

China's FDI Project Performance in Indonesia: The Belt & Road Initiative

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Abstract: Indonesia is a very important country for China's Maritime Silk Road Initiative while for Indonesia, China is the largest investor country. This research aims to analyze and examine: (i). The number of Chinese FDI projects, the amount of investment capital for Chinese FDI projects in Indonesia; (ii). The condition of absorption of local workers from the amount of foreign investment capital and the amount of investment capital for Chinese FDI projects in Indonesia; (iii). The development Chinese PMA companies registered in Indonesia, including type, number, industry; (iv). The factors that affect the sustainability of Chinese PMA projects in Indonesia: and (v). Policy Recommendations for the sustainability of Chinese FDI in Indonesia.

This study uses a qualitative approach with Focus Group Discussion (FGD) with the NVIVO analysis tool.

Based on the results of the study, it was found that: (i). The development of Chinese FDI projects in Indonesia still dominates in portion/contribution to Indonesia's total FDI after Singapore; (ii). The development of Chinese investment in Indonesia has experienced positive developments, both in terms of the number of projects, total investment value, employment, and the number of existing offices; (iii). In general, the development situation of China Investment Infrastructure projects in Indonesia is in good condition; (iv). Based on the analysis that has been done previously, the factors that affect the sustainability/performance of a business/project; and (v). Chinese investment due to the close bilateral relations that has been established so far can be utilized more by the government through policies that are pro- ease of investing. The "Belt and Road" initiative plays a very important role in promoting the economic development of Indonesia and China.

Based on the conclusion above, the government needs to improve the quality of human resources for Indonesian workers. It is also necessary to make more rigid Indonesian government regulations related to the use of Indonesian workers for PMA projects in China and other countries

Keywords: FDI, China, Human Resources, Performance, FGD

Introduction

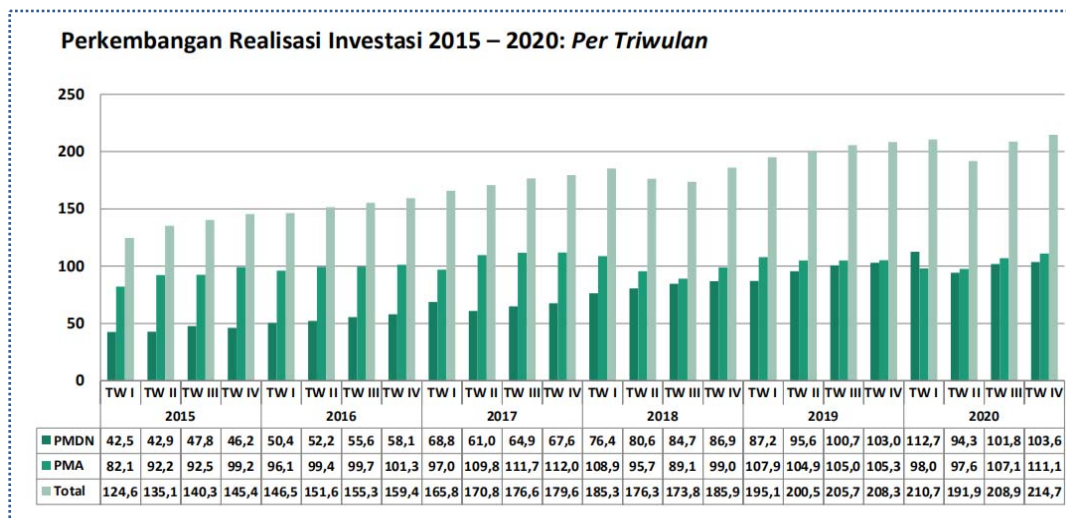
After experiencing ups and downs in economic cooperation, Indonesia and China again signed cooperation in the economic field, especially infrastructure cooperation. In October 2018, the two countries signed a memorandum of understanding on "The Belt and Road" Initiative and the "Global Maritime fulcrum". It was also agreed to cooperate in the field of joint research on vaccines and genes, green energy development, exchange of information and law enforcement, in the field of cyber security capacity building, maritime affairs, and the export of Indonesian pineapples to China. The Belt and Road (B&R) stand for "Silk Road Economic Belt" (ancient) and "21st Century Maritime Silk Road". The construction of the B&R line began in 2015. This route is a new trade and economic route that connects Asia to Europe and there are about 66 countries via the silk route (reaching 63% of the global population, and more than 1/3 of the world's Gross Domestic Product). B&R has two main principles, namely One Belt and One Road. One Belt refers to the Silk Economic Road or trade routes through

land-based silk routes from China, Central Asia, East Asia, South Asia, and the Middle East to Europe. While One Road refers to the 21st Century Maritime Silk Road or a sea-based silk road that connects China with Southeast Asia, South Asia, Africa, the Middle East, and Europe.

Gohou & Soumare (2012), in their study related to Foreign Direct Investment (FDI) with poverty, showed results where FDI was able to reduce poverty in Africa. Furthermore, Reiter & Stenmsma (2010) concluded that increased human development can attract more FDI, which can then lead to more improvements in human development over and over again. From the two studies, it can be said that FDI in Indonesia also has the same impact, namely FDI is able to encourage economic growth and human resource development. In the end, the increase in human resources was able to encourage more foreign investment to enter. Furthermore, Kumari & Sharma (2017) and Alsan et al. (2006) found that human capital is a significant factor in FDI inflows.

