

BELT AND ROAD INITIATIVE (BRI)

What's in it for Indonesia?



A report on how Indonesia can benefit from the largest infrastructure project in history

BELT AND ROAD INITIATIVE

What's in it for Indonesia?

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I. Introduction

China's Belt and Road Initiative (BRI) marks its fifth year in 2018, a crucial phase that will determine where Chinese President Xi Jinping's ambitious project is heading. The consensus, inside and outside China, is that the project is cruising along and will likely accelerate from now on. There is no looking back.

The BRI, with its two main components —the Silk Road Economic Belt and the 21st Century Maritime Silk Road — has enlisted some 70 countries, including Indonesia, comprising a combined total of 40 percent of global gross domestic product. The livelihood of two-thirds of the world's population in all corners of the globe will be directly affected by the BRI. China will soon replace the United States as the world's biggest economy, and will use the BRI in exercising its global economic and political leadership.

From an estimated initial price tag of US\$900 billion, analysts are now talking about several trillion dollars' worth of new investments in infrastructure in the coming years — including in roads, bridges, seaports, airports and power plants — in China and BRI participating countries. While China will no doubt be the biggest funder, the BRI is also actively seeking to raise funds internationally, including in world financial markets. China is also increasingly involving private sector companies from around the world. Who can resist the massive business opportunities available?

For such a huge undertaking, there are bound to be problems and obstacles along the way. The BRI has its doubters and skeptics, but China is addressing these problems and responding to its critics. As some of the initial infrastructure projects are now on stream and starting to pay dividends, they override if not silence BRI critics. An old Indonesian saying, adapted from an ancient Silk Road story, aptly describes the situation: *Anjing menggonggong, kalifah berlalu* - dogs are barking, but the

caravan is moving on. Yes, the BRI caravan is certainly moving on.

Indonesia is a laggard compared to other countries in Asia when it comes to participating in the BRI. There is good reason for this, besides the fact that Indonesia is not located along the main Silk Road Economic Belt, where China is concentrating most of its energy. Indonesia has been more cautious in its approach, conscious of ensuring that BRI investments bring real benefits to the nation while minimizing any negative effects. This is a laudable approach as some countries are experiencing problems with their BRI projects, such as spiraling debt, loss of sovereignty and the growing presence of Chinese workers.

But as the BRI is clearly taking off after five years, Indonesia can no longer afford to sit on the fence, or it risks being left out completely, falling behind as the world economy grows and prospers while China takes on greater political and economic leadership.

A too cautious approach could mean missed opportunities in terms of market access for Indonesian products and benefiting from the large investment funds available under the BRI. For President Joko "Jokowi" Widodo, the BRI provides an answer to his own massive and expensive infrastructure program. Indonesia's participation in the BRI is crucial to its own national interests.

One likely major obstacle to Indonesia's participation in the BRI is public opinion. If Indonesia is to reap the full benefits, it must fully, rather than half-heartedly, embrace the BRI. In a democratic environment like Indonesia today, it is important that the government enjoys strong public support to be able to engage China in negotiating and implementing BRI infrastructure projects.

The BRI has not become a buzzword in Indonesia in the same way it has in other countries that have opened up their economies to BRI projects. More often than not,

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typically it is the problems rather than the benefits, whether real or potential, that have come to the public's attention, so much so that the BRI in many countries now carries negative connotations. Neighboring Malaysia is a good example, with Prime Minister Mahathir Mohamad rolling back some of the big BRI infrastructure projects as soon as he won the election in July. Well-informed public opinion on the BRI and its implications, both negative and positive, is crucial for Indonesia's participation. Conversely, the government too must listen to public opinion to nurture and build its support for the BRI.

This report seeks to explain what the BRI is and where it is heading now that it has completed its first five-year phase. The report will examine Indonesia's cautious approach and shed light on the four economic corridors offered to the BRI. The final part analyses public sentiment in Indonesia toward the BRI and overall Indonesia-China relations, an essential component as Indonesia broadens its participation in the BRI.



II. The Belt and Road Initiative: An ambitious undertaking

President Xi unveiled his vision for the Silk Road Economic Belt in a speech in Kazakhstan in September 2013. A month later in Indonesia, Xi added the maritime component to his vision in his speech titled the 21st Century Maritime Silk Road. The two speeches formed the basis of what was initially called the One Belt One Road vision, hence the widely used OBOR acronym. Now, renamed the Belt and Road Initiative, or the BRI for short, Xi's vision has since been translated into a road map with numerous action plans.

Echoing President Xi, official Chinese statements explain that the BRI represents a modern reinvention of the ancient Silk Road that emphasizes "mutual trust, equality, inclusiveness, mutual learning and win-win cooperation."

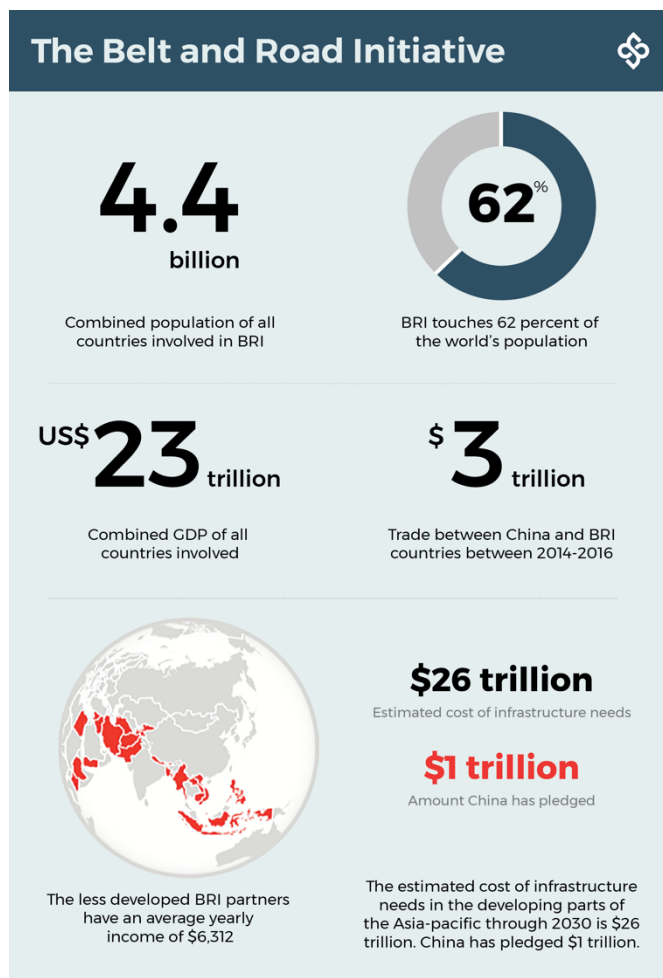
The "Belt" refers to the overland roads that link China with West Asia, Southeast Asia, the Middle East and Central Asia all the way to Eastern and Western Europe, including Russia. The "Road" refers to the maritime route that links China with island countries in the Western Pacific and littoral states in Southeast Asia, South Asia, horn of Africa, Middle East and Europe.

