building up the PRC-ASEAN FTA stemmed not just from its monetary advantages, for example, to extend trade advertises and to accomplish more crude materials assets, energy and investment, additionally from key contemplations, for example, to wipe out doubts over the purported PRC risk and to get provincial participation. It serves the procedure of building a friendly, peaceful and prosperous neighborhood in the region. The PRC-ASEAN Free Trade Area (CAFTA) in this manner can be seen as "political certainty working" for both sides.\textsuperscript{121}

PRC proclaimed it would give US$10 billion to set up the PRC-ASEAN investment participation finance for framework development in ASEAN and a US$15 billion credit to ASEAN keeping in mind the end goal to help them recuperate from the worldwide torrents. In the interim, PRC likewise gave unique money related help of RMB 270 million (around US$ 40 million) to PRC's abroad interest in ASEAN has additionally developed quickly therefore of PRC's "going out" system for undertakings. In 2008 alone, FDI from PRC in ASEAN was US$1.50 billion, up 122 percent from 2007.\textsuperscript{31} In ASEAN expresses, PRC's FDI in 2007 were predominantly in the assembling ventures of Thailand, Vietnam, Laos, Malaysia and Cambodia. Some FDI were toward money related ventures in Singapore. Numerous substantial Chinese ventures, for example, Shougang Gathering and Qingdao Haier, have gone out and put resources into building processing plants in South-east Asia. With fast financial development and the weight of universal vitality rivalry, PRC has fused vitality joint misuse in the "going out" system. As an asset enriched area, Southeast Asia is a critical hotspot for PRC's available and future energy needs. Indonesia is the sole Asian part condition of OPEC and one of the four biggest melted gaseous petrol (LNG)

\textsuperscript{120} Peter Gammeloft, Chinese Foreign Direct Investment in Indonesia: Trends, Drivers, and Impacts, \textit{Op. Cit}, p. 15.
delivering nations.122

An uncommon normal for Chinese outward investment is that they can connect with the tremendous worldwide system of abroad Chinese. investors can discover business accomplices and shape organizations together more effortlessly with groups having a similar culture, convention and dialect, and the abroad Chinese are for the most part fruitful in business and seen as dependable accomplices. Much has been composed about the part of the Chinese diaspora and abroad Chinese systems in understanding both neighborhood financial elements inside an assortment of Asian nations and worldwide trade connections between territory PRC and other Asian nations. These systems are comprised of complementary connections (guanxi ) based on trust (xinyong).123

PRC's developing utilization of "soft power" in Southeast Asia — non-military affectations including society, tact, outside guide, exchange, and speculation — has exhibited new difficulties to U.S. outside strategy. By making light of many clashing interests and working cooperatively with nations and local associations on such issues as regional debate and exchange, Beijing has to a great extent relieved Southeast Asian worries that PRC represents a military or financial threat. PRC's strategic engagement, contrasted with the apparent fading or restricted consideration by the Assembled States, has earned the nation more noteworthy regard in the area. Its ascent as a noteworthy remote guide supplier and market for Southeast Asian merchandise has additionally improved its relations with Southeast Asian states.124

PRC's remote aid has had a developing, unmistakable effect in numerous nations in Southeast Asia, in spite of the fact that it is hard to measure, because of an absence of information and to the special qualities of Chinese aid. In contrast with major reciprocal providers in the area, PRC gives moderately little advancement help and does not have a formal framework for deciding improvement objectives and assigning help. The PRC manages a more extensive scope of monetary help that incorporates nondevelopment help and low-premium

122 Shulan Ye, PRC’s Regional Policy in East Asia and Its Characteristic, Op. Cit, p. 17-18
124 Ibid.
credits, and additionally exchange and speculation understandings. As per a few investigators, when these sorts of help are included, PRC ends up noticeably one of the biggest respective guide benefactors in Southeast Asia.\textsuperscript{125}

PRC's strategy of "non-interference in domestic issues" frequently wins companions among Southeast Asian governments as well as by many people groups in the region since it is viewed as aware of their nations' sway. Despite the fact that PRC help allegedly is frequently not done as promised, such guide, declared at pamper gatherings with toasts to the beneficiary nations, regularly conveys extraordinary typical esteem. Numerous PRC help undertakings, for example, government structures, foundation, and vitality offices, frequently financed by advances from the PRC Import-Send out Bank and worked by Chinese organizations, are prominent endeavors that essentially advantage capital urban areas or the legislatures in power. Numerous remote guide specialists, Non-Governmental Organizations (NGOs), and neighborhood bunches have scrutinized Chinese guide for neglecting to advance vote based system, boundless, practical improvement, and ecological preservation.\textsuperscript{126}

Economic viability, supported by the strength of cultural influences, making PRC with global influence. Given existing diaspora that can be utilized, PRC uses these opportunities to push the pace of implementation of its soft power on in Indonesia.

