

# CHINA'S INFRASTRUCTURE INVESTMENT IN INDONESIA DURING THE JOKOWI ADMINISTRATION: ECONOMIC IMPLICATIONS AND DEPENDENCY RISKS

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**ABSTRACT:** *The Belt and Road Initiative (BRI) infrastructure investments of China in Indonesia generate heated discussions about their economic advantages and the dangers that come with them. The accelerated infrastructure expansion due to these projects continues to create doubts about Indonesia's economic reliance on China as well as its debt stability and geopolitical positioning. This research conducts a thorough investigation of the economic consequences as well as dangers and policy challenges that result from China's infrastructure development initiatives in Indonesia. The main goal of this study involves understanding the advantages and potential dangers of Indonesian infrastructure investments from China during President Joko Widodo's leadership. This investigation examines how much these investments drive economic expansion and determines their role in developing lasting financial weaknesses and dependency. The research uses systematic literature review (SLR) methodologies by examining peer-reviewed journals as well as policy reports and institutional publications. The research combines results from various scholarly articles to identify fundamental elements about infrastructure funding together with debt reliance policy impacts and geopolitical threats. The study used qualitative thematic analysis to obtain significant findings. Research evidence shows that Chinese infrastructure investments created substantial improvements in Indonesia's connectivity and economic development. Potential issues exist about the clarity of loan documentation and the prevalence of foreign workers and the long-term financial viability of these investments. The research shows that Chinese investments create economic advantages for Indonesia, but the country needs to establish regulatory frameworks to defend its national priorities while reducing dependency on Chinese funding.*

**Keywords:** Chinese Infrastructure Investment, Belt and Road Initiative (BRI), Indonesia's Economic Development, Debt Dependency and Financial Sustainability, Geopolitical and Policy Implications

## 1. INTRODUCTION

China's growing economic presence in Indonesia has been a subject of extensive discussion, particularly in the context of infrastructure development during President Joko Widodo's (Jokowi) administration. As part of Indonesia's broader economic strategy, infrastructure investment has played a crucial role in accelerating development and attracting foreign capital. With the ambitious Belt and Road Initiative (BRI), China has emerged as one of Indonesia's largest infrastructure investors, financing projects in transportation, energy, and telecommunications [1]. These investments are largely driven by Indonesia's need for improved connectivity and logistics, aligning with Jokowi's vision for economic growth through infrastructure expansion. Indonesia and China maintain their economic relationship through the Comprehensive Strategic Partnership (CSP), which enables Chinese capital to enter key sectors [2]. The Jakarta-Bandung High-Speed Railway (HSR) and power plant infrastructure, as well as port development projects, have received substantial support from Chinese funding and technical expertise. The continuous growth of economic ties between Indonesia and China generates new issues about Indonesian sovereignty alongside economic dependence and long-term financial stability [3]. The infrastructure investments from China enable Indonesian economic expansion but create debt problems and geopolitical risks that need careful evaluation of both advantages and disadvantages. Jokowi's administration has faced criticism about the fast-growing Chinese infrastructure projects in Indonesia because of their economic and political consequences. China's involvement enables needed infrastructure expansion, yet domestic concerns focus on the rising dependence on Chinese capital and technology [4]. The terms and conditions of these investments cause uncertainty because they might expose Indonesia to debt-related problems and provide China

excessive control over essential infrastructure [5]. The main problem in this economic partnership centres on Indonesia's ability to maintain independent decision power during Chinese investment utilisation. According to critics, the infrastructure projects enable Indonesia to overcome its infrastructure gap, yet these projects create strategic dangers that give China control over Indonesia's national policy decisions [3]. The partnerships face criticism because project negotiations lack transparency while Chinese control in major sectors leads to the possible economic displacement of Indonesian industries [6]. Given the long-term implications of these investments, it is crucial to conduct a systematic literature review (SLR) to assess both the benefits and risks associated with China's infrastructure investment in Indonesia. This study aims to provide a comprehensive analysis of how these investments impact economic growth, national sovereignty, and Indonesia's overall development trajectory. By synthesising existing research, this study will offer insights into the policy challenges and strategic measures necessary to ensure that Chinese investments contribute to Indonesia's 'sustainable economic future without leading to excessive dependence.