The stated objectives of the BRI, according to Chinese government statements, is to improve connectivity between the Asian, European and African continents by enhancing trade flows, spurring long-term regional economic growth and delivering benefits to all those involved. Central to this initiative is the construction of massive infrastructure projects — including roads, railways, seaports, airports, power plants and now also telecommunication facilities — in participating countries led and assisted by China.

One indication that the BRI is an evolving and dynamic concept is the inclusion in 2016 of a third prong to the BRI called the Digital Silk Road, with China providing support

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for the development of e-commerce, the digital economy, smart cities and science and technology parks in participating countries. China's growing mastery of digital technology and the development of its satellite system globally complement the BRI's objectives in bringing about greater connectivity, physically and now also digitally.

From the initial 58 countries, the number of BRI participants has risen to some 70, as nations and governments realize the potential benefits they stand to gain, and the huge losses they risk if they stay out. One major risk they should consider is being left out of global economic growth, falling behind other countries as China replaces the United States as the world's largest economy

and takes over the mantle of global economic leadership. China may see slowing growth in 2018, but there is no doubt that its sheer size will continue to provide the main stimulus for global growth and development, with the BRI central to this. This is after all the Asian Century.

President Xi is willing to put his money where his mouth is and has done so quickly. In 2014, China founded the Asia Infrastructure Investment Bank (AIIB), enlisting the participation of more than 50 countries, including several European countries. The AIIB is modelled on the Manila-based Asian Development Bank, which is funded primarily by Japan and the United States. Although there is some collaboration between the two banks, undeniably there is also rivalry, reflecting competition for influence between their sponsors. Later that same year, Xi established the \$40 billion Silk Road Fund to finance BRI projects. Chinese state banks have also been active in raising and channeling funding for BRI projects in international financial markets.

More money will become available in the coming years, not only from China but also from other sources such as governments, the private sector and international funding agencies. The infrastructure deficit in Asia and other BRI countries is too large to be financed by China alone.

The Belt comprises three routes and the Road two routes:
The Silk Road Economic Belt:

- China - Central Asia - Russia - Europe
- China - Central Asia - West Asia - Persian Gulf
- China - Southeast Asia - South Asia - Indian Ocean

The 21st Century Maritime Silk Road:

- Coastal China - South China Sea - Indian Ocean - Europe
- Coastal China - South China Sea - South Pacific

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The BRI has massive implications and consequences beyond the economy, such as political and cultural considerations. The BRI has come to be regarded as President Xi's signature foreign policy as China becomes more assertive, economically and politically. China is acting within the realms of its status as an emerging superpower with growing economic and political clout. Naturally, China wants to use its powers to secure its economic lifeline and geopolitical interests, including securing the supply of energy, food and raw materials to sustain its economic growth and development. Unlike the European empires of the past, there are no indications that China is seeking to colonize or impose its rule on the countries it is dealing with to secure its economic and political interests.

The BRI is a powerful tool for China as it dispenses its new-found power and influence in securing its national interests. The foreign policy implications and emerging geopolitical realities, including the hegemonic contest between China and the United States in Asia and beyond, are subjects beyond the scope of this report. It is sufficient to say that for our purpose, as China adjusts to its new geopolitical and economic strengths, so should other countries in the region and around the world. As China's important foreign policy tool, the BRI can provide

guidance for these countries when making the necessary adjustments in proportion to their own national interests

Criticisms

The BRI is not without its critics. Given its sheer size, there are bound to be problems and challenges. China is responding and evolving the BRI by constantly fine-tuning and revising it to deal with emerging obstacles, as well as responding to the growing chorus of criticisms that have emerged during its implementation.

One criticism is the lack of transparency in the way that the BRI projects outside China are awarded. The Washington-based Center for Strategic and International Studies in a January report said Chinese construction companies were tasked with up to 89 percent of China-funded infrastructure projects in Asia, with companies from participating countries getting just 7 percent, leaving 4 percent for foreign companies. In contrast, Chinese companies won 29 percent of the contracts for infrastructure projects in Asia funded by multilateral financial institutions, with 41 percent going to local companies and 30 percent to foreign companies.

Another criticism is that China is using the BRI to help deal with overcapacity in its domestic construction materials industry, particularly steel and cement. Massive infrastructure projects outside China give it an outlet as domestic construction slows down.

China has also been criticized for its rather loose criteria in extending loans when compared to international lending practices. Chinese banks are willing to put up money for projects that other banks and international lending agencies avoid because of the huge risks involved. For their part, Chinese banks charge high commercial lending rates, rather than concessionary terms.

Many recipient countries are only too happy to take Chinese loans to finance their giant infrastructure projects. And when they cannot pay the loan instalments, some, like Sri Lanka, have agreed to convert the loans into

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equity, essentially giving China ownership of the infrastructure it helped to build. The debt trap and the consequent loss of sovereignty is among the most contentious issues of the BRI.

BRI financing is also popular among authoritarian regimes, who are not subject to democratic checks and balances. Unlike western government and lending agency loans, there are no strict requirements in regard to human rights, labor standards and environmental protections in the approval of loans.

Another issue that has emerged with the implementation of the BRI is the large presence of Chinese workers that accompany many of the projects. In some countries, their presence is raising questions about the necessity of so many Chinese workers and whether some if not most of the work should be given to local workers. In some countries, the presence of Chinese workers has been politicized. If not properly handled, it could undermine the future of the BRI projects in these countries.

China is fully aware of these problems and is addressing some of these issues while responding to the accusations. Beijing understands that the success of the BRI hinges on the widespread support of participating countries, both the governments and the public. It also knows that the massive need for finance can only be met by greater inclusion of international finance. China is also improving transparency in the tender of projects, meaning greater business opportunities for global companies. The BRI is slowly but surely becoming less China-centric.

The BRI is too big and too important to fail now. It is more about getting it right, and China is making the adjustments in response to legitimate criticism. There is no going back now that the BRI has passed the critical first five years. Despite ongoing and often baseless criticism, an old Indonesian saying, adapted from the old Silk Route stories, aptly reflects China's attitude toward its critics. *Anjing menggonggong, kafilah berlalu* - dogs are barking, but the caravan is moving on.

III. The BRI after five years: This caravan is moving on

In May 2017, President Xi Jinping organized a summit, the attendance of which was expected to demonstrate the international acceptance of his vision. Thirty heads of state and representatives from 130 countries and 70 international organizations attended the three-day Belt and Road Forum for International Cooperation in Beijing.

Recalling his 2013 speeches in Kazakhstan and Indonesia when he first laid out his BRI vision, Xi said: *"As a Chinese saying goes, Peaches and plums do not speak, but they are so attractive that a path is formed below the trees.* Four years on, over 100 countries and international organizations have supported and taken part in the BRI. Important resolutions passed by the UN General Assembly and Security Council contain reference to it. Thanks to our efforts, the vision of the Belt and Road Initiative is becoming a reality and bearing rich fruit."

International Monetary Fund managing director Christine Lagarde, who attended the summit, returned to Beijing in April 2018 to give the international seal of approval for the Belt and Road Initiative, as it is starting to deliver as it reaches its fifth year.

