



Indonesia Diplomacy Strategy Towards China in National Economic Resilience and Security Perspective

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Abstract

Indonesia's economic resilience is crucial in achieving the vision of Golden Indonesia 2045, which envisions a developed nation with a strong and competitive economy. This study analyzes the Indonesia-China diplomacy strategy in strengthening Indonesia's national economic resilience towards the Golden Indonesia 2045. Strengthening this resilience requires effective diplomacy, particularly with China, Indonesia's largest trading partner and a significant source of foreign investment. To achieve the study's aims, this study uses a qualitative method with a descriptive-analytical approach. This study finds that the Indonesia-China strategic partnership has flourished over the past decade, with bilateral trade reaching US\$78.37 billion in 2021. This partnership has extended beyond trade, encompassing infrastructure, technology, and investment cooperation, contributing positively to Indonesia's economic indicators. However, this growing dependence also presents challenges, such as trade imbalances, necessitating a balanced and strategic approach to diplomacy. By leveraging China's Belt and Road Initiative and other multilateral frameworks, Indonesia aims to enhance its industrial capacity, diversify exports, and attract high-value investments. This holistic approach strengthens economic resilience and positions Indonesia as a critical player in the regional and global economy, aligning with the broader goals of national development and regional stability.

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INTRODUCTION

National economic resilience is a top priority for Indonesia to realize the Golden Indonesia 2045, which is the vision of Indonesia as a developed country with a resilient and globally competitive economy (Kementerian PPN/BAPPENAS, 2019). As one of the

largest economies in Southeast Asia, Indonesia needs an effective diplomacy strategy to strengthen its economic resilience in the face of global challenges.

One strategic partnership that Indonesia can utilize is diplomacy with China. China is one of Indonesia's largest trading partners as well as the largest source of foreign investment in Indonesia (Badan Pusat Statistik, 2022). Indonesia-China economic and trade cooperation has seen a significant increase in the last decade, with bilateral trade value reaching US\$78.37 billion in 2021 (Gang et al., 2023). Indonesia-China relations have also been upgraded to a comprehensive strategic partnership since 2005 (Rohman & Amaliyah, 2019). Both countries have developed cooperation in various sectors, including infrastructure, investment, industry, energy, and technology. This shows the importance of Indonesia's diplomacy towards China in strengthening national economic resilience. National economic resilience is the ability of a country to maintain and develop the national economy independently and sustainably (Mata Garuda, 2018). Economic resilience can be measured through indicators such as economic growth, inflation, unemployment, trade balance, and foreign exchange reserves (Sukirno, 2016). Indonesia's diplomacy strategy towards China is expected to support the improvement of these indicators, thus strengthening national economic resilience.

New research shows that China's economic diplomacy has positively impacted the countries it has partnered with. The study conducted by Dina and Nurhud (2019) revealed that China-Africa economic cooperation has boosted economic growth, trade, and investment in African countries. Meanwhile, research by Munatama and Zhaidah (2023) found that Chinese investment in Indonesia has driven the development of infrastructure and strategic industries in the country.

Table 1. Development of Indonesia's Economic Resilience Indicators 2016-2021
(International Monetary Fund, 2024)

Indicator	2016	2017	2018	2019	2020	2021
Economic Growth (%)	5	5.1	5.2	5	-2.1	3.7
Inflation (%)	3.5	3.8	3.3	2.8	2	1.6
Unemployment (%)	5.6	5.5	5.2	5.2	7.1	6.5
Balance of Trade (Billion US\$)	0.7	0.36	0.25	0.3	0.33	0.13
Foreign Exchange Reserves (Billion US\$)	116	130	120	129	135	144

Based on the data in Table 1, it can be seen that Indonesia's economic resilience has fluctuated in recent years. Economic growth experienced a slowdown due to the COVID-19 pandemic in 2020 but began to improve in 2021. Inflation and unemployment tend to stabilize, while the trade balance and foreign exchange reserves show a positive trend. In this context, Indonesia-China diplomacy can play an important role in supporting the improvement of these indicators, thus strengthening national economic resilience.