Particularly in Indonesia, the part of ethnicity has been key to the molding of the cutting edge Indonesian economy. The quantity of Indonesians of Chinese birthplace is moderately low, presumably around 3% of the aggregate Indonesian populace. With an aggregate populace in 2007 of around 226 million, the Chinese populace in Indonesia represents around 6.8 million individuals. These incorporate Chinese relatives holding Indonesian citizenship, another modest number with terrain PRC citizenship, and most likely some with Taiwan citizenship. Today, there are just couple of elderly Chinese left who were conceived in PRC, since there were no new rushes of Chinese outsiders

\textsuperscript{126} \textit{Ibid.}, p. 18
originating from PRC for as far back as 60 to 80 years. There is no correct information on the quantity of Chinese in Indonesia.\textsuperscript{127}

In operational level, Chinese organizations now supply Indonesia with electric-control plants and cell phone systems, and there are arrangements to fabricate a 17-hectare PRC business focus in Jakarta.\textsuperscript{128} PRC has demonstrated an unmistakable status to utilize its developing delicate power, quite financial use and national picture and the advantages that accumulate from non-material, ideational and social impacts as an enticing intends to make an interpretation of its impact into solid strategy interests.

Being vast portrays Chinese multinationals, by having entered the worldwide economy moderately as of late and every one of them are state-or regional possessed endeavors. Most substantial Chinese organizations are claimed by focal or local government and this applies similarly to organizations with ventures abroad: experiencing the official rundown of PRC's 40 biggest MNCs as measured by FDI stock, just four of these organizations are not state possessed.\textsuperscript{129}

PRC's ability to control the investment makes this country has great opportunities to meet its national interests, namely to increase the influence of economic and soft power on in Indonesia.

PRC has been effectively searching for chance to reinforce financial relations with Indonesia, as Indonesia is a clever nation as well as deliberately found and has regional and global notoriety. These days, Indonesia is the biggest palm oil maker on the planet, the second biggest espresso and elastic maker, the third biggest cocoa maker and the fourth biggest catch fisheries maker with endlessly differentiated items. Moreover, Indonesia likewise has the biggest evaluated geothermal vitality saves on the planet at roughly 27 GW or 40% of the worldwide aggregate. What's more, Indonesia has a gigantic potential populace as the dominant part (60%) of its 240 million populaces comprises of individuals matured under 29 years of age. Its developing white collar class individuals

\textsuperscript{127} Ibid., p. 140.
\textsuperscript{128} Johannes Dragsbaek Schmidt, PRC’s Soft Power Diplomacy in Southeast Asia, the Copenhagen Journal of Asian Studies, 26, 2008, p. 32.
\textsuperscript{129} Peter Gammeloft, Chinese Foreign Direct Investment in Indonesia: Trends, Drivers, and Impacts, Op. Cit, p. 145.
additionally made Indonesia showcase all the more encouraging for different nations. In fortifying relations with Indonesia, PRC is utilizing the coordinated vectors of exchange, venture and help as its apparatuses of delicate power while her excellent financial improvement is consistently fills in as the wellspring of delicate power. PRC steady support for Indonesia which is consummately wrapped into her delicate power has ceaselessly developing Indonesia compassion.  

Indonesia additionally needs monetary support to back its improvement procedure and PRC is by all accounts the promising wellspring of financing since these days it holds the greatest remote save. To fortify PRC-Indonesia relations, both nations had consented to Key Association Arrangement in 2005 which expects to reinforce financial participation in view of win-win answer for each gathering. The win-win arrangements is the consistent talk of her delicate power that ceaselessly accentuated in pulling in creating nations to have extraordinary relations with PRC. Through the Concession to Development and Extending of Reciprocal Financial and Exchange Collaboration as a major aspect of the Key Organization Understanding, both sides have concurred on the foundation of Working Gathering on Exchange Determination and Working Gathering on Monetary Participation to additionally examine specialized game plan in executing the assention. This vital association a short time later opens greater open door for Indonesia to get greater venture and help and in addition advertise access to Indonesian items.  

Interest of Indonesia is an opportunity for PRC to encourage Indonesia to open up on Chinese investment. The strength of Chinese investment as a soft power on making Indonesia agree on a cooperation agreement between the two countries so that PRC is becoming an option for Indonesia. PRC steps in implementing soft power on is not out of economic aid and investment that Indonesia would expect from PRC.