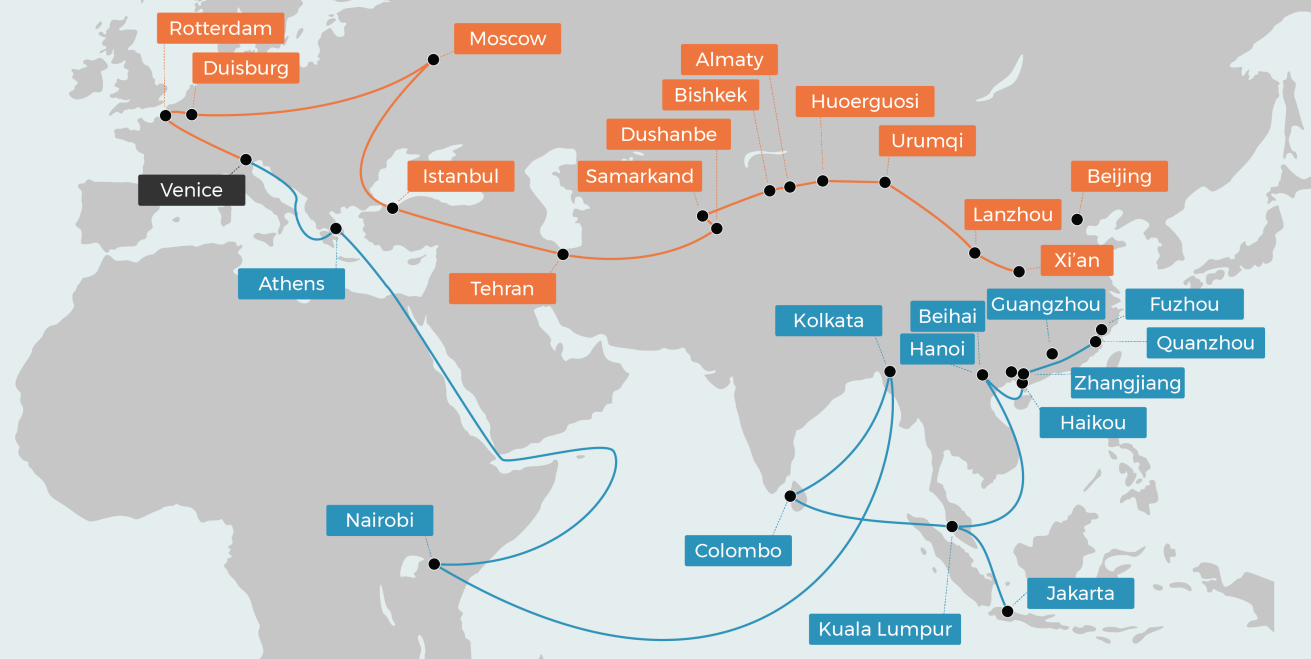
"Given that there are more than 70 BRI participating countries, it is difficult to estimate precisely overall investment needs. But it will be in the hundreds of billions of dollars annually. Clearly there is a pressing need for infrastructure and there are already signs of progress. In other words, blooms are starting to appear."

Lagarde, however, cautioned China and BRI participants against overspending and called for more prudent fiscal policies.

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Mapping the Belt and Road Initiative's progress



COMPLETED

HUNGARY	
Huawei logistics center	US\$1.5bn
IRAN	
Rudbar Lorestan hydropower dam	\$578m
KAZAKHSTAN	
Khorgos dry port	\$245m
PAKISTAN	
Gwadar Port construction of breakwaters	\$123m
SRI LANKA	
Hambantota deep sea port Phase I, II	\$1.5bn
CAMBODIA	
National Road No. 214, Stung Treng-Mekong River Bridge	\$1.5bn
INDONESIA	
Sumsel-5 power plant	\$1.5bn
NORTH KOREA	
New Yalu Bridge	\$1.5bn

UNDER CONSTRUCTION

BANGLADESH	
Payra power plant	\$1.65bn
LAOS	
China-Laos railway	\$5.8bn

STARTED

ISRAEL	
Haifa Bay port	\$1.16bn

ANNOUNCED/UNDER NEGOTIATION

MONGOLIA	
Tavan Tolgoi rail project	\$1bn
TURKEY	
Third nuclear power plant	\$25bn

UNKNOWN

UKRAINE	
Kiev metro's fourth line	\$1.3bn

Source: CSIS Reconnecting Asia Project (reconnectingasia.csis.org)

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The corporate world is seizing on the business opportunities available as the BRI gradually becomes less China-centric. The Economist Intelligence Unit, in a report posted on HSBC's website, notes that while the lion's share of BRI projects have gone to Chinese construction companies, non-Chinese companies are taking part in many projects through joint ventures, and opportunities are growing as the BRI progresses.

Chinese companies work with local companies to build many of the infrastructure projects, such as the Moscow-Kazan high-speed railway with Russian companies, and the Melaka Gateway project that includes a deep sea port and cruise terminal with Malaysian companies. The construction of the Jakarta-Bandung high-speed railway involves Indonesian companies.

Giant multinational companies are also being brought onboard. General Electric of the United States is partnering with more than 30 Chinese engineering, procurement and construction companies working in over 70 BRI participating countries. Germany's Siemens AG is working with 100 Chinese companies in over 60 countries.

"In the long term, if the BRI achieves its intended goal of spurring economic development and trade growth, there may be opportunities for companies in sectors requiring increasingly complex technologies, where some foreign providers still have an edge.

In every scenario, the benefits of collaboration could be maximized with improved transparency and fair competition practices within BRI projects," the EIU said.

Siemens AG held its own BRI business summit in Beijing in June 2018, attended by more than 1,000 industry leaders and delegates from 30 countries, where it highlighted some of the successful BRI projects it has helped to develop.

"At face value, the BRI is an invitation to the rest of the world to take part in the biggest infrastructure project of all time. It's a landmark movement that represents a 1 trillion euro investment in infra-structure in 90 countries and beyond – a project that has the potential to improve the lives of 70 percent of the world's population. It's a project that creates opportunities in practically every sector," Siemens CEO Joe Kaeser said.



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IV. What's in it for Indonesia?

Indonesia has been slow off the mark in embracing the BRI, certainly when compared to other countries in the region. China has become a major source of foreign direct investment in recent years but no investment has officially come under the BRI. Investments instead have been part of China's aggressive investment campaign in recent years, with many agreements predating the BRI, taking advantage of Indonesia's open door policy to foreign investors. Recently, some of these investments have come to be regarded as falling under the BRI, including the Jakarta-Bandung high-speed railway project. Furthermore, almost all new Chinese investment projects, particularly those involving Chinese state companies and loans from Chinese financiers, have been labeled under the BRI, at least by Beijing.

Although welcoming China's investments in principle, Indonesia has not called them BRI projects. The term BRI, or OBOR, has not caught on yet, neither in the Indonesian media nor with the public. The government has been more careful in the usage of the term, and for good reason. With the BRI being President Xi's signature foreign policy, any project under the BRI could be seen as accommodating China's hegemonic ambitions, with all the negative associations that come with it. Domestic political sensitivity dictates that the government moves with caution.