The Indonesia-China strategic partnership impacts the economy and has significant geopolitical implications. As the two largest economies in Asia, bilateral relations between the two countries are in the spotlight at the regional and global levels. Indonesia-China diplomacy is also influenced by strategic competition between China and the United States as the two major powers in the Asia-Pacific region (Riyanto et al., 2023). In this context, Indonesia needs to develop reliable and balanced diplomacy to optimize opportunities for cooperation with China while safeguarding national interests and regional stability. This aligns with the "free and active" principle underpinning Indonesia's foreign policy (Purwantoro, 2023). In addition, Indonesia-China diplomacy must also be supported by strong and competitive domestic economic policies. The Indonesian government needs to develop an industrial ecosystem and infrastructure that

can optimally utilize opportunities for cooperation with China. This includes human resource development, technological innovation, and diversification of products and export markets (Dina & Nurhud, 2019).

Indonesia-China economic diplomacy should also consider other strategic issues, such as maritime security, climate change, and energy transition. Both countries can collaborate in facing these global challenges so that bilateral relations can provide broader benefits for both countries and the region as a whole (Munatama & Zhaidah, 2023). In addition, Indonesia-China diplomacy must also consider socio-cultural and environmental aspects. Sustainable economic cooperation must be balanced with efforts to maintain community harmony and minimize negative impacts on the environment (Ansharullah et al., 2020). Several studies emphasize the interplay of economic cooperation and socio-cultural exchanges within the Belt and Road Initiative (BRI). Yuniarto (2021) highlights the opportunities and challenges of integrating human relations, education, and cultural diplomacy into Indonesia-China cooperation, stressing the need for greater attention to intercultural gaps. However, these efforts are often subordinated to economic goals. Rosada et al., (2023) focus on the environmental consequences of nickel industry collaboration, showing economic benefits and environmental challenges. This raises questions about sustainability in resource exploitation. This research addresses the critical gap between the desired state of balanced, sustainable diplomacy and the current focus on economic growth at the expense of socio-cultural harmony and environmental integrity. Therefore, this study analyzes how socio-cultural and environmental considerations can be holistically integrated into Indonesia-China diplomacy. Thus, Indonesia-China diplomacy in strengthening national economic resilience must be managed in a comprehensive and balanced manner. This includes economic aspects and considers geopolitical, security, socio-cultural, and environmental issues. Only with a holistic approach can Indonesia-China diplomacy effectively contribute to achieving the Golden Indonesia 2045. This study analyzes the Indonesia-China diplomacy strategy in strengthening Indonesia's national economic resilience towards the Golden Indonesia 2045. The study's results are expected to provide input for policymakers in formulating effective diplomacy strategies to support the achievement of national economic resilience.

METHODS

This research uses a qualitative method with a descriptive-analytical approach. This type of qualitative research was chosen to gain an in-depth understanding of the Indonesia-China diplomacy strategy for strengthening national economic resilience (Creswell & Creswell, 2018). The descriptive-analytical approach describes and analyzes the phenomena related to Indonesia-China bilateral relations and their implications for Indonesia's economic resilience.

The data sources used in this research are secondary data from literature, documentation, and publications related to Indonesia-China relations, economic diplomacy, and national economic resilience. Data collection techniques were conducted through literature studies, document analysis, and interviews with relevant resource persons, such as government officials, academics, and practitioners. Furthermore, the data analysis techniques used include content analysis, policy analysis, and SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) to identify and evaluate Indonesia-China diplomacy strategies (Wheelen et al., 2018; Yin, 2018).

RESULT AND DISCUSSION

The Development of Indonesia-China Strategic Partnership

Indonesia-China diplomatic relations have a long history that began officially in 1950. However, bilateral relations between the two countries have not always been smooth. There was a freeze on diplomatic relations for more than two decades due to the G30S events in 1965, which was only normalized in 1990. Since the normalization, both countries have experienced significant developments in their strategic partnership. An important milestone in this bilateral relationship occurred in 2005 when President Susilo Bambang Yudhoyono and President Hu Jintao signed the Declaration of Strategic Partnership. This declaration became the foundation for deepening cooperation in various fields, including politics, economy, security, and culture (Sukma, 2009).