Chinese Foreign Investment in Indonesia has dominated from year to year. Increased investment will result in more projects, thereby promoting economic development in various industries, creating more corporate value, ultimately increasing the country's GDP growth and national and local government tax revenues. Based on a press release from the Investment Coordinating Board (BKPM), Investment Realization in the Third Quarter of 2020 has increased as shown in graph 1.

Based on this, cumulatively, the realization of investment in 2020 (January-December) reached 826.3 trillion IDR or 101.1% of the target of 817.2 trillion IDR. From this figure, the realization of Domestic Investment (PMDN) itself reached 413.5 trillion IDR (50.1%), while FDI was 412.8 trillion IDR (49.9%). The task of the Indonesian government to attract investment is very good and indicates that the Indonesian market has great potential and companies are optimistic about the Indonesian market. It also shows that foreign capital plays a very important role in the development of the Indonesian market. This FDI is concentrated in infrastructure, particularly in metals, mining, water and electricity, and real estate. The top five realizations of FDI investment by business sector are: Basic Metal, Metal, Non-Machinery and Equipment Industry (US\$ 6.0 billion), Electricity, Gas and Water (US\$ 4.6 billion); Transportation, Warehouse and Telecommunications (US\$ 3.6 billion); Housing, Industrial Estate and Offices (US\$ 2.2 billion); and Mining (US\$ 2.0 billion). The location of foreign investment is mainly concentrated in Java and Sulawesi.



Graph 1. Progress of Investment Realization 2015-2020: Quarterly

Source: BKPM (2020)

Furthermore, based on BPKM data (2022), the number of Indonesian workers absorbed in 2019 (before the Covid-19 pandemic hit Indonesia) was more than 70 thousand local workers spread across investment areas with Java being the most dominant. Because of the many benefits that Chinese FDI brings to the Indonesian economy, this study interested in further researching how Chinese FDI is performing in Indonesia. Therefore, this study aims to analyze and examine: (i). The number of Chinese FDI projects and the amount of investment capital for Chinese FDI projects in Indonesia; (ii). The condition of absorption of local workers from the amount of foreign investment

capital and the amount of investment capital for Chinese FDI projects in Indonesia; (iii). The development of Chinese companies registered in Indonesia, including type, number, industry; (iv). What factors affect the sustainability of Chinese FDI projects in Indonesia; (v). The state of development of Chinese FDI projects in Indonesia, including profit/loss, Chinese workers & Indonesian workers in the project, and working time; and (vi). Policy Recommendations for the sustainability of Chinese FDI in Indonesia.

Theoretical Background

Foreign Direct Investment occurs when a company from one country invests its capital in the long term into a company in another country or a company from one country establishes or expands its company in another country. The country of origin of the company investing is called the host country while the country where the investment is targeted is called the home country (Igamo, 2015 and Krugman (1999). Therefore, there is not only a transfer of resources but also the enforcement of control over companies abroad (Salvatore, 1997).

As mentioned before, this research focuses on Chinese FDI projects in Indonesia. Dees (1998) in his study identifies what are the determinants of FDI in China using a quantitative approach. The results of the study indicate that the size of the domestic market, cost advantage, and openness to the world are the determinants of the entry of FDI flows into China. Furthermore, Sun, et al., (2002) and Wei, et al., (2010) conducted a similar study with Dees (1998) and found that variables trade openness, wages, R&D, labor, GDP growth, infrastructure, and policy variables are determinants of the entry of FDI flows into China.

The study of Moral-Benito (2012) and Barro (1996), specifically stated that political factors determine economic growth. This implies that investment performance is also caused by social factors, particularly the political system (complicated bureaucracy and burdensome regulations). For the relationship between human development and FDI implicitly found in Alsan et al. (2006) and Kumari & Sarma (2017). It's not all about administrative measures such as regulations, procedures and so on, economic factors are one of the most important things for investors to pay attention to, such as paying taxes.

The Belt and Road Concept

The concept of The Belt and Road has two aspects, namely: (i). Domestic Development Needs Based on China's economic development; and (ii). International development needs (Jinwen, 2015 and Yao Qianqian, 2017). The concept corresponds to the structural transformation needs of China and other countries willing to cooperate in the economic field. Furthermore, The Belt and Road was first initiated by Chinese President Xi Jinping in September 2013. Its aim is to boost the world economy, create new trade routes and bring greater business opportunities to China. The Belt and Road Initiative is managed by a team consisting of the National Development and Reform Commission (NDRC), China's Ministry of Foreign Affairs and Ministry of Commerce, and led by Vice Premier Zhang Gaoli. On financing matters, China spent £25.5 billion to build the Silk Road in December 2014, which was obtained from the State's foreign exchange and investment firms The Export-Import Bank of China (CEXIM), and the China Development Bank (CDB). The following are one belt and one route routes.



Figure 1: Route One Belt, One Road (OBOR)

Source: China-Britain Business Council (2016)

The impact of The Belt and Road consists of two aspects, namely: Domestic Aspects and International Aspects. For the domestic aspect, several objectives to be achieved include: (i). A conducive economic climate is expected to promote the coordinated and balanced development of China's regional economy. Conducive to promoting the improvement of people's living standards; and (ii). Conducive to the creation of a harmonious and inclusive community environment. Furthermore, from the international aspect, it is expected to be able to: (i). Promote the integration of China's economy and the world economy; (ii). Conducive to forming a partnership and reaching a win-win solution situation.