President Jokowi has publicly welcomed the BRI, or the earlier version branded OBOR. Since taking up the presidency in 2014, he has seen the BRI as consistent with his own vision of elevating Indonesia's position as a Global Maritime Fulcrum (GMF), referring to a maritime nation or power strategically straddling the Indian and Pacific oceans, hence the notion of Indonesia as an Indo-Pacific power. He does not regard the 21st Century Maritime Silk Road as rivalling or challenging Indonesia's own ambition to become a maritime power. In his view, the two are not only complimentary, they also reinforce one another.

To further hammer the point their complementarity, government officials are starting to put the Indonesian concept ahead of China's each time referring to the Chinese initiative. Hence do not be surprised to see government documents calling it GMF-BRI instead of simply BRI. This also helps prevent the possible confusion in Indonesia as the three-letter acronym BRI in Indonesia belongs to the state-owned lender Bank Rakyat Indonesia.

President Jokowi also sees economic opportunities in the BRI, primarily access to large funds available from China that he can use to finance his expensive infrastructure programs. Indonesia badly needs investment in infrastructure to help sustain economic growth, create jobs, raise incomes and improve the general welfare of Indonesians.

Jokowi's vision of Indonesia as a maritime nation means first and foremost linking the islands in the huge archipelagic nation with regular shipping services using maritime highways. Better connectivity within Indonesia is essential to take advantage of greater connectivity with the rest of the world. This includes the building and development of seaports and a shipbuilding industry on a massive scale throughout the chain of islands.

International financial institutions like the World Bank and Asian Development Bank can only provide so much money for his ambitious programs. The private sector, both domestic and international, has also been slow in taking up the infrastructure projects on offer.

Chinese companies are already building infrastructure, mostly power plants, though not under the BRI. They have also been a major player in the building of smelters. Morowali in Central Sulawesi has become a Chinese industrial enclave, processing nickel ore to supply Chinese manufacturers.

Indonesia certainly could do with a lot more Chinese money.

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Indonesia, however, deals with China not without its own economic and political leverage. The fourth largest nation in the world supplies much of China's needs for food and raw materials such as coal and palm oil. Indonesia controls the waters in and around the Malacca Strait and the South China Sea, through which crude oil shipments from the Middle East pass on its way to China. Indonesia is also the main driving force within the Association of Southeast Asian Nations in negotiating with China for the establishment of a code of conduct aimed at resolving overlapping territorial claims in the South China Sea. Indonesia and China have their own territorial dispute in the Natuna Sea, but this is an issue that has temporarily been put on the back burner.

President Jokowi and President Xi have personally hit it off. The two have met more than seven times between 2014 and 2018, in Beijing, Jakarta and on the sidelines of summits around the world. China has become Indonesia's largest trading partner and increasingly a major source of foreign direct investment. Now, with the BRI, there is the prospect of getting more concessionary financing for Indonesia's infrastructure projects.

Indonesia is not unaware of the problems that other countries have experienced with BRI projects. Two problems that have emerged are the question of financial arrangements and the influx of Chinese workers that accompany BRI projects. Some countries that have indiscriminately taken up Chinese loans under the BRI are now falling into debt traps. Countries like Sri Lanka, the Maldives and some in Africa who cannot repay their massive BRI debts have allowed China to take control over some of the projects, leading to the loss of some sovereignty. The large presence of Chinese workers has created tensions with local workers, an issue that could inevitably be politicized.

The long negotiations over the Jakarta-Bandung high-speed railway have exemplified the cautious approach Indonesia has taken with regard to project financing. Tough negotiations have taken place within various

government agencies involved in issuing the necessary permits and licenses. Then-transportation minister Ignatius Jonan lost his job for allegedly delaying the decision to give the green light for the project. Jonan, a man cited for his integrity, was later reinstated as the energy and mineral resources minister.

The issue of Chinese workers came up in Indonesian political discussions in 2016 and 2017, not necessarily because of a large influx, but more because the issue was highly politicized during the Jakarta gubernatorial election. Then-incumbent Basuki "Ahok" Tjahaja Purnama was leading in all the polls. His challengers exploited his Chinese ethnicity and Christian religion to appeal to Muslim voters. Ahok not only lost the election in April 2017 but was imprisoned for blasphemy. The issue of Chinese workers was highlighted by his opponents with unsubstantiated claims of a huge influx, with the objective of exploiting anti-Chinese and anti-China sentiment.

The reality is that while the largest number of work permits have been issued to workers from China, they mostly accompany Chinese investment projects. These, however, were mostly legitimate workers whose permits were approved of by the government. Their number is in the tens of thousands, not the hundreds of thousands and certainly not millions as claimed by some.

The discovery of some Chinese workers working illegally was quickly played up by politicians, with numbers inflated. The government admitted some Chinese workers have been working illegally, taking advantage of the visa-free policy granted to visitors from China. Chinese companies have also admitted that they have exceeded the number of Chinese workers employed to work in projects agreed with the Investment Coordinating Board, reasoning they were unable to find suitably skilled Indonesian workers and faced deadlines to complete their projects, or else pay heavy penalties.

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Indonesia has taken steps to deal with these violations by strengthening the supervision and monitoring of foreign workers. President Jokowi raised the issue with Premier Li Keqiang when the latter visited Jakarta in May. At a joint press conference, Premier Li appealed to Chinese companies operating in Indonesia to prioritize hiring local workers.

Coordinating Maritime Affairs Minister Luhut B. Pandjaitan, who heads the Global Maritime Task Force, has laid down four main conditions for BRI projects:

- The use of environmental technology: The best technology available and not secondhand.
- The use of local workers. If they are not available locally, contractors must provide the necessary training.
- Have an impact on the local economy where the project is located. This means they must also build upstream and downstream facilities.
- Transfer of technology, including the upskilling of Indonesian workers.

On the use of Indonesian workers, Luhut said he understands the difficulty in finding qualified workers for projects outside Java, and for this the government is flexible in allowing foreign workers with specialist skills to work in projects.

Indonesia is also looking at the prospect of involving third party multinationals in BRI projects, in particular to help train local workers. He points to Siemens AG, which has large operations in China and is required to provide education and training to Chinese workers. As Siemens is heavily involved in BRI projects in China and other parts of the world, the Indonesian government is talking to Siemens Indonesia regarding the possibility of collaborating in future BRI projects that involves the German-based company providing vocational training to Indonesian workers. Siemens Indonesia, which is looking at expanding its operations in Indonesia, is warming to the idea.

Rather than allowing China to pick its projects in Indonesia, the government has designated four economic corridors for the BRI, some with specific projects:

- North Sumatra Corridor: Projects include the Kuala Namu Aerocity and North Sumatra industrial zone
- North Kalimantan: Hydropower plant project and Tanah Kuning International Industrial Park and Port
- North Sulawesi: Lember International Airport, Likupang tourism area and Bitung Industrial Park
- Bali: Toll road and a technology park.

While these projects are being offered to China under the BRI, they are not exclusive and other contractors are encouraged to bid for the projects.



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V. Chinese projects in Indonesia and the four economic corridors

The following are samples of ongoing Chinese projects – the Jakarta-Bandung high-speed railway project and the emerging nickel and steel manufacturing center in Morowali – as well as the four economic corridors offered to the BRI.

a. Jakarta-Bandung high-speed railway project

Basic facts

Length: 150 km (93 miles)

Travel time: 40 minutes with an average speed of 250 km per hour, as against 3 to 5 hours at present.