The Indonesia-China strategic partnership was further strengthened with the signing of the Comprehensive Action Plan for Strategic Partnership in 2013. This document is a more detailed and concrete result-oriented roadmap, covering various areas of cooperation such as politics, security, economy, socio-cultural, and people-to-people exchanges. Implementing this action plan has resulted in a significant increase in the intensity and quality of bilateral relations. For example, the frequency of high-level visits between the two countries increased, policy dialogue became more structured, and economic cooperation experienced rapid growth (Anwar, 2014). This marks the transition of Indonesia-China relations from a mere bilateral relationship to a comprehensive and future-oriented strategic partnership.

Table 2. Indonesia-China Bilateral Trade Value (in billion US\$)
(Kementerian Perdagangan Republik Indonesia, 2020)

Year	Export	Imported	Total Trade
2015	15.05	29.41	44.46
2016	16.79	30.80	47.59
2017	23.05	35.77	58.82
2018	27.13	45.54	72.67
2019	28.21	51.19	79.40

In the economic aspect, the Indonesia-China partnership has shown remarkable growth. China has been Indonesia's largest trading partner since 2013, displacing Japan and the United States. The value of bilateral trade continues to increase yearly, reaching US\$79.4 billion in 2019. Table 2 shows Indonesia-China bilateral trade value development from 2015 to 2019.

In addition to trade, Chinese investment in Indonesia has shown a significant upward trend. In 2019, the realization of Chinese investment in Indonesia reached US\$4.7 billion, making China the second largest source of foreign investment in Indonesia after Singapore. This investment is spread across various sectors, including infrastructure, manufacturing, and the digital economy (BKPM, 2020). The development of the Indonesia-China strategic partnership is also reflected in cooperation in various multilateral forums. Both countries actively collaborate in the ASEAN+3, APEC, and G20 frameworks. Indonesia and China are also involved in China's Belt and Road Initiative (BRI). Indonesia's participation in BRI is marked by its involvement in strategic infrastructure projects, such as the Jakarta-Bandung High-Speed Train, which became a BRI pilot project in Indonesia. In addition, Indonesia is also active in encouraging synergies between BRI and its national development vision, especially in infrastructure development and connectivity (Damayanti, 2019). This multilateral collaboration

strengthens bilateral relations and positions Indonesia and China as important regional economic and security actors.

Indonesia-China Diplomacy Strategy in Strengthening Economic

Indonesia-China diplomacy strategy in the economic and trade fields focuses on three main aspects: increasing bilateral trade volume, diversifying export products, and balancing the trade balance (Maulana et al., 2021). Indonesia seeks to reduce the trade deficit with China by negotiating broader market access for Indonesia's leading products. Products such as palm oil, rubber, fishery, and high-value-added manufacturing are prioritized in Indonesia's export strategy to China (Azahari et al., 2024). Implementing the ASEAN-China Free Trade Agreement (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP) negotiations are important instruments in this strategy. ACFTA, which came into full force in 2010, has provided a framework for trade liberalization between ASEAN countries, including Indonesia and China. Meanwhile, RCEP, signed in November 2020, is expected to expand market access further and enhance regional economic integration (Patunru & Rahardja, 2015).

The Indonesian government implements a proactive economic diplomacy strategy to improve the competitiveness of Indonesian products in the Chinese market. This includes active participation in international trade shows in China, such as the China International Import Expo (CIIE), an important platform for Indonesia to introduce and promote its products to the Chinese market. At CIIE 2019, for example, Indonesia recorded transactions worth US\$4.47 billion, a significant increase from the previous year (Mulya & Prakoso, 2024). In addition, Indonesia also encourages business-to-business cooperation through regularly held bilateral business forums. These forums are a means for business people from both countries to meet, build networks, and explore opportunities for cooperation. Indonesia also seeks to utilize China's e-commerce platforms to expand the market for Indonesian SME products. Cooperation with major Chinese e-commerce platforms such as Alibaba and JD.com has helped increase the visibility and access of Indonesian products to Chinese consumers (Kementerian Luar Negeri Republik Indonesia, 2019).