The Belt and Road concept is also related to the Global Maritime Fulcrum (GMF) concept, that consists of five pillars: (i). Rebuilding the national maritime culture; (ii). Maintain and manage marine resources; (iii). Prioritizing the development of maritime infrastructure and connectivity by building a sea highway connecting the western and eastern ports of Indonesia; (iv). Maritime diplomacy; and (v). The maritime defense is as a country located between two oceans (Witular, 2014). The five pillars relate to elements of culture and employment, economic cooperation and development, and elements of political security. The third Pillar said the commitment to encourage the development of maritime infrastructure and connectivity by building sea highways, sea ports, logistics, and shipping industry, as well as maritime tourism.

The geostrategic and geopolitical position expands opportunities for Indonesia not only as a global economic route but also as an international maritime security route, thus placing Indonesia as the owner of excellence and high dependence on the maritime sector. Indonesia's maritime economy will be the basis for designing national economic development through the concept of the World Maritime Axis. To achieve and respond to the objectives of the Global Maritime Axis strategy, at least the policy that Indonesia needs to take is to involve 30% private participation in the infrastructure development budget plan in Indonesia. The project also shows that the APBN must cover 40% of the total required funds, while local governments will jointly invest in infrastructure about 10%, this concept is referred to as The Public Private Partnership (PPP) (van Dijk et al., 2015).

Previous Study

As explained above, FDI plays an important role in accelerating the economic growth of a country. Liu, et al., (2001) concluded that China's import growth led to a growth in FDI flows from the country/region of origin, which in turn led to a growth in exports from China to the country/region of origin. Therefore, export growth will lead to import growth. Meanwhile, stated that FDI inflows lead to an increase in the quality of institutions and reduce the level of corruption in investment destination countries (Wei, 2000 and Brada, et al., 2019). On the other hand, Reiter & Stenness (2010) and Gohou & Soumare (2012) conclude that increased human development can attract more FDI, then can give more improvements to human development repeatedly.

Furthermore, related to the relationship of FDI with taxation, Ease of Doing Business, and politics. Larger taxes will reduce investors' preferences to invest (Tung & Cho, 2000). Ease of Doing Business that has an impact on FDI only occurs in middle-income countries (Corcoran & Gillanders, 2014). And economic factors are more significant than political factors in the BRICS economy (Brazil, Russia, India, China, & South Africa) in influencing FDI (Jadhav, 2012). FDI also has its own externality impact. The study conducted by Zhang & Zhou (2016) concluded that FDI contributes to the reduction of CO2 emissions in China; from the west to the east and central regions. Meanwhile, You & Salomon (2015) stated that domestic investment responded positively to FDI flows out of China. Furthermore, FDI outflows affect domestic investment differently depending on the level of government support in a particular industry; FDI inflows will tend to displace domestic investment, meanwhile, FDI outflows will increase domestic investment (Jian-Jun et al., 2009) and the opposite result is that foreign direct investment outflows from China reduce domestic investment in the long run (Ali and Wang, 2019).

Specifically in Indonesia, the study conducted by Fu et al. (2018) tries to identify Chinese FDI outflows to Indonesia. The results of the study conclude that: (i). China's FDI in Indonesia is observed to be characterized by fluctuations in the number of investments and an increase in the number of investment projects, as well as the number of projects that are spatially dispersed; (ii). The overall spatial evolution of Chinese FDI in Indonesia is found to be characterized by certain patterns, such as the pattern of "the west is higher than the east, and the south is higher than the north". In addition, the direction of the investment center of gravity is determined to be distinctly different over different periods; (iii). High levels of investment were found to be only focused in a few provinces, while most provinces continued to be in a stable condition with low levels of investment from China; and (iv). Institutional factors, political relations, and human resources are the most important factors influencing Chinese FDI in Indonesia.

Research Methodology

This study uses a qualitative approach with data analysis techniques including descriptive and triangulation. Secondary data will be collected from various sources, including BKPM and the Ministry of Finance, while primary data will be collected through a series of Focus Group Discussions (FGD) and analyzed by using NVivo software. The NVivo tool is a qualitative data analysis software developed by Qualitative Solution and Research International (QRS International, 2013). QSR itself is the first company to develop qualitative data analysis software. NVivo started with the emergence of NUD*IST (Nonnumeric Unstructured Data, Index Searching, and Theorizing) software in 1981 (Bazeley & Jackson, 2013). In using NVivo, the most important thing to note is the existence of coding and nodes. According to Bandur (2019), coding is an iterative process in which a qualitative researcher or group of researchers continuously analyzes data and nodes as a set of references on topics or sub-topics related to the research problem.

As previously explained, this study used FGD techniques in data collection. According to Raco (2010), there are several things that must be considered in selecting informants, namely: (i). A person or group of people who have the info; (ii). A person or group capable of certifying; (iii). A person or group of people who are directly involved; (iv). Willing & ready; (v). Consciously engaged; and (vi). Credible. Therefore, for reasons of credibility, in this study, there were 5 informants representing the perspectives of stakeholders, namely Association, Academician, Operator, and Regulator. The following are informants' profiles, as follows:

Table 1. Informant Profile

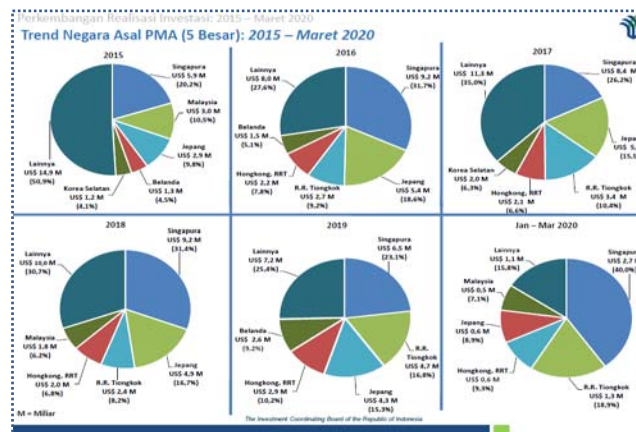
| No | Informant | Occupation | Organization |
|----|---------------------------------|--|--|
| 1 | Viola Lamtaning, S.H., M.Kn. | President | ALKINDO Association |
| 2 | Du Gui | Vice President | China Chamber of Commerce in Indonesia |
| 3 | Prof. Dr. Bambang Suryono, M.M. | Chief Editor | Xin Bao Indonesia Daily |
| 4 | Yin Guo Fu | CEO | MCC International Metallurgy Limited |
| 5 | Andria Buchara | Deputy Director for Manufacturing Sector Promotion | Ministry of Investment / Investment Coordinating Board Republic of Indonesia |

Source: Authors (2022)

Result and Analysis

Descriptive Analysis of Chinese FDI Performance

According to BKPM of Realization of Domestic Investment-FDI data, authors extracts and analyzes some data related to Chinese investment capital. In Graph 4. it can be seen that the trend of FDI Origin Countries (Top 5) in March 2015 – 2020.



Graph 2. FDI Origin Countries in Indonesia (Big 5)

Source: BKPM-RI, 2020

From the graph, it can be seen that, in general, Chinese investment in Indonesia was very positive from 2014-2020, and the number continues to increase. However, in 2015 and 2018, there was negative investment growth. Second, in general, the percentage of Chinese investment from total FDI in Indonesia is getting bigger during 2014 to 2020. Furthermore, to understand the development of the amount of investment capital for Chinese FDI projects in Indonesia, the author has made the relevant of statistics and data analysis, as shown in Table 5.

Table 2. Total Investment Capital for Chinese FDI Projects in Indonesia during 2014-2020

| Year | Chinese Investment in Indonesia (USD) | Percentage of Total Foreign Investment | Investment Growth |
|------|---------------------------------------|--|-------------------|
| 2014 | 800,030,000.00 | | 169.37% |
| 2015 | 628,340,000.00 | 2.10% | -21.46% |
| 2016 | 2,665,300,000.00 | 9.20% | 324.18% |
| 2017 | 3,361,200,000.00 | 10.40% | 26.11% |
| 2018 | 2,376,540,000.00 | 8.20% | -29.29% |
| 2019 | 4,744,500,000.00 | 16.80% | 99.64% |
| 2020 | 4,842,400,000.00 | 16.70% | 2.06% |

Source: data processed (2022)

In 2014, Chinese investment in Indonesia increased to 800,03 million USD (an increase of 169.73%) compared to 2013 which was 297 million USD. In 2020 the investment capital increased to 4,842,400,000 US dollars, compared to 2014 it increased by 505.28%. In general, from 2014 to 2020, the number of investments showed an increasing trend. However, during this period, there were 2 declines in Chinese investment in Indonesia, namely: (i). In 2015, investment decreased by 21.46%. The main reason is that after the end of Indonesia's presidential election in 2014, Chinese companies took a wait-and-see attitude of Indonesia's political security situation and economic investment environment, thereby slowing down the pace of investment; and (ii). In 2018, Indonesia was in a period of regime reintegration. The political situation and the investment environment are not very clear. Some Chinese companies choose to slow down their investment pace. After the 2019 presidential election ended, President Jokowi-Ma'ruf won and continued the previous policy of actively attracting foreign investment and aggressively building infrastructure. So that Chinese companies accelerate the pace of investment in Indonesia.

Due to the impact of the Covid-19 virus in 2020, the investment growth rate was only 2.06%, relatively small compared to 2019. However, the task of the Indonesian government has been a great success to secure so much investment during this period in this extraordinary situation, also showing complete trust in Chinese companies, and being optimistic about the potential of the Indonesian market. Furthermore, the number of Chinese projects of FDI in Indonesia, in the period 2014-2020, can be seen in the following table 3.

Table 3. The amount of Chinese FDI projects in the Period 2014– 2020

| Year | DDI Project in Indonesia | FDI Project in Indonesia | Chinese FDI project in Indonesia | Ratio Chinese FDI and DDI Project in Indonesia |
|------|--------------------------|--------------------------|----------------------------------|--|
| 2014 | 1,652 | 8,885 | 501 | 30.33% |
| 2015 | 5,100 | 17,738 | 1,052 | 20.63% |
| 2016 | 7,511 | 25,321 | 1,734 | 23.09% |
| 2017 | 8,838 | 26,257 | 1,977 | 22.37% |
| 2018 | 10,815 | 21,972 | 1,562 | 14.44% |
| 2019 | 30,451 | 30,354 | 2,130 | 6.99% |
| 2020 | 32,705 | 25,110 | 3,027 | 9.26% |

Source: Data processed (2021)

From 2014-2018, the number of annual FDI projects in Indonesia is greater than the number of DDI projects, but the number of FDI projects become smaller than the number of PMDN projects from 2019-2020. Overall, from 2014-2020 the growth of the number of DDI projects in Indonesia continued to increase compared to the number of FDI projects, which tends volatile. On the other side, from 2014-2020, the number of Chinese FDI projects in Indonesia also continues to increase. But, it can be seen that the ratio of the number of Chinese FDI projects compared to the number of DDI projects in Indonesia continues to decrease, from 30.33% to 6.99% on year 2019, but rebound again on year 2020.