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131 Ibid., p. 135.
The Investment Assentation infers that abroad investment from PRC to ASEAN nations will increment and the other way around. Despite the fact that this is a positive advancement it is not sure yet that the outpouring of Chinese ventures will basically go to Indonesia. Many sources foresee that future Chinese outward outside ventures will increment altogether yet this is likewise prone to be dependent upon the degree to which Indonesia enhances its speculation and business condition. Then again, with the Exchange Products Assention set up, exchange merchandise will likewise increment as exchange hindrances are being abrogated. As exchange turns out to be more open, it might adverse affect advertise infiltration arranged speculations from PRC as most items are still delivered all the more inexpensively in PRC itself.\textsuperscript{132}

Another route taken by PRC in actualizing its soft power done by PRC through helping monetary improvement in Indonesia by supporting Indonesia's network and framework advancement and also its part in territorial activities. As indicated by a joint explanation issued by Chinese President Xi Jinping and Indonesia's Leader Widodo in April 2015, PRC arrangements to bolster Indonesia's foundation and availability improvement by giving financing to railroads, parkways, ports, docks, dams, airplane terminals, and scaffolds, in addition to other things.\textsuperscript{133}

Furthermore, PRC’s Foreign Minister has freely expressed that Indonesia is the most essential accomplice in its 21st Century Oceanic Silk Street Activity, which, as indicated by a record discharged by the Chinese government in Walk 2015, means to enhance sea collaboration and provincial network. In November 2014, PRC reported the making of a $40 billion Silk Street Store to help execute this activity. Furthermore, Indonesia is one of 57 forthcoming establishing individuals from PRC's proposed Asian Foundation Speculation Bank, a worldwide organization to back framework extends all through the Asia-Pacific area. Under the bank's underlying understanding, the bank's approved capital is $100 billion, of which PRC has swore $29.8 billion and Indonesia has vowed $3.4\textsuperscript{132} Peter Gammeloft, Chinese Foreign Direct Investment in Indonesia: Trends, Drivers, and Impacts, \textit{Op. Cit}, p. 148.\textsuperscript{133} \textit{Ibid}.
billion. Bank archives show that the bank expects starting operations before the end of 2015.\textsuperscript{134}

PRC persuasive skills have pushed the country as the economic power demanded by Indonesia and make PRC has access to a variety of Indonesian crude product that PRC will need for its domestic industry.

PRC persuasive skills in encouraging Indonesia to accept Chinese investment, not only caused economic power as an attraction, the country is able to position itself as a country which is needed to conduct economic cooperation. Respect for sovereignty, good neighborhood, economic assistance are persuasive steps that ultimately make PRC become the main choice of investment policy for Indonesia and slowly PRC is also able to shift the US and other countries to expand economic influence in Southeast Asia, particularly Indonesia.

IV.2. INDONESIA’S TRADE POLICY TO PRC

In improving its economy, Indonesia is a country that is so optimistic in exploring various agreements with source countries, one of which is PRC. But the existence of PRC becomes important because this country has the economic capacity and the economic model that became a reference for Indonesia given the Chinese economic model has proved successful in improving the country's national economy. On the other hand, Chinese economic policy in increasing its influence lies in its foreign investment policies that encourage Indonesia to prepare ourselves to receive these investments.

In addition to Chinese investment, Indonesia relationship to the state is also located in various Chinese economic aid as well as PRC's commitment to establishing economic cooperation in the field of investment.

As a nation that needs the support of investors, with its huge populace and abundance of common assets, Indonesia is an appealing goal for outside speculations. In spite of the fact that the salary per capita is still generally low, with quick monetary development it guarantees a decent imminent market for

\textsuperscript{134} Frecaut, Olivier (2004), Indonesia’s Banking Crisis: A New Perspective on $50 billion of Losses, in: \textit{Bulletin of Indonesian Economic Studies}, 40, 1, April, 37-57.
offering shopper products. On account of the low level of wages, investors from more propelled economies are pulled in to migrate their nightfall businesses to Indonesia to be more focused on the planet showcase. From here, they can pitch their items to the household market and fare to different nations. Notwithstanding, because of interior financial, social and political conditions and unsteadiness, the business atmosphere is less good so that numerous speculators shun coming to Indonesia.  

The above conditions are becoming an important point for Indonesia to open up to Chinese investment. With the commitment of the Chinese in Southeast Asia, Indonesia felt the need to pull from PRC to Indonesia to create openness to Chinese investment.