Regarding investment and infrastructure development, the Indonesia-China diplomacy strategy utilizes the Belt and Road (BRI) initiative to attract Chinese investment into Indonesia's priority sectors. Indonesia views BRI as an opportunity to accelerate infrastructure development, one of the government's main agendas. The Jakarta-Bandung High-Speed Rail project is a clear example of the implementation of this strategy, with an investment value of US\$6 billion. The project is seen as an infrastructure project and a catalyst for technology transfer and developing supporting industries in Indonesia.

Indonesia is also actively promoting other infrastructure projects to Chinese investors, such as the development of integrated industrial estates and the development of economic corridors in various parts of Indonesia (Al-Mujaddid & Suwito, 2024). For example, developing the Batang Integrated Industrial Zone in Central Java and the Sei Mangkei Special Economic Zone (SEZ) in North Sumatra are the focus of investment promotion to China. This strategy aims to attract investments that not only focus on natural resource extraction but also encourage industrialization and the creation of added value in the country (North Sumatra Invest, 2012).

The Indonesian government applies a selective and strategic approach to ensure that Chinese investments align with Indonesia's national interests. This involves rigorous negotiations on several key aspects (Thalib, 2016).

1. Technology transfer Indonesia emphasizes the importance of technology transfer in every cooperation project, especially in strategic sectors such as infrastructure and high-level manufacturing.
2. Use of local content. This policy aims to ensure that Indonesia's local industries can participate in and benefit from Chinese investment projects.
3. Job creation. Indonesia emphasizes the importance of local employment in Chinese investment projects, including for managerial and technical positions.
4. Environmental sustainability: Indonesia ensures that Chinese investment projects meet strict environmental standards to maintain sustainable development.

In addition, Indonesia also encourages the establishment of joint ventures between Indonesian and Chinese companies to facilitate the transfer of knowledge and technology. This cooperation model is more effective in building local industrial capacity and creating a more integrated industrial ecosystem (Rosada et al., 2023). Indonesia's diplomacy strategy in priority industry development focuses on leveraging China's comparative advantages in certain sectors to support the Making Indonesia 4.0 program. This program is Indonesia's roadmap to enter the Industry 4.0 era, focusing on five key sectors: food and beverage, textile and textile products, automotive, electronics, and chemical industries. In this context, Indonesia seeks to attract investment and technological cooperation from China in electric vehicles, semiconductors, artificial intelligence, and the digital economy (Kristianti & Difa, 2024).

As a concrete example, the cooperation between Indonesia Battery Corporation (IBC) and a consortium of Chinese companies in developing the electric vehicle battery industry is an implementation of this strategy. The project aims to fulfill domestic needs and Indonesia's position as a key player in the global supply chain of the electric vehicle industry. Indonesia utilizes its comparative advantage as the world's largest nickel producer, while China contributes with technology and expertise in battery production (Kementerian Perindustrian RI, 2021).

To ensure the effectiveness of this collaboration, Indonesia applies a diplomatic strategy emphasizing equality and mutual benefit. This involves careful negotiation on several key aspects (Susilo, 2020):

1. Profit sharing: Indonesia ensures that profit sharing from collaborative projects is fair and proportional.
2. Protection of intellectual property rights: Given the sensitivity of technology transfer, Indonesia emphasizes the importance of intellectual property rights protection for both parties.
3. Local human resource development: Indonesia encourages training and capacity-building programs for the local workforce as an integral part of any collaboration project.

Indonesia also encourages the establishment of joint research and development centers to facilitate technological innovation and adaptation to suit the needs of the Indonesian industry. For example, the establishment of the Indonesia-China Artificial Intelligence Innovation Center at the University of Indonesia is a concrete step in accelerating Indonesia's capacity development in the field of artificial intelligence (Aswicahyono & Rafitrandi, 2018). Table 3 shows some of Indonesia and China's priority industrial collaboration projects.