From the perspective of worker absorption, the BKPM data shows that the realization of absorption of Indonesian workers in January-December 2020 reached 1,156,361 workers, consisting of workers absorb by DDI project in Indonesia as many as 611,335 workers (52.9%), and by FDI project as many as 545,026 people (47.1 %). This also shows that FDI investment and FDI projects are very important for the Indonesian people in absorbing Indonesian workers. The details can be seen in the following table 4.

Table 4. The Number of Workers Absorbed by FDI and DDI Projects in Indonesia (Thousand)

| Year | Indonesian Worker Absorbed by DDI Project | Indonesian Worker Absorbed by FDI Project | Total Indonesian Worker Absorbed by DDI and FDI Project |
|------|---|---|---|
| 2015 | 504,811 | 930,905 | 1,435,716 |
| 2016 | 440,459 | 951,939 | 1,392,398 |
| 2017 | 408,971 | 767,352 | 1,176,323 |
| 2018 | 469,684 | 490,368 | 960,052 |
| 2019 | 520,171 | 513,664 | 1,033,835 |
| 2020 | 611,335 | 545,026 | 1,156,361 |

Source: Data processed (2021)

Based on the table above, also can be seen: (i). From 2015 to 2020, the number of workers absorbed by DDI projects in Indonesia continued to grow, while the number of workers absorbed by FDI projects continued to decline; and (ii). The total of workers absorbed by DDI and FDI projects also tends to decrease from 2015 to 2018, while the number slowly increases in 2019 and 2022.

Based on the latest BKPM 2022 data, we calculate the workers absorbed by Chinese FDI Project in Indonesia during 2017-2021 and can be seen in table 5.

Table 5. Workers absorbed by Chinese FDI Project Year 2017-2021

| Year | Number of Project | Total FDI (USD Million) | Workers Absorb |
|--------------|-------------------|-------------------------|----------------|
| 2017 | 1,977 | 3,400.0 | 45,179 |
| 2018 | 1,562 | 2,400.0 | 29,652 |
| 2019 | 2,135 | 4,700.0 | 72,233 |
| 2020 | 3,027 | 4,800.0 | 40,436 |
| 2021 | 1,806 | 3,200.0 | 36,666 |
| Total | 10,507 | 18,500.0 | 224,166 |

Source: Data Processed (2022)

From table 5, the following results can be obtained: (i). Overall, the number of Indonesian workers absorbed from Chinese FDI projects fluctuated up and down from 2017 to 2021, from 45,179 workers in 2017 rose to 72,233 workers (2019), then decreased to 36,666 workers in 2021. The total absorbed was 224,166 workers by the Chinese FDI project China; and (ii). The trend of changes in the number of workers absorbed by Chinese FDI projects is in accordance with changes in the number of Chinese FDI projects in Indonesia. The changes emerge due to Covid-19 and the 2019 presidential election.

The Development of the Chinese FDI Company in Indonesia and the Obstacles Faced

The following is the development of the number of Chinese FDI companies registered with the China Chamber of Commerce in Indonesia in 2015-2020.

Table 6. Number of Chinese FDI Companies Registered in “China Chamber of Commerce in Indonesia” 2015-2020

| Year | Number of Company | Growth Ratio |
|------|-------------------|--------------|
| 2016 | 232 | |
| 2017 | 231 | -0.43% |
| 2018 | 253 | 9.52% |
| 2019 | 255 | 0.79% |
| 2020 | 264 | 3.53% |

Source: Data processed (2021)

Based on table 6., it appears that the number of Chinese FDI companies has increased very little every year and only increased from 232 to 264 for 5 years from 2016-2020. The annual growth trend is slow, the average growth rate is only 3.3%. It can be estimated that most large and medium-sized Chinese FDI companies of various types have entered the Indonesian market early. Hence, there are not many companies entering Indonesia except for small-scale companies, while large and medium-sized Chinese FDI companies will continue to deepen their efforts in the Indonesian market.

This study also makes classification statistics on 264 companies registered with the China Chamber of Commerce in Indonesia in 2020 and the industrial order of Chinese FDI companies in Indonesia is as follows: (i). Construction 28%; (ii). Mechanical and Electrical Equipment 13%; (iii). Power Plants: 10%; (iv). Mining 9%; (v). Comprehensive 9%; (vi). Transportation 6%; (vii). Petroleum and Petrochemical 5%; (viii). Communication 5%; (ix). Finance 5%; (x). 3% logistics; (xi). Agriculture 3%; and (xii). Real Estate 3%

The following are the general statistical results of the various objects studied which have been outlined in the previous problem formulation:

Table 7. General Statistic Classification

| NO | Project Type | Contract Amount | Working Hours | Profit /Loss | Planned Days | Actual Days | Time Performance | China Labor | Indonesian Labor | the Ratio between Indonesian labor and China labor |
|----|----------------------|------------------|---------------|--------------|--------------|-------------|------------------|-------------|------------------|--|
| 1 | Energy Power | > IDR 2 trillion | 8 hours | profit | 620 | 1460 | -1.35 | 22 | 300 | 13.64 |
| 2 | Energy Power | > IDR 2 trillion | 8 hours | profit | 320 | 300 | 0.06 | 800 | 2400 | 3.00 |
| 3 | Energy Power | > IDR 2 trillion | 10 hours | profit | 500 | 480 | 0.04 | 320 | 820 | 2.56 |
| 4 | Energy Power | > IDR 1 trillion | 24 hours | profit | 580 | 500 | 0.14 | 100 | 133 | 1.33 |
| 5 | Mine | > IDR 2 trillion | 8 hours | profit | 730 | 1095 | -0.50 | 160 | 700 | 4.38 |
| 6 | Mine | > IDR 2 trillion | 8 hours | Flat | 900 | 850 | 0.06 | 200 | 500 | 2.50 |
| 7 | Mine | > IDR 2 trillion | 10 hours | Flat | 390 | 480 | -0.23 | 800 | 400 | 0.50 |
| 8 | Mine | > IDR 2 trillion | 16 hours | profit | 540 | 540 | 0.00 | 500 | 300 | 0.60 |
| 9 | Mine | > IDR 1 trillion | 8 hours | profit | 240 | 330 | -0.38 | 30 | 150 | 5.00 |
| 10 | Power Plant | > IDR 2 trillion | 8 hours | Flat | 1825 | 2555 | -0.40 | 369 | 1107 | 3.00 |
| 11 | Power Plant | > IDR 1 trillion | 8 hours | Flat | 720 | 1470 | -1.04 | 15.00 | 150 | 10.00 |
| 12 | Power Plant | > IDR 2 trillion | 8 hours | profit | 730 | 700 | 0.04 | 500 | 600 | 1.20 |
| 13 | Residential Building | > IDR 2 trillion | 16 hours | profit | 690 | 690 | 0.00 | 135 | 140 | 1.04 |
| 14 | Residential Building | > IDR 1 trillion | 12 hours | profit | 90 | 120 | -0.33 | 60 | 240 | 4.00 |
| 15 | Residential Building | > IDR 2 trillion | 12 hours | Loss | 700 | 750 | -0.07 | 165 | 1100 | 6.67 |
| 16 | Residential Building | > IDR 2 trillion | 8 hours | profit | 720 | 780 | -0.08 | 102 | 410 | 4.02 |
| 17 | Residential Building | > IDR 2 trillion | 8 hours | Loss | 470 | 1095 | -1.33 | 38 | 500 | 13.16 |
| 18 | Transportation | > IDR 2 trillion | 8 hours | Loss | 1095 | 1795 | -0.64 | 76 | 400 | 5.26 |
| 19 | Transportation | > IDR 2 trillion | 10 hours | Flat | 750 | 900 | -0.20 | 85 | 350 | 4.12 |
| 20 | Transportation | > IDR 2 trillion | 24 hours | profit | 730 | 730 | 0.00 | 80 | 160 | 2.00 |

Source: Data Processed (2021)

Based on the data above, it can be seen that investments were made in the fields of Energy, Mining, Power Plants, Housing, and Transportation. Furthermore, the contract value for each type of project has different amounts ranging from 1-2 trillion IDR. There are also different working hours for each type of project ranging from 8 hours to 24 hours. Furthermore, in terms of work time, they also have different time schedules, namely with a span of 90 days -1825 days. In terms of actual performance, each type of project has a different realization of project completion from the specified time, where there are those who are late in completing each type of project, some are faster than the specified time. Furthermore, from each employment absorption, the ratio that explains the absorption of foreign workers to migrant workers for the Chinese PMA project shows that the absorption of migrant workers is more than that of foreign workers with a ratio ranging from 0.15%-13% for each type of project.

The above table also reports that: (i). Profit/Loss: 60% lucky project, 25% flat and 15% loss; (ii). The ratio between Indonesian workers and foreign workers: the ratio is smaller than lift 1, is 10%, meaning that there are more foreign workers than Indonesian workers in the project. Meanwhile for ratios greater than 1 is in the range of 65% and greater than 5 are 25%, meaning that 90% of projects that absorb Indonesian workers are greater than foreign workers; (iii). Working hours: the majority of project work hours are 8 hours, including 1 shift, or 3 shifts. Also, there are 10 hours or 12 hours, but the percentage is not large; (iv). Time performance: 60% of projects cannot be completed on the planned schedule, 15% of projects can be completed according to schedule, 15% of projects can be completed early.

Furthermore, the factors that affect the performance of construction project completion will be shown in table 8. below:

Table 8. The factors affect the performance of construction project completion

| NO | Project Type | Permit Proc | Land Acquisit | Immigration | Climate | Community | Religious | Language | Financing | Natural | Construction Stand | M & E Supply | Project Mana |
|----|--------------|-------------|---------------|-------------|---------|-----------|-----------|----------|-----------|---------|--------------------|--------------|--------------|
| 1 | Energy | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 |
| 2 | Energy | 3 | 3 | 4 | 2 | 4 | 4 | | 4 | 3 | 3 | 4 | 3 |
| 3 | Energy | 2 | 3 | 2 | 4 | 3 | 3 | 3 | 3 | 3 | 2 | 4 | 2 |
| 4 | Energy | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 2 |
| 5 | Mine | 5 | 5 | 5 | 3 | 5 | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| 6 | Mine | 3 | 3 | 4 | 4 | 3 | 3 | 4 | 3 | 3 | 4 | 3 | 3 |
| 7 | Mine | 3 | 3 | 5 | 5 | 4 | 4 | 4 | 3 | 3 | 3 | 5 | 3 |
| 8 | Mine | 3 | 4 | 4 | 5 | 4 | 4 | 4 | 3 | 4 | 3 | 4 | 1 |
| 9 | Mine | 2 | 1 | 2 | 4 | 2 | 3 | 4 | 2 | 4 | 2 | 2 | 2 |
| 10 | Power | 4 | 4 | 3 | 3 | 4 | 4 | 3 | 5 | 4 | 4 | 3 | 2 |
| 11 | Power | 4 | 4 | 5 | 5 | 4 | 3 | 4 | 3 | 5 | 3 | 2 | 2 |
| 12 | Power | 3 | 2 | 3 | 4 | 3 | 3 | 4 | 3 | 4 | 3 | 3 | 2 |
| 13 | Reside | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 14 | Reside | 4 | 3 | 4 | 3 | 3 | 3 | 4 | 2 | 4 | 3 | 3 | 2 |
| 15 | Reside | 3 | 3 | 4 | 4 | 4 | 3 | 4 | 4 | 3 | 3 | 4 | 3 |
| 16 | Reside | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 5 | 3 | 2 | 4 | 5 |
| 17 | Reside | 5 | 3 | 4 | 3 | 3 | 4 | 4 | 4 | 3 | 4 | 3 | 4 |
| 18 | Transp | 3 | 5 | 3 | 4 | 4 | 4 | 3 | 2 | 3 | 3 | 2 | 2 |
| 19 | Transp | 4 | 4 | 5 | 4 | 3 | 4 | 3 | 3 | 4 | 3 | 3 | 3 |
| 20 | Transp | 4 | 5 | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |

Source: Data Processed (2021)

From the table above, it can be seen that each of these factors has a different value from each type of project (maximum value of 5 or 4). In the energy sector, the problems with the highest scores (5 or 4) are immigration, weather issues, social issues (cultural, religious), financing, and M&E supply. In the mining sector, the most dominant problems are in the licensing process, land acquisition, immigration, social issues, M&E supply. In power plant projects, the dominant problems are immigration, climate, and also financing. In housing projects, the dominant problems faced are the licensing process, land acquisition, financing, and project management. Furthermore, in transportation projects, the dominant problem faced is immigration and the permit process.

The problem factors that plagued Chinese FDI projects in Indonesia, particularly in terms of project completion time, are as follows: (i). Licensing. 45% of projects consider there to be no influence, 40% of projects in the real estate and mining sectors consider it very unprofitable or unprofitable, but also 15% of projects in the energy power sector have no difficulty regarding licensing; (ii). Land acquisition. 60% of projects have no difficulty, 40% of projects in all fields have difficulties, very unfavorable or unprofitable for 100% of transportation projects; (iii). Climate. Climate is very unfavorable or unfavorable for 55% of projects in all areas, 45% of projects are not affected; (iv). Foreign Employment/Immigration Policy. Very unfavorable or unprofitable for 55% of projects, specifically in mining and Real Estate. Other projects assume no effect; (v). Community and NGO Relations. Very unfavorable or unfavorable for 55% of projects in all areas, 45% of projects consider no effect; (vi). Religion: 55% of projects considered no effect, but there were 45% of projects considered very unprofitable or unprofitable, specifically for transportation projects, considered 100% unprofitable; (vii). Language. 50% of projects consider it unprofitable, especially in the mining sector, and 50% of projects consider no effect; (viii). Finance. 25% of projects consider there to be financial problems, especially in the real estate sector, but 75% of projects consider there to be no effect; (ix). Natural disasters. No effect for 60% of projects, 40% of projects considered very or unprofitable in the mining and power plant sectors; (x). Construction Standards. 75% of projects consider no effect, 25% of projects in all areas consider problems; (xi). Supply of materials & equipment. 35% of projects in the field of energy power and real estate consider it very unprofitable or unprofitable, no effect on other projects; and (xii). Project management. 85% of projects think there is no effect, but 15% of project management have problems.

Result Analysis & Discussion of Focus Group Discussion (FGD)

NVIVO Result

The following is a table that describes the aggregate number of references of each of these nodes, as follows:

Table 9. Nodes Reference

| No | Nodes | Reference |
|----|--|-----------|
| 1 | Chinese Investment | 89 |
| 2 | Chinese Investment Development | 70 |
| 3 | Bilateral Relationship Closeness | 31 |
| 4 | Investment Smoothness | 29 |
| 5 | EoDB | 22 |
| 6 | Investment Climate | 21 |
| 7 | Chinese Investment Barrier | 20 |
| 8 | Human Resource | 16 |
| 9 | Infrastructure Development | 14 |
| 10 | Knowledge Transfer | 13 |
| 11 | The Belt on Road Initiative | 11 |
| 12 | History of Chinese Investment | 10 |
| 13 | Resource Availability | 9 |
| 14 | The Potency of Natural Resource | 9 |
| 15 | Human Resource Training | 9 |
| 16 | Manpower Import | 8 |
| 17 | Skilled Labor | 7 |
| 18 | Policy Dispute | 6 |
| 19 | Policy Support | 5 |
| 20 | The Low of Human Resource Skill & Competency | 4 |

Source: NVivo (2022)

These results indicate that the 20 nodes above have the largest contribution in the overall hierarchy. This indicates, overall (4 categories of informants), both implicitly and explicitly, stated that China's investment, China's investment development, and the closeness of bilateral relations were mentioned the most. The other nodes for Smooth Investment also have the largest reference, which is 29, followed by EoDB of 22, and so on. This indicates that overall, the information obtained from all informants is in accordance with the topic or issue in this study. Referring to these results, where nodes related to Human Resources (HR) also appear dominantly, it can be interpreted that this has an impact on employment. The following is a table that confirms the findings of the FGD, namely a table that shows the number of human resources absorbed by PMA and PMDN in Indonesia.