## 2. SYSTEMATIC LITERATURE REVIEW APPROACH

The Research utilises systematic literature review (SLR) methodology to examine China's infrastructure investments under Jokowi's administration by evaluating economic effects and dependency risks. As a structured research methodology, the SLR provides researchers with a replicable method to synthesise scholarly work, which generates deep insights about their investigation [1]. The methodology proves valuable for studying complex socioeconomic international investment patterns involving infrastructure since it enables researchers to combine policy analysis with

multiple perspectives [6]. This SLR investigates academic research about China's infrastructure influence on Indonesia's sector through evaluations of economic advantages and political threats as well as policy-level impact analysis. An SLR differs from regular literature reviews since it follows set guidelines for research that help maintain objectivity and systematic precision throughout [7]. This method establishes reliable and valid research outcomes through the elimination of researcher bias and enhances the ability to reproduce the same results [8]. This research adopts the SLR framework to add value to existing discussions about Chinese global infrastructure policy, which focuses on Indonesia and other developing nations. The research selects academic literature through systematic database and academic repository searches to achieve comprehensive, unbiased results. The research evaluation requires defined keywords together with Boolean operators to identify materials such as policy papers, economic reports, and research articles under specified

inclusion-exclusion parameters [9]. 2.3 Inclusion and Exclusion Criteria. To maintain the rigour and relevance of the review, clear inclusion and exclusion criteria were established. These criteria ensure that only high-quality, pertinent, and recent literature is considered for analysis. 2.4 Data Extraction and Analysis Techniques. Once the relevant studies were selected, a data extraction process was implemented to ensure that all key findings were systematically categorised and analysed. A structured data extraction table was created to organise the key themes, methodologies, and findings from each study [6]. The analysis of extracted data followed a thematic approach, categorising studies into key themes such as economic impact, political risks, debt sustainability, policy responses, and geopolitical considerations [8]. A qualitative synthesis was performed to compare findings across different studies, identifying common patterns and diverging perspectives on China's infrastructure engagement in Indonesia.

**Table 1. Inclusion and Exclusion Criteria**

| Search Engine                            | Description   | Search Terms                                   |
|--|---|--|
| Scopus                                   | A leading database of peer-reviewed literature in economics, political science, and international relations.                          | China's infrastructure investment in Indonesia |
| Web of Science                           | A multidisciplinary database that includes high-impact journals on infrastructure, finance, and development policies.                 | Belt and Road Initiative (BRI) in Indonesia    |
| Google Scholar                           | Used for retrieving additional gray literature, working papers, and policy reports from think tanks and international organizations.  | China-Indonesia economic cooperation           |
| ProQuest                                 |   |  |
| Dissertations & Theses Global            | Provides doctoral dissertations and theses with in-depth discussions of China-Indonesia infrastructure policies.                      | Infrastructure financing in Southeast Asia     |
| ISEAS-Yusof Ishak Institute Publications | A regional think tank specializing in Southeast Asian economic and geopolitical issues, including the Belt and Road Initiative (BRI). | Debt dependency and Chinese investments        |
| Routledge and Springer Journals          | Major publishers of books and articles related to political economy and international development.                                    | Jokowi's infrastructure policy and China       |

**Table 2. Criteria and Categories**

| Criteria   | Category  |
|--|-----------|
| Studies published in peer-reviewed journals, books, and reputable institutional reports.   | Inclusion |
| Papers that specifically discuss China's infrastructure investments in Indonesia within the timeframe of Jokowi's administration (2014–present).   | Inclusion |
| Studies that examine economic, political, and financial aspects of Chinese investments, particularly their impact on Indonesia's development [16]. | Inclusion |
| Comparative studies involving other nations with Chinese infrastructure investments, providing lessons applicable to Indonesia [14].               | Inclusion |
| Articles and reports written in English or Bahasa Indonesia, with a preference for English publications for broader accessibility [10].            | Inclusion |
| Studies that primarily focus on China's global infrastructure policy without specific reference to Indonesia.                                      | Exclusion |
| Papers that do not include empirical data or theoretical analysis, such as opinion pieces and editorial articles [9].                              | Exclusion |
| Research that exclusively covers historical relations between China and Indonesia without linking them to current investment trends [15].          | Exclusion |
| Articles published before 2015, as they may not reflect the latest policy developments under Jokowi's administration [13].                         | Exclusion |

**Table 3. Qualitative Data Analysis**

| Author(s)             | Year | Key Themes                                | Methodology     | Findings   |
|-----------------------|------|---|-----------------|--|
| Salim & Negara        | 2018 | Infrastructure progress and challenges    | Policy analysis | Highlights both the economic benefits and dependency risks of Chinese investments              |
| Peterson              | 2023 | Geopolitical and territorial risks        | Case study      | Explores how China’s influence in Indonesia extends beyond infrastructure to security concerns |
| Liu & Lim             | 2023 | Political economy of China-Indonesia ties | Mixed methods   | Examines the role of state actors in shaping infrastructure investment agreements              |
| Octastefani&Romadhoni | 2023 | Belt and Road Initiative (BRI) projects   | Policy analysis | Assesses the pros and cons of Indonesia’s involvement in BRI projects                          |