Table 3. Indonesia-China Priority Industrial Collaboration Projects
(Kementerian Perdagangan Republik Indonesia, 2020)

Sector	Project	Investment Value (US\$)	Status
Electric Vehicle	Battery Industry Development	5,2 billion	In the process
Digital Economy	AI and Big Data cooperation	1,5 billion	On Going
Semiconductor	Chip Factory in Batam	3 billion	Planning
Renewable Energy	Solar Power Plant	2,3 billion	Construction

The Impact of Indonesia-China Diplomacy Strategy Economic

Implementing the Indonesia-China diplomacy strategy has significantly improved Indonesia's economic competitiveness. Indonesia has increased its production capacity and product quality through technological cooperation and investment in priority sectors. For example, Chinese investment in the steel and aluminum industries has helped Indonesia reduce its dependence on imports and increase the added value of domestic production. PT Dexin Steel Indonesia, an Indonesia-China joint venture, has built an integrated steel plant in Central Sulawesi with a production capacity of 3.5 million tons per year, which meets domestic needs and has export potential. In addition, transferring technology and know-how from Chinese companies has helped improve Indonesia's industrial innovation capabilities. This is reflected in Indonesia's improved ranking in the Global Innovation Index, which rose from 85th in 2018 to 74th in 2020. This improvement was partly driven by investment in the high-tech sector and increased research and development collaboration between Indonesian and Chinese institutions.

According to data from the World Economic Forum, Indonesia's global competitiveness ranking improved from 50th in 2018 to 45th in 2019. This improvement was partly driven by improvements in infrastructure and technology adoption. Table 4 shows the development of Indonesia's competitiveness ranking in several key indicators.

Table 4. Indonesia's Ranking in the Global Competitiveness Indeks
(Schwab & World Economic Forum, 2019)

Indicator	2018	2019	Changes
Overall	50	45	+5
Infrastructure	71	64	+7
ICT Adoption	50	43	+7
Innovation Capacity	68	65	+3

The diplomacy strategy with China has helped Indonesia diversify its sources of economic growth. Chinese investments in new sectors, such as the digital economy and renewable energy, have opened up previously untapped growth opportunities—for example, Alibaba's investment in Tokopedia and JD.com's investment in JD.ID has driven the rapid growth of Indonesia's e-commerce sector. Indonesia's e-commerce transaction value reached US\$40 billion in 2019, up significantly from US\$8 billion in 2017 (Google et al., 2019).

Chinese investment in renewable energy has helped Indonesia accelerate its transition to clean energy. The Batang Toru Hydropower Project in North Sumatra, with a US\$1.6 billion investment from Sinohydro Corporation, is a clear example of China's contribution to diversifying Indonesia's energy sources. The project is expected to

generate 510 MW of electricity, equivalent to the electricity needs of 650,000 households (Nugraha & Irwanto, 2022).

This diversification is not only limited to new sectors but also includes value chain development in traditional industries. For example, China's investment in the nickel processing industry has helped Indonesia move up the global value chain from a mere exporter of raw materials to a producer of semi-finished products and key components for the electric vehicle battery industry. Reduced dependence on global markets Indonesia has successfully reduced its dependence on traditional global markets through cooperation with China. Increased exports to China, especially for high-value-added products, have helped Indonesia mitigate the risk of demand fluctuations in traditional markets such as the US and Europe. In 2019, China absorbed 16.68% of Indonesia's total exports, making it Indonesia's largest export destination (Kementerian Perdagangan Republik Indonesia, 2020).

In addition, developing regional supply chains through initiatives such as RCEP has also increased the resilience of the Indonesian economy to external shocks. RCEP, which covers 15 countries, including Indonesia and China, is projected to increase intra-regional trade and reduce dependence on markets outside the region. According to the Asian Development Bank (2021), RCEP implementation is expected to increase Indonesia's real GDP by 0.76% by 2030. However, it should be noted that increased economic cooperation with China also brings challenges. Indonesia's trade deficit with China reached US\$18.4 billion in 2019. Therefore, Indonesia needs to continue to maintain balance in its economic relations and ensure diversification of trade and investment partners (Sebastian & Chen, 2021).