Table 10. Workers Total absorbed by Total Foreign and Domestic Direct Investment in Indonesia

| Year | DDI (Trillion IDR) | FDI (Trillion IDR) | Investment Total (Trillion IDR) | Absorb Workers by DDI (Thousand) | Absorb Workers by FDI (Thousand) | Total Absorb Workers (Thousand) |
|------|--------------------|--------------------|---------------------------------|----------------------------------|----------------------------------|---------------------------------|
| 2015 | 179.4 | 462.1 | 641.5 | 504,811 | 930,905 | 1,435,716 |
| 2016 | 216.3 | 396.5 | 612.8 | 440,459 | 951,939 | 1,392,398 |
| 2017 | 262.3 | 430.5 | 692.8 | 408,971 | 767,352 | 1,176,323 |
| 2018 | 328.6 | 392.7 | 721.3 | 469,684 | 490,368 | 960,052 |
| 2019 | 386.5 | 423.1 | 809.6 | 520,171 | 513,664 | 1,033,835 |
| 2020 | 412.4 | 413.8 | 826.2 | 611,335 | 545,026 | 1,156,361 |

Source: Data processed (2022)

Furthermore, the distribution of worker absorption by Chinese investment area is as follow: (i). Java Island, 63%; (ii). Sulawesi Island, 15%; (iii). Maluku Island, 11%; (iv). Sumatera island, 5%; (v). Kalimantan Island, 5%; (vi). Bali & NTT Island, 0,9%; and (vii). Papua island, 0,1%. Based on this, the existing workforce is spread dominantly on the island of Java. This implies that the absorption of local labor is still Java-centric. This is in accordance with the statement of the previous informant, namely the Association. Furthermore, the investment will bring more projects to the field, can directly create many jobs, absorb a lot of labor, solve people's employment problems and improve people's welfare and quality of life.

Conclusion and Policy Recommendations

Conclusion

Based on the analysis conducted, it can be concluded:

1. The development of Chinese FDI projects in Indonesia continues to dominate the contribution to Indonesia's total FDI after Singapore. This is evidenced by the "Investment Domination", "Increase in Number of Projects", "Increase in Number of Chinese Companies" nodes, "Tightness of Bilateral Relations", and "Equitable Distribution of Projects". The amount of Chinese FDI investment capital in Indonesia was very positive from 2014-2020, and the number continued to increase.
2. The development of Chinese investment in Indonesia has experienced positive developments, both in terms of the number of projects, total investment value, employment, and the number of existing offices. The trend of the number of Indonesian workers absorbed from Chinese FDI has fluctuated increasing due to the impact of the presidential election and Covid-19 during 2015-2020.
3. In general, the development situation of Chinese FDI projects in Indonesia is in good condition.
4. Many factors affect the time performance during the construction of the project. The factors that had the least influence were financial factors (25%), construction standards (25%), supplies of materials & equipment (35%), project management (15%). Other factors, almost 50% have an effect, 50% have no effect. Land acquisition (60%), very unfavorable or unprofitable for 100% of the related projects. Climate (55%), very unfavorable or unfavorable projects in all areas; Foreign employment/immigration policies (55%), very unfavorable or unfavorable for projects mainly in the mining and real estate sectors. Public Relations & NGOs (55%), very unfavorable or unfavorable to the project in all areas. Language (50%), unprofitable, specialized in mining. Religion (45%), very unfavorable or unfavorable for the project, is considered unfavorable for 100% of transportation projects. Natural disasters (40%), very or not profitable in mining and power plants.
5. Other findings produced by the exploration stage or coding analysis were carried out, particularly the comparison diagram and matrix code. There are 27 nodes that the Association group has in common with Academics. Meanwhile, similarities also occur in the Association group with 26 nodes. Furthermore, the similarity of the things mentioned also happened to the Operator group with Academics as many as 16 nodes.

Regulator with operator as many as 25 nodes. Regulator with Association as many as 28 nodes. Regulator with Academics as many as 18 nodes. This similarity can be used as further consideration, especially for regulators and other stakeholders, as a variable in making further in-depth and extensive studies.

5.2. Policy Recommendation

1. The Belt and Road Initiative plays a very important role in promoting the economic development of Indonesia and China. Appropriate and prudent policies must be continued. Indonesia is one of the important partner countries now and in the future. The government needs to improve the quality of human resources for Indonesian workers, attract more high-tech foreign technical personnel and increase investment in technical vocational education. It is also necessary to make more rigid Indonesian government regulations related to the use of Indonesian workers for foreign investment projects in China and other countries.
2. The government must be concerned about Chinese FDI in order to increase investment in infrastructure development projects, especially in areas with minimal infrastructure facilities.
3. From the aspect of the Indonesian government, the policy of "Global Maritime Fulcrum" is very active and has an effect on Indonesia's economic development, and efforts to attract foreign investment to Indonesia are successful. The growth of FDI investment directly increases Indonesia's GDP growth and solves employment problems as well as provides many job vacancies to the Indonesian people. To accelerate the development of the Indonesian economy, the Indonesian government must continue to pursue strategic policies to actively attract foreign investment. At the same time, the Indonesian government also needs to create a better business environment to attract more foreign investment. For example, actively seeking preferential support for FDI companies in terms of reducing taxes, simplifying procedures for obtaining various permits, land use approvals, infrastructure development, and others.
4. From the aspect of Chinese FDI companies, the management of Chinese FDI companies must actively adapt to Indonesian politics, economy, religion and culture, understand local customs, climate and geography, learn Indonesian, adapt and carry out work according to the actual situation in the country. Indonesia, specifically for companies in the transportation and mining sector, companies must also comply with Indonesian national laws and regulations, implement enterprise localization development as soon as possible, employ as many local employees as possible, and undertake various skills training to meet project development requirements.

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