Owner/Investor: PT Kereta Cepat Indonesia China (KCIC), a joint-venture between four state-owned Indonesian companies and the China Railway Corporation (CRC)

Cost: US\$6 billion, with 75 percent financed by China Development Bank (CDC) loans

Start-up operations: 2021 with 50 years of operational concessions

The Jakarta-Bandung high-speed railway was scheduled to begin construction in the second half of 2018, more than two years after President Jokowi led the groundbreaking ceremony for the \$6 billion project.

The project is being developed by the KCIC, a joint venture between a consortium of four Indonesian state-owned companies - construction company PT Wijaya Karya, railway operator PT Kereta Api Indonesia, toll-road builder and operator PT Jasa Marga and plantation company PT Perkebunan Nusantara VIII - and the CRC.

Four stations will be built along its route. A station near Halim Perdanakusuma International Airport in East Jakarta will connect the high-speed railway to the light rapid transit network under construction in Jakarta. A station will be built in Walini near Bandung, which is

being developed into a tourism hub. The other two stations are in Karawang and Tegalluar.

In May 2017, when Jokowi attended the BRI Summit in Beijing, the KCIC and CDC signed a loan commitment amounting to 75 percent of the \$6 billion total project cost. The loan will mature within 40 years, including a 10-year grace period. When completed, the railway service will cut travel time between Jakarta, the capital with a population of more than 12 million and Bandung, the capital of West Java with 3 million people, from three hours to 40 minutes, developing the two cities into a megapolitan area.

The project is expected to generate 40,000 jobs a year during construction, as well as create a multiplier economic effect on associated industries such as smelting, manufacturing, infrastructure, power generation, electronics, services and logistics.

The railway will spur the economy along its route, which runs through eight regencies and cities and 30 districts, boosting real estate, especially in the transit-oriented development areas in Halim and Walini. The KCIC and CRC have created a grand design to develop almost 1,300 hectares of surrounding land that would transform Walini into a new city. The KCIC will also generate revenue from advertising on its buildings, railway cars, corridors and stations, as well as rental fees from passenger lounges and retail shops in stations and other facilities.

The high-profile project has been plagued by problems since its inception, including questionable benefits, lack of proper environmental impact studies and lack of consistency with regional spatial plans. Encouragingly, though, all the regulations and regional bylaws necessary to secure the legal certainty of the project have been properly enacted.

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b. Morowali: An emerging nickel and steel manufacturing center

Basic Facts

Indonesia Morowali Industrial Park (IMIP): Established in 2013 as a joint venture between Shanghai Decent Investment, Bintangdelapan group and PT Sulawesi Mining Investment.

Area: 2,000 ha in Morowali, Central Sulawesi

Development Objectives:

- Medium term: To become Indonesia's largest nickel and steel manufacturing center with an annual capacity of 2 million tons of nickel pig iron and 3 million tons of stainless steel slabs, scheduled to be completed in 2019/2020.
- Long term: Developed into an SEZ with clusters of downstream nickel and steel manufacturing operations.

Infrastructure: Power generation, international seaport, polytechnics

The right industrial policy, an efficient business licensing scheme and availability of mineral resources have turned a part of Morowali into one of Indonesia's best developed industrial parks outside of Java within five years, with investment at \$6 billion by December 2017.

The first factor that wooed investors was the 2009 Mining Law, which in 2014 began to phase out the export of unrefined minerals, with the goal of developing higher value-added industries. Under the law, nickel mining firms must build their own smelters.

The second factor was President Jokowi's relentless campaign to improve the ease of doing business in Indonesia by expediting the licensing process. Within months of assuming the presidency, he ordered the Investment Coordinating Board to administer most investment permits within three hours.

The third factor was the availability of an estimated 370 million tons of nickel reserves in Morowali, in addition to

more than 1 billion tons in South and Southeast Sulawesi and Maluku.

PT Bintang Delapan Investama, the mining unit of the Bintangdelapan group, which owns a 47,000 ha nickel mining concession in Morowali, launched the project. In 2009, it set up a joint venture with the Shanghai Decent Investment Group, a subsidiary of China's giant steelmaker Tsingshan Group, to expand ore production in Morowali for export to China.

The law banning nickel ore exports prompted Bintangdelapan and the Tsingshan Group to establish another joint venture in 2013, the IMIP, to develop a 2,000 ha industrial estate complete with basic infrastructure. Well-developed industrial estates, supported by infrastructure and other public facilities, has been key to attracting investors.

The IMIP is supported by relatively inexpensive power, easy access to an international seaport connected to global value chains, training facilities and residential and commercial areas. Furthermore, land prices and labor costs are much lower than in Java.

An industrial estate with a cluster of industries also supports the government policy of enhancing the growth of specific industries — in this case smelting — in one zone allowing it to expand from upstream to downstream operations in an orderly manner with better supply chain management.

The IMIP operates three coal-fired power plants with a capacity of 1,130 MW and annual coal demand of 6 million tons. It is also developing two other coal-fired facilities worth \$650 million with a capacity of 700MW.

Other facilities in place include four secondary base stations, 10 sets of satellite TV receiving systems, a 30,000 ton quay berth, eight 5,000 ton quay berths, a 100,000 ton bulk cargo wharf and housing facilities

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As of last year, according to the Energy and Mineral Resources Ministry, Indonesia's measured nickel resources stood at 1.43 billion tons, while its proven nickel reserves amounted to 238.64 million tons.

Morowali, covering an area of 5,472 square km, contains at least 370.59 million tons of measured nickel reserves, enough for decade's worth of mining.

Given its plan to boost the use of electric vehicles, China's love of nickel is projected to remain robust in the years to come, making it crucial for it to make long-term investments in Indonesia, which is home to 40 percent of the world's high-grade lateritic nickel ore. Nickel is also used widely in mobile phones, food preparation equipment, buildings, steel products and power generation.

China used to import more than 60 million tons of nickel ore and concentrates a year. As the IMIP can only produce 4 to 5 million tons of nickel ore per year from its own mine in Morowali, it has to buy more than 10 million tons of nickel ore per year from other mines in Central and South Sulawesi. By October 2017, the IMIP had completed the development of three of the four nickel smelter projects capable of producing 1.2 million tons of nickel pig iron per year from the expected capacity of 2 million tons.

PT Sulawesi Mining Investment (SMI), PT Guang Ching Nickel and Stainless Steel Industry (GCNS) and PT Indonesia Tsingshan Stainless Steel (ITSS) are also building three stainless steel slab factories with a combined capacity of 3 million tons, all of which will be used to manufacture 2.5 million tons of hot rolled coil and 500,000 tons of cold rolled coil per year.

PT Dexin Steel Indonesia, a joint venture between the IMIP, Shanghai Decent and Singapore's Delong Steel is building a carbon steel factory worth \$960 million, with an annual capacity of 3.5 million tons. The project is scheduled to be completed sometime in 2019.

Tsingshan controls the majority stake in all four firms through its various subsidiaries and affiliates, including Shanghai Decent, Guangdong J-Eray Technology Group and Ruipu Technology Group.