Challenges and Opportunities in the Implementation of the Indonesia-China Diplomacy Strategy

One of the main challenges in implementing the Indonesia-China diplomacy strategy is managing public perceptions and concerns about China's economic dominance. Anti-China sentiments that sometimes arise in Indonesian society can affect the smooth implementation of cooperation projects. Issues such as the influx of Chinese labor, land acquisition, and fears of a "debt trap" from Chinese loans are often topics of public debate. A survey conducted by the ISEAS-Yusof Ishak Institute in 2019 showed that 57% of Indonesian respondents expressed concerns about China's economic influence (Herlijanto, 2017). In addition, there are concerns about the quality of Chinese investments, especially regarding environmental and labor issues. Several Chinese investment projects in the mining and energy sectors have faced criticism regarding environmental impacts. To address these challenges, Indonesia needs to increase transparency in the negotiation process and project implementation and ensure that the Indonesians can widely feel the benefits of cooperation. Strengthening regulations and supervising foreign investment, including those from China, is also a priority to ensure environmental and labor standards compliance.

Another challenge is maintaining geopolitical balance amid the strategic competition between China and the United States in the Indo-Pacific region. Indonesia must be careful that economic cooperation with China is not perceived as "taking sides" in a broader geopolitical context. Indonesia's "free and active" strategy in foreign policy needs to be maintained and well communicated to all international partners. This is all the more important given the rising tensions in the South China Sea and potential conflicts in the Taiwan Strait, which could affect regional stability and the investment climate (Google et al., 2019).

On the opportunity side, the Indonesia-China diplomacy strategy paves the way for Indonesia to play a greater role in the regional and global economic architecture. Indonesia's position as the largest economy in ASEAN and its participation in the BRI initiative provides leverage to influence the direction of economic cooperation in the region. Indonesia can be a bridge between the BRI and the Indo-Pacific strategy promoted by the US and its allies, capitalizing on its position as an influential, non-aligned country. Indonesia also has the opportunity to become a regional production and logistics hub, capitalizing on its strategic geographical position and infrastructure cooperation with China. The development of Patimban Port in West Java and the planned relocation of the capital city to East Kalimantan could be catalysts for realizing this vision. In addition, technology and knowledge transfer from China can catalyze the development of Indonesia's domestic innovation capacity, supporting Indonesia's vision to become a developed country by 2045 (Wicaksana, 2022).

Another significant opportunity is Indonesia's potential to become a key player in the global supply chain of future industries, such as electric vehicles and renewable energy. Indonesia's rich natural resources, particularly nickel and other minerals essential for battery production, combined with investment and technology from China, could position Indonesia as a regional manufacturing hub for these industries. This aligns with the Indonesian government's vision to increase the added value of natural resources and encourage high-tech-based industrialization.

CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS

Indonesia-China diplomacy plays a vital role in strengthening Indonesia's national economic resilience and security, aligning with the vision of a Golden Indonesia 2045. The comprehensive strategic partnership between the two nations has demonstrated success in enhancing trade volumes, diversifying exports, and fostering investment in critical sectors such as infrastructure, manufacturing, and technology. These contributions accelerate economic growth and enhance Indonesia's ability to withstand global economic uncertainties.

From the perspective of national economic security, Indonesia's strategic engagement with China addresses economic and geopolitical challenges. By leveraging investments and initiatives like the Belt and Road Initiative (BRI), Indonesia gains access to resources, technology, and infrastructure development necessary for its long-term growth. At the same time, the emphasis on technology transfer, local content, job creation, and sustainability reflects a commitment to safeguarding national interests while fostering inclusive development. However, while the diplomatic strategy has shown significant promise, it must be continuously refined to account for potential risks, such as dependency on foreign investment, trade imbalances, and global geopolitical tensions. Maintaining a balance between leveraging opportunities and protecting national economic sovereignty will be critical for sustaining long-term resilience and security.

It is important to note that this analysis does not fully address the limitations of the study. Further research is needed to evaluate the challenges, risks, and alternative strategies for optimizing Indonesia-China relations. Key areas for future exploration include assessing the long-term implications of Chinese investments on Indonesia's economic autonomy, the effectiveness of environmental sustainability measures, and the geopolitical risks associated with deepening ties in a rapidly evolving global order. By addressing these limitations and adapting its diplomatic approach to global dynamics, Indonesia can ensure that its cooperation with China remains a robust pillar of its

national economic resilience and security strategy, ultimately contributing to the welfare and prosperity of the Indonesian people.

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