Indonesia is resolved to open its ways to Chinese investment and essentially reinforce reciprocal financial ties, even as it looks for clearness on PRC's vision of a Maritime Silk Road. The Indonesian pioneer distinguished toll streets, railroads, control plants and ports in his nation as conceivable undertakings for Chinese and Indonesian state-possessed and privately owned businesses to set out on. To accomplish that, President Joko Widodo sent Rini Soemarno to hold two rounds of gatherings gone to by the state-claimed organizations of both sides to work out joint activities. She went to Beijing, Shanghai and Shenzen to set up the preparation to do what needs to be done.

By setting a development plan supported by the strength of foreign investment, making Indonesia the country with high transparency to investors. This indicates that the great optimism of Indonesia to promote PRC as an important colleague in investment cooperation between the two countries.

Indonesia has effectively pursued Chinese investors since the mid 2000s, a component of progressive high-level visits to PRC since 2002. During Vice President Jusuf Kalla's visit to PRC in 2007, an advance of US$800 million was

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137 Ibid.
declared, to bolster interests in foundation and asset extraction.61 As indicated by one source, countless ventures accompanied the visit of exactly 1,000 Chinese agents in 2008. As indicated by the Chinese international safe haven in Jakarta, the visit yielded assentions for US$1.859 billion in ventures projects.138

With a specific end goal to set up the size and sectorial and topographical structure of Chinese FDI into Indonesia, arranged datasets were obtained from the Indonesian Investment Coordinating Board (BKPM). Among BKPM's orders is to issue licenses for remote and residential speculation. The longitudinal datasets spread over the period from 1966, when BKPM was first settled, up until 2008. Segment was offered by two-digit ISIC code and area as per region. Both the quantity of venture tasks and the speculation esteems were given. BKPM records both affirmed and acknowledged speculation and keeping in mind that both datasets were gained acknowledged investment is the better establishment while examining the degree of Chinese FDI into Indonesia. These datasets are not freely accessible but rather were arranged by BKPM particularly for this review.139

BKPM functions explained that Indonesia is really serious in welcoming PRC. Based on the data above, it can be understood that the BKPM plays an important role to facilitate Chinese investment into Indonesia. BKPM Indonesia became the main weapon in opening up to Chinese investment.

The Investment Coordinating Board (BKPM) will form a table (desk) specifically for Chinese investors. The existence of this desk is expected to encourage Chinese investment realization in Indonesia.140

Franky said it continues to promote the investment potential in Indonesia to investors from PRC. One of them held a Indonesia-PRC Business Forum in Shanghai, attended by about 100 potential investors from PRC.

138 Natasha Hamilton-Hart and Dave McRae, “Indonesia: Balancing the United States and PRC, Aiming for Independence,” United States Studies Centre at the University of Sydney, November 2015, p. 10.
In addition, former Chairman of the Indonesian Employers Association (Apindo) will also hold one-on-one meetings with a number of Chinese companies that are considered serious at the same place. Promotional efforts undertaken BKPM could increase Chinese investment realization in Indonesia.\textsuperscript{141}

Various parties have responsibilities in receiving Chinese investment to make efforts to open up to PRC. In fact, BKPM steps look is right on target in encouraging PRC. It was not separated from the interest of Indonesia and hope of this country to the economy PRC is considered to have a global influence.

The Investment Coordinating Board (BKPM) and the Indonesian embassy in Beijing ready and happy to help Chinese investors to increase investment in Indonesia.\textsuperscript{142} See increased investment commitment is, according to Frank, is very important to escort Chinese investment commitments until actually realized.\textsuperscript{143} Detail steps taken by Indonesia even to the lower level where investor concerns PRC against missteps in getting business associates were also highlighted important to open the doors of investment.

First, the Chinese investors to invest in Indonesia often choose the wrong business associates locally. As a result, the investment plan is not developed and goes no where. While the second factor that makes the Chinese investment plan does not go well that is a matter of language. The same thing happened earlier in Japan and South Korea investment. But after have a special desk, realization of investment for both countries continues to increase.\textsuperscript{144}

Sofyan Djalil earlier welcomed Chinese financial specialists to join Indonesia improvement projects, for example, boosting power era limit and the developments of toll streets, seaports, incorporated mechanical zones, and railroad lines.\textsuperscript{145}