When the Morowali industrial park is fully developed by 2020, the IMIP's four smelters will process between 14 million and 19 million tons of nickel ore per year. The four smelters are all owned and operated by its four affiliates: the SMI, GCNS, ITSS and PT Tsingshan Steel Indonesia.

The giant developer sources all of its nickel from Sulawesi and its surrounding areas while importing all of its manganese, chrome and silicone needs from South Africa.

Miner PT Bintang Delapan Mineral, a subsidiary of the Bintangdelapan Group, has established a polytechnic in Morowali to train engineers and construction workers needed by manufacturing and construction companies in the industrial park.

The IMIP is upgrading its seaport to increase its docking capacity to 250,000 deadweight tons (DWT) from 30,000 DWT and is planning to build an airport with a 1,800 meter runway. The Industry Ministry and IMIP predict that with the further development of downstream nickel and steel manufacturing, Morowali will become one of the world's biggest integrated nickel-content stainless steel production complexes.

The Industry Ministry estimates when all the nickel and steel smelting projects are completed by 2020, Indonesia will be able to manufacture at least 4 million tons of downstream nickel products, including nickel pig iron, ferronickel and stainless steel.

The Office of the Coordinating Maritime Affairs Minister has formed an inter-ministerial team to expedite the development of the Morowali industrial complex by upgrading its administrative status to an Special Economic Zone (SEZ).

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c. Sei Mangkei Special Economic Zone in North Sumatra

Basic facts

Area: 2,000 ha

Location: Sei Mangkei near Kuala Tanjung Seaport facing the Malacca Strait

Status: Special Economic Zone (SEZ) based on Government Regulation No. 29/2012

Industries: Palm oil, rubber and aluminum manufacturing, logistics hub

The 2,000 ha Sei Mangkei SEZ was opened by President Jokowi in 2015, but its development had started in 2012. Its location is strategic as it is 40 km from Kuala Tanjung International Seaport that faces the busy Malacca Strait, through which 45 to 50 percent of global trade passes.

Sei Mangkei SEZ is 120 km from Medan, North Sumatra's capital and the country's third largest city, 140 km from Belawan, the province's largest seaport, and 110 km from Medan's airport Kuala Namu, the first Indonesian international airport supported by a rail link. Sei Mangkei SEZ will soon have a direct link with the trans-Sumatra toll road currently under construction, which will run across the length of Sumatra.

Kuala Tanjung is the site of Indonesia's first aluminum smelter with an annual capacity of 225,000 tons, supported by a 425-megawatt hydropower plant near Lake Toba. State-owned PT Indonesia Asahan Aluminium (Inalum) is preparing to double its Kuala Tanjung aluminum smelting capacity to 500,000 tons to process alumina, which will be produced by Inalum's smelter-grade alumina refinery being built at Tanah Kuning in North Kalimantan.

Tanah Kuning in Bulungan will be developed into an industrial park integrated with an international seaport. North Kalimantan is assessing the economic prospects of the alumina industry because it holds vast bauxite reserves, while the Kayan River has the potential to

generate thousands of megawatts of low-cost power, key to smelting operations.

The additional alumina and aluminum production capacity will enhance the development of downstream aluminum factories in Kuala Tanjung.

Sei Mangkei SEZ will be supported by power supplies, railway networks and toll roads. It is surrounded by vast areas of oil palm plantations and rubber estates. Hence, Sei Mangkei SEZ has been designed with three zones of industrial estate housing clusters of downstream palm oil and rubber manufacturing factories in mind.

As a SEZ, Sei Mangkei offers streamlined licensing procedures with a single application required for all permits, flexible labor regulations, superior logistics and an efficient tax, customs and immigration service.

To enhance the zones' competitiveness, investors in the SEZ enjoy fiscal incentives. Yet the most important incentive is the proximity to Kuala Tanjung International Seaport, which connects industry in the Sei Mangkei SEZ to global value chains.

Palm oil, rubber and aluminum industrial clusters, for example, can generate localization arising from specialization and integration of manufacturing. Industrial clusters reduce the costs of transportation and significantly improve supply chain management. This in turn decreases the costs of distributional and other logistical arrangements.

Such a grouping of manufacturing operations also enables assemblers and big retail chains to gain maximum savings by rationalizing when and where they want to procure products and how they organize production.

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Several companies that are developing manufacturing plants at Sei Mangkei SEZ are:

- PT Unilever Oleochemical Indonesia (UOI), a subsidiary of consumer goods giant Unilever, has completed its \$145 million complex that processes palm oil into oleochemical to produce soap, fatty acid and noodles. About 85 percent of processing at the Unilever plants in Sei Mangkei SEZ is designed for international markets, mostly Unilever outlets. It is the first oleochemical processing factory Unilever has built anywhere in the world. The oleochemical plant is part of Unilever's plan to use 100 percent sustainable and certified palm oil by 2020.
- The Shimizu Corporation, a leading architectural, civil engineering and general contracting firm, is investing \$33.6 million in developing a palm oil biomass power plant.

The government has promoted Sei Mangkei SEZ to foreign investors, notably those from China, to be further developed under the BRI.

d. North Kalimantan's alumina and steel industrial centers

The government has promoted the development of mineral resources in North Kalimantan to Chinese investors under the BRI.

The major project in North Kalimantan is the development of an alumina and steel alloy smelter, as the province has rich bauxite and nickel resources, while the Kayan River has the potential to generate thousands of megawatts of electricity.

Inalum, which operates an aluminum smelter at Kuala Tanjung near the Sei Mangkei SEZ in North Sumatra, is preparing to construct a 500,000 ton capacity alumina smelter at Tanah Kuningin, Bukungan. This smelter will feed the Inalum plant in North Sumatra, which currently imports alumina materials from Australia.

The Tanah Kuning district will be developed into an industrial park and SEZ, supported by an international seaport and power supply.

e. Bitung Special Economic Zone: The gateway to the Pacific

Basic Facts

Legal status: Designated by Government Regulation No. 32/2014 as an SEZ.

Location: North Sulawesi

Area: 534 ha near Bitung International Seaport

Development: Fish, coconut, essential oils processing industries and logistics hub for eastern Indonesia.

Infrastructure: International seaport, international airport in Manado.

Bitung's strategic location makes it an important gateway to the Asia-Pacific and an important regional hub port for Indonesia's eastern region, notably Maluku and Papua. It is only 45 km from North Sulawesi's capital of Manado.

Bitung is one of Indonesia's biggest fishing ports but is also surrounded by over 415,000 ha of plantations of coconut, other vegetable and essential oils as well as spices such as clove.

Like all SEZs across the country, Bitung has been designed to provide streamlined procedures for business licensing and more flexible labor regulations, tax breaks, customs duty exemptions and good infrastructure.

According to the Bitung SEZ masterplan drawn up by the North Sulawesi administration, the first phase of development covering 150 ha will consist of basic infrastructure such as roads, water and land development for residential and commercial properties. Phases two and three covering 100 ha will develop land for industrial plots and supporting facilities such as vocational training centers. Phases four and five covering 150 ha will focus on the completion of residential, commercial and industrial development as well as for all supporting facilities.