**3. China’s Infrastructure Investment in Indonesia**

China’s Involvement in Indonesia’s infrastructure development has intensified under the Belt and Road Initiative (BRI), a global economic strategy spearheaded by Beijing. Indonesia, with its strategic maritime position and vast natural resources, has been a key recipient of Chinese investments. These investments span multiple sectors, including transportation, energy, and telecommunications, significantly altering Indonesia’s economic landscape [5, 6]. However, while these projects bring economic opportunities, they also raise concerns regarding financial dependency, governance, and geopolitical influence, making China’s role in Indonesia’s infrastructure development a highly debated issue. Chinese infrastructure investments follow the economic development goals of Indonesia's President JokoWidodo, who leads the country through large-scale infrastructure development. The Chinese investment pattern in Indonesia evolved due to two major factors: Japanese market competition alongside domestic Indonesian economic developments [9]. This research investigates China's infrastructure investment in Indonesia from historical, economic, and policy perspectives while examining the advantages and difficulties of such investments. Throughout history, China and Indonesia have maintained consistent economic relations, which alternated between friendly cooperation and periods of strained relations. The Cold War period brought tension to Indonesian-Chinese diplomatic relations because Indonesia cut off diplomatic relations with China in 1967 and pursued anti-communist policies. Economic normalisation in the 1990s started a new period of business collaboration, which made China emerge as Indonesia's biggest trading partner [10]. The China-ASEAN Free Trade Area (CAFTA), launched in 2010, provided both countries with enhanced economic relations by promoting rising commercial exchanges and capital investments. The Belt and Road Initiative (BRI) participation of Indonesia since 2013 introduced a significant milestone because it attracted substantial Chinese funding to transform Indonesia's infrastructure systems, particularly in transportation and energy networks [6, 11].

Economic ties between China and Indonesia exist in a complex environment because both countries navigate through geopolitical factors together with domestic political considerations and regional security aspects in the South China Sea [12]. Under President Jokowi's leadership, infrastructure development acts as a primary economic focus because he believes it creates better connections throughout the country and drives industrial growth while drawing foreign capital investment. The Indonesian government under

Jokowi has adopted financing and technical assistance from China to construct major infrastructure ventures throughout the country [8]. The Jakarta-Bandung High-Speed Railway stands out as Southeast Asia's first high-speed railway due to funding from Chinese state-owned enterprises, according to Trissia [3] and Ho [12]. Construction activities for toll roads, together with seaports, airports, and industrial parks, are underway through public-private partnerships. Chinese investment in Indonesia’s mining energy sectors has transformed the Morowali Industrial Park into an essential hub for nickel processing [13]. These projects enable economic expansion; however, they encounter problems with the environment and disputes over acquiring land together with labour issues because Chinese companies primarily use their own employees rather than employing local people [13]. The infrastructure sector of Indonesia receives funding from China through projects that include transportation systems and energy systems while extending into telecommunications networks. Chinese investors have made substantial investments in Indonesia's energy sector through building coal-fired power plants and operating hydroelectric projects as well as establishing renewable energy projects [8] [12]. The economic presence of Beijing in Indonesia strengthens through the crucial infrastructure development led by Chinese state-owned enterprises such as China Railway Group and China Communications Construction Company. The digital infrastructure sector has received growing investments from China through contributions from companies Huawei and ZTE, which help expand Indonesia’s 5G networks.

These investments are not only aimed at boosting connectivity but also at expanding China’s digital influence in the region [14]. While these projects promise economic benefits, concerns over data security, technology dependence, and potential espionage risks remain contentious issues [13].