\textsuperscript{141} Realisasi Investasi PRC di Indonesia Masih Rendah, downloaded from http://ekbis.sindonews.com/read/1064670/33/realisasi-investasi-PRC-di-indonesia-masih-rendah-1448518956, on June 11, 2016, at 10. 21 PM
\textsuperscript{142} PRC Masuk Top Five Negara Investasi di Indonesia, downloaded from http://economy.okezone.com/read/2015/04/23/320/1139108/PRC-masuk-top-five-negara-investasi-di-indonesia, on June 11, 2016, at 10. 01 PM
\textsuperscript{143} Bahasa Jadi Kendala Investor PRC Tanamkan Investasi ke RI, Op. Cit
\textsuperscript{144} Ibid.
\textsuperscript{145} Indonesia, PRC to Intensify Sustainable Trade, Op. Cit
This was done in view of the need for investment in Indonesia almost covering all fields, so that the levels of investment are a clear mapping so that the openness of Indonesia against Chinese investment can provide a significant positive effect. Indonesia needs investors to help understand the objective of expanding its energy era ability to reach 35 thousand megawatts as set by President Joko Widodo. The administration is likewise setting up a coordinated one-entryway administration to help investors applying for licenses.\textsuperscript{146}

In addition to growth in investment realization, the government's move to offer the convenience of investing 3 hour permit service responded positively by investors in PRC. There were five companies from PRC has been using the services of the investment. Of this amount, the carrying value of the investment that successfully facilitated reached US $ 2.34 billion (equivalent to Rp 32.5 trillion at an exchange rate of Rp 13,900).\textsuperscript{147}

The existence of an investment permit 3 hours service to investors, including from PRC as one of the priority investment marketing.\textsuperscript{148} PRC's connection with ASEAN is influenced by the way the state controls its addition into the worldwide division of work and deals with its development and abroad extension under a double exchanging administration of fare advancement and import substitution.\textsuperscript{149} Today, all nations of the area grasp and recognize openly the 'one-PRC' policy. This is to high degree a result of better Sino-ASEAN financial ties, additionally infers that Taipei will be left with little space to do monetary tact with Southeast Asia'.\textsuperscript{150} Indonesia open policy in the field of investment to PRC is proof of how PRC's soft power plays an important role for the country to influence other countries, in this case Indonesia, to open up at the same time follow PRC without any compulsion. On the other hand, measures or implementation of PRC in increasing its influence also in conjunction with the fulfillment of PRC's national interests in Indonesia.

\textsuperscript{146} Ibid.
\textsuperscript{148} Ibid.
\textsuperscript{149} Johannes Dragsbaek Schmidt, PRC’s Soft Power Diplomacy in Southeast Asia, \textit{Op. Cit} p. 27.
Chapter V

Conclusion

Indonesian economy needs the support of investors into the depiction that the economic cooperation in the fields of investment be the primary choice of each country to improve the national economy. On the other hand, the emergence of PRC as a world economic power can not be separated from the economic policies of the country, one of them is foreign investment to develop or boost the economy by expanding the market through investment cooperation with other countries.

There is an agreement between Indonesia and PRC for cooperation be early evidence that the analysis of the investment policy of PRC to Indonesia is becoming important in answering research questions in this study. Investment cooperation between Indonesia and PRC shows that PRC's the world economic strength makes Indonesia to see PRC as an important actor in the global economy. PRC’s economic model and investment policies, and foreign aid PRC, and PRC’s ability to change the world economic order through PRC’s role in global and regional institutions, become PRC's soft power.

Recognition of the world and Indonesia on PRC's economy makes the country as an actor with the economic capacity that is framed as a soft power. By having soft power, PRC is playing a role without difficulty to encourage Indonesia to accept agreements between the two countries in the field of economic investment.

The strength of PRC's soft power that is run in the absence of coercive power as well respect for the sovereignty of other countries, making PRC soft power is much in demand in other countries. Interest in other countries with a desire to follow the rules of other countries in PRC in investment cooperation becomes an important point in the implementation of PRC's soft power in Indonesia.

Step of Outward Foreign Direct Investment (OFDI) PRC became Chinese weapons in the interest of other countries, such as Indonesia in accepting PRC's
soft power. The ability of PRC's soft power is executed without force so that Indonesia felt no compulsion shape and even the implementation measures PRC is seen that the Chinese desire to investing greeted with the policy of openness by Indonesia.

Indonesia openness in receiving Chinese investment looks at how Indonesia continued efforts to boost the value of Chinese investment in Indonesia. The effort is seen in the promotional measures and improvement of internal policies Indonesia which is intended to facilitate the entry of Chinese investment into Indonesia.

Viewed policy of PRC in economic investment and the country's capacity to package its economic power as a soft power is an answer to a question about PRC's economic strength, in this case the investment policy, the soft power of PRC that used the country as the power to influence and control Indonesia without through coercion, but rather through the values attractive as Indonesia was interested and opening up over the presence of the PRC in Indonesia.
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