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A 40 km toll road linking Bitung and Manado is under construction. The Bitung International Seaport will be expanded to increase its container yard capacity to 50 ha and the length of its jetty to 500 m. The expansion of Manado's Sam Ratulangi International Airport and Bitung-Manado railway link are part of the SEZ's development plans.

Progress has been painfully slow because of a lack of financing. Memorandums of understanding signed by the North Sulawesi administration with the China Communication and Construction Company (CCCC) in 2015 and another with the Korea Land and Housing Corporation in 2013 are not making progress because of legal and administrative bottlenecks, notably those related to land acquisition.

The North Sulawesi provincial and Bitung administrations have yet to complete the establishment of two agencies: the development authority that will implement the one-stop licensing mechanism and the management company that will manage the operations of Bitung SEZ. If Bitung SEZ fails to make significant development progress next year, its SEZ status may be revoked, as stipulated in the 2009 SEZ Law.

f. Bali tourism will be further developed under the BRI

The Indonesian government has proposed to China that infrastructure development for Bali's tourism be included in the BRI. The accelerated development of Bali's tourist infrastructure has been considered economically viable for the interests of both countries as Chinese tourist arrivals to Indonesia's most popular holiday island have increased astronomically over the past few years. The Tourism Ministry says China is now the second largest origin of tourists to Indonesia after Singapore.

The Bali Tourism Office reported a 40 percent rise in the number of Chinese tourists who arrived directly in Bali to almost 1.4 million in 2017, from 990,770 in 2016 and

688,500 in 2015, due partly to the opening of new direct flights from various cities in China and streamlined visa procedures. Indonesia's national flag carrier Garuda flies to Bali from Xi'an, Beijing, Shanghai and Guangzhou. Budget airline Lion Group has opened flights from China's southwestern city of Chengdu to Bali.

The Tourism Ministry predicts that the number of Chinese tourists traveling to Bali may rise to 3.5 million in 2018, including those who will come through Jakarta or other Indonesian cities.

President Jokowi has set a target of 20 million tourist arrivals for 2019. Although the number appears overly ambitious, with only 14 million arrivals in 2017, he is counting on Chinese tourists to make up for most of the increase. Despite Indonesia developing and promoting new tourist destinations, Bali remains the chief attraction for tourists, including those from China.

Branding tourist infrastructure development projects in Bali under the BRI will attract more Chinese investors to develop tourist-related facilities designed to cater to the interests of visitors from China.

Tourism Minister Arief Yahya has announced a plan to set up a task force involving the Chinese Embassy in Jakarta, Chinese Consulate General in Denpasar and the Bali Tourism Office to design working programs to improve the experience for Chinese tourists. The Chinese Embassy will assist the Bali Tourism Office in setting up Mandarin-speaking facilities, including a Mandarin-speaking hotline to provide information to Chinese tourists.



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What's in it for Indonesia?

VI. How the BRI can boost Indonesia's palm oil industry

The 2,000 ha Sei Mangkei industrial park in North Sumatra, one of three SEZ's that the government has been promoting to foreign investors, fits well with the interests of both China and Indonesia, not only because it faces the Malacca Strait, through which up to half of global trade, including over 80 percent of China's energy imports from the Middle East, passes.

Sei Mangkei SEZ has also been designated to be developed into the center for palm oil-based processing industries. North Sumatra is one of the country's largest palm oil producing provinces, besides Riau. As China is one of the world's largest importers of palm oil, besides India and the European Union, Sei Mangkei SEZ can develop into a strategic logistics base and the biggest supplier of palm oil products.

Sei Mangkei SEZ fits well with the broad goal of China's BRI. Along with the expansion of the Chinese market, the demand for palm oil in China is expected to increase steadily. The *Oil World* journal estimates that palm oil trade in China will reach 8 million tons in 2020 and likely exceed 10 million tons in 2025. The steady and robust growth of this commodity has been generated by the vast array of palm oil derivative products used in the food, textile, chemical and biofuel industries.

Palm oil has many industrial uses in China, the main applications being in the food industry for the production of cooking oil. Palm oil has been used increasingly for production of non-food products, oleochemical derivatives such as aliphatic acids, esters, and aliphatic alcohols and glycerin for the production of soap, detergents, epoxy palm oil, polyols, polyurethane and acrylate products. With international concerns over global warming, production of biofuels using palm oil, which is more environmentally friendly than other vegetable oils, is gaining traction in China.

As China has very limited agricultural land suitable for the cultivation of oil palm, its demand for palm oil has to be met by imports, especially from Indonesia. In the interest of ensuring the security of supplies, Chinese enterprises should be greatly interested in investing in palm oil production and processing at Sei Mangkei SEZ.

The ongoing US-China trade war also offers an opportunity for Indonesia to increase palm oil exports to China and replace its imports of soybean products from the US, which in 2017 stood at \$14 billion.

Compared to other oil crops, palm oil has lower production costs and produces more oil from less land. Studies have shown that palm oil produces 4,000 to 5,000 kilograms of vegetable oil per ha, which is superior to rapeseed at 1,000 kg, groundnut at 890 kg, sunflower at 800 kg, soybean at 375 kg, coconut at 395 kg, cotton seed at 173 kg and sesame seed at 159 kg.

Returns on the deployment of land, capital and labor are substantial. Oil palm plantations employ a large number of unskilled workers and, unlike many food crops, provide work throughout the year. Oil palm is an attractive crop for smallholders. After initial investments and two to three unprofitable years before the first harvest, smallholders can get good returns.

Indonesia is the world's largest palm oil producer with more than 12 million ha of oil palm estates producing over 35 million tons of palm oil a year, generating \$25 billion in export revenue and directly employing tens of millions of workers.

The development of a cluster of palm oil-based industries at Sei Mangkei SEZ can generate localization economies arising from specialization and integration of manufacturing operations. Industrial clusters can reduce the costs of transportation and significantly improve supply chain management. This in turn decreases the costs of distribution and other logistical arrangements.

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Such a grouping of manufacturing operations also enables assemblers and big retail chains to gain maximum cost savings by rationalizing when and where they want to procure products and how they organize production.

Several companies have been developing manufacturing plants at Sei Mangkei SEZ, including:

PT Unilever Oleochemical Indonesia (UOI) and the Shimizu Corporation.

The palm oil industrial cluster at Sei Mangkei SEZ will be connected to a similar cluster of industries being developed at the industrial park near Dumai Seaport on the adjacent eastern coast of Riu. North Sumatra and Riau account for over 65 percent of Indonesia's palm oil output, with the remaining 35 percent coming from other parts of Sumatra and West Kalimantan. Sei Mangkei SEZ will soon have a direct link with the trans-Sumatra toll road.

As an SEZ, Sei Mangkei offers streamlined licensing procedures with a single submission of applications for all permits, flexible labor regulations, superior logistical efficiency, efficient tax administration and customs and immigration service. To enhance the SEZ's competitiveness, industrial enterprises at Sei Mangkei SEZ also enjoy various kinds of fiscal incentives. Yet most important is its proximity to the Kuala Tanjung International Seaport, which connects factories at Sei Mangkei SEZ to global value chains.