**3.1 Economic Implications of Chinese Infrastructure Investments**

The nation of Indonesia maintains numerous regulatory systems that control foreign investments with specific attention to Chinese investment structures. The government of Indonesia enforces investment rules that demand foreign investors create partnerships with domestic firms as well as share technological expertise [8]. The Omnibus Law on Job Creation, which became law in 2020, has developed simpler investment rules to promote foreign capital inflow, especially from China. The terms of Chinese loans, along with debt dependency concerns, continue to exist as major transparency and governance issues in infrastructure agreements [8]. The Indonesian government balances economic partnerships with

China through strategic alliances with Japan and the United States and international entities [14] to manage Chinese investment policies. The Indonesian economy has expanded because Chinese infrastructure financing has built better connections between places and created new business opportunities and employment opportunities. The Morowali and Weda Bay Industrial Parks, together with other industrial zones, have drawn additional foreign direct investment, which elevated Indonesia to a position as a main global manufacturing centre [10]. The infrastructure development has enhanced Indonesia's tourism industry mainly through airport and road construction throughout the Bali and Labuan Bajo regions. The economic advantages from Chinese investments fail to create uniform benefits across regions because they generate unequal distribution that results in community relocation [4]. The substantial use of Chinese loans creates doubts regarding Indonesia's financial stability into the future and its capacity to maintain economic independence [12]

**3.2 Economic Dependency Risks and Challenges.** Chinese investments have driven infrastructure development; they have also led to growing concerns about economic dependency. Indonesia's increasing debt burden to Chinese lenders has sparked fears of a "debt trap," a situation where excessive borrowing limits policy flexibility and economic independence [15]. Additionally, Chinese companies often control key infrastructure projects, raising concerns about technology transfer, profit repatriation, and the dominance of foreign firms in strategic industries. The influx of Chinese workers in Indonesia has also fuelled tensions, with accusations that local labour is being side-lined in favour of imported labour from [16]. Environmental concerns, particularly related to mining and energy projects, have further complicated China's investment footprint in Indonesia. These challenges underscore the need for Indonesia to adopt a balanced approach to infrastructure financing, ensuring that economic benefits are maximized while mitigating potential risks.

#### 4. CONCLUSION

China's infrastructure investments in Indonesia have played a transformative role in enhancing the country's economic growth and connectivity, particularly under the administration of President Joko Widodo. The Belt and Road Initiative (BRI) has facilitated the development of key infrastructure projects, including high-speed railways, industrial parks, power plants, and digital networks, contributing to Indonesia's economic modernisation. These projects align with Indonesia's long-term development goals, providing much-needed capital, expertise, and technology in critical sectors. However, despite the economic benefits, concerns over debt dependency, labour practices, transparency in investment agreements, and geopolitical risks have generated significant debate over the long-term sustainability of Chinese engagement in Indonesia's infrastructure development. While the investments have improved Indonesia's economic competitiveness and positioned the country as a key player in regional trade, the increasing reliance on Chinese financing raises strategic concerns. The risks of debt distress, foreign control over

critical infrastructure, and the potential erosion of Indonesia's policy autonomy necessitate a cautious and well-regulated approach to future engagement with China. Therefore, striking a balance between leveraging foreign investment and safeguarding national interests remains paramount in shaping Indonesia's infrastructure development strategy. To maximise the benefits of Chinese infrastructure investments while mitigating associated risks, Indonesia must adopt a strategic policy framework that enhances transparency, strengthens regulatory oversight, and promotes economic diversification. The following policy implications should be considered: Indonesia must enhance regulatory mechanisms to ensure greater transparency in infrastructure agreements. Public disclosure of loan terms, investment contracts, and procurement processes will help mitigate corruption risks and improve public confidence in foreign-funded projects. Indonesia should encourage local industry participation in Chinese-funded projects to maximise technology transfer and job creation. Policies that require foreign investors to collaborate with local firms and transfer skills to Indonesian workers will ensure that these investments contribute to long-term national development. Given concerns over excessive reliance on Chinese loans, Indonesia should diversify its infrastructure financing sources by engaging with multiple investors, including Japan, the United States, and international financial institutions. Strengthening debt management policies and ensuring sustainable loan repayment mechanisms will help prevent financial distress. Large-scale infrastructure projects should be subject to rigorous environmental impact assessments to minimise ecological damage. The government should also ensure that affected communities are fairly compensated and that labour policies protect local workers from displacement by foreign labour. Indonesia must maintain an independent foreign policy that prevents excessive geopolitical influence from China while continuing to benefit from infrastructure investments. By fostering diplomatic engagement with multiple partners, Indonesia can avoid over-reliance on any single country for economic development. Looking ahead, Indonesia must refine its infrastructure investment strategy to ensure that Chinese engagements contribute to long-term economic sustainability without creating undue dependency. Indonesia should actively seek alternative infrastructure investment sources beyond China to reduce economic risks. Expanding collaborations with ASEAN partners, Japan, South Korea, and Western investors can provide a more balanced approach to financing national development. Policies should be implemented to enhance domestic manufacturing capabilities and reduce reliance on Chinese construction materials and technology. Strengthening Indonesia's industrial sector will enable local companies to compete effectively in large-scale infrastructure projects.

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