VII. Public sentiment: Indifference is not good enough

The BRI, or its earlier name One Belt One Road, has not yet caught the public's attention to date, understandably because, as far as the Indonesian government is concerned, there are no Chinese investment projects officially being developed under the BRI. In so far as public sentiment is reflected in the media, both conventional and social media, opinion toward the BRI/OBOR is neutral, if not positive, according to public sentiment analysis conducted by Tenggara Strategics. But the lack of news items, and hence a shallow public understanding of it, means the BRI is vulnerable to public criticism. The positive sentiment enjoyed by the BRI today can easily be swayed into negative overnight, particularly through social media posts, which often drives the national agenda.

The issue of Chinese workers accompanying Chinese investment projects has sparked controversy and has quickly been seized upon by politicians seeking support. While these have not had a direct impact on the BRI in Indonesia, undoubtedly it has had an impact on public perceptions on all Chinese projects and quite possibly future projects, including those under the BRI banner, once the projects on offer pick up pace.

The Jakarta-Bandung high-speed railway project, funded by China and being built by a joint venture between Chinese and Indonesian companies, is technically not under the BRI, but it drew huge public controversy in 2016 and 2017, particularly on how the project was negotiated before construction began. The controversy was in regard to the government's own indecision about the project, and less so on the role of China or Chinese investment, or even Chinese workers.

The Morowali Industrial Park in Central Sulawesi also created controversy in 2018 regarding the presence of Chinese workers, as well as the domination of Chinese companies. The claims about the number of Chinese

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workers were wildly exaggerated, but they gained traction, particularly on social media, reflecting the power of social media in generating public opinion. The issue of Chinese workers, and not just those in Morowali, was picked up by politicians seeking to unseat then-Jakarta governor Ahok who was seeking reelection in 2017. Ahok is a Christian of Chinese decent, making him a double minority and hence vulnerable to identify politics. He lost the election and was imprisoned for blasphemy in 2017. The simultaneous controversy regarding Chinese workers likely contributed to his defeat.

Tenggara Strategics media monitoring team examined 48 stories that mentioned the BRI or OBOR and Chinese investment in the conventional media between January 2018 and July, and found that half of the stories were neutral, neither portraying positive nor negative sentiments. These are likely to be straightforward business news articles informing the public about Chinese investments and those related to the BRI or OBOR. Of the other 24 news items, the majority projected positive sentiments, meaning that they endorsed the projects. Only five news items conveyed negative sentiments, predictably on the presence of Chinese workers.

Tenggara Strategics' media sentiment analysis found a different attitude on social media during the period of June 20 to July 20. A simple search on Twitter using keywords such as "BRI", "Belt and Road", "OBOR", "*Investasi China*", "*Investasi Cina*", "*Investasi Tiongkok*", "*Tiongkok*" and "*Cina*" failed to retrieve any results. In contrast, "*tenaga kerja asing*" (foreign workers), "*tenaga kerja asing cina*" (Chinese workers), "*pribumi*" (indigenous) and "*aseng*" (a contemptuous term for Chinese-Indonesian), returned 63 Twitter posts. Despite the negative terms, surprisingly 26 posts were neutral. There were 24 posts with negative sentiments and the remaining positive. However, rational negative tweets enjoyed the most online engagement through retweets, some reaching almost 1,000 retweets.

Our public sentiment analysis suggests that the domination of neutral news, both in conventional or social media, is hardly sufficient to prepare the government to counter negative narratives that are bound to surface from time to time. The Indonesian public hardly understands the BRI, and how and why the BRI is positive and good for the Indonesian economy. With such a low grasp of the BRI, public opinion can easily be swayed from neutral to negative, or even from positive to negative, with a single news item or even a Twitter post that portrays Chinese investment negatively, especially over the issue of Chinese workers.

With the general elections in April 2019, the issue of the BRI or Chinese workers are bound to be used and manipulated by those who want to portray themselves as nationalist or patriotic. We have seen how ethnic issues have been manipulated, along with religion, to help determine the outcome of the Jakarta gubernatorial election in 2017. The same forces will likely manipulate the issue of Chinese workers, and possibly the BRI, in the coming 2019 elections.

As Indonesia prepares to broaden its participation in the BRI, public support will be crucial in ensuring that Indonesia gets the most out of Chinese investment projects. The government, including whoever wins the 2019 election, cannot afford to let public opinion be manipulated to squander the massive economic opportunities presented by the BRI.



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VIII. Conclusion

The BRI offers tremendous opportunities for Indonesia to develop its economy, particularly in building infrastructure and linking the domestic economy to the global economic system that is increasingly falling under China's leadership. China is on the verge of replacing the United States as the largest economy in the world and will likely use its economic and political clout to determine the direction of the world economy. This is even more so now as the United States is moving in the opposite direction by pulling out of many multilateral organizations. Five years in the making, the BRI looks like taking hold and is China's priority in foreign economic policy.

Indonesia has been holding back from the BRI. Although China is its main trading partner and the largest source of investment, many Chinese investment projects have not come under the BRI banner, at least not as far as Indonesia is concerned. Beijing regards virtually all its investment projects in BRI participating countries as BRI projects. Indonesia's cautious approach to the BRI has served it well if we look at the problems that are emerging in countries that have indiscriminately seized on BRI projects. These problems include spiraling debts to China and the growing presence of Chinese workers.

But with the BRI gaining traction around the world, the problems are being addressed and have not in any way slowed progress, and Indonesia is changing its approach to the BRI. The government has set four main conditions for approving BRI projects: The use of environmentally friendly technology, prioritizing the use of Indonesian workers, having a high multiplier impact on the local economy and transfer of technology, including upskilling Indonesian workers. These are not unreasonable conditions given the scale of BRI projects and their potential impact on the economy.

The government has also designated four economic corridors for the BRI and each corridor has its own specialty. North Sumatra is designated for palm oil projects, North Kalimantan for steel aluminum and steel industries, North Sulawesi as Indonesia's industrial gateway to the Pacific and Bali as a tourism hub. China is responding to Indonesia's offer, and the North Kalimantan corridor appears to have taken the lead with several BRI projects approved. The Jakarta-Bandung high-speed railway under construction and the Morowali industrial park in Central Sulawesi provide Indonesia with experience on how to deal with China, ensuring there are benefits for both sides.

The recent controversy over the presence of Chinese workers in Indonesia, although politicized with the numbers wildly exaggerated, serves as a powerful lesson on how Indonesia wants to proceed with BRI projects. The Indonesian public and media has yet to catch on to BRI fever, but this is all the more reason why public opinion can easily be manipulated. Indonesia's move to bring in more Chinese projects under the BRI could easily be sabotaged and undermine all the benefits that Indonesia stands to gain.

Indonesia's participation needs the support of a critical public, something that is grossly missing at the moment. The public first need to understand what the BRI is, why it is important and how Indonesia can benefit. It also needs to know the potential downsides, as they will be the ones who will raise the alarm of any problems encountered on the ground, serving as a vital source of information for the government.

The government can work through the media in Indonesia, both conventional and social media, to raise public awareness about the BRI and help shape public opinion so that it is more supportive, yet still critical, of Indonesia's participation in the BRI.

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