CHINA’S ECONOMIC RISE: STRATEGIC LESSONS FOR INDONESIA IN A GLOBAL CONTEXT

by Jana Publication & Research

Submission date: 05-Jul-2025 04:51PM (UTC+0700)
Submission ID: 2690333996
File name: IJAR-52656.docx (30.92K)
Word count: 1790
Character count: 11533

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Abstract

China's transformation into a global economic powerhouse since 1978 offers a model for developing nations like Indonesia. This study examines China's strategies, Special Economic Zones (SEZs), the Belt and Road Initiative (BRI), technological innovation, and trade liberalization, through the lenses of dependency theory and endogenous growth theory, assessing their applicability to Indonesia. Using a mixed-methods approach with data from the World Bank, IMF, and Indonesia's BPS (2019 - 2025), the research identifies drivers of China's success (e.g., 9.5% annual GDP growth, 1978 - 1990) and challenges (e.g., Gini coefficient of 0.47). For Indonesia, adopting nickel downstreaming, increasing R&D to 1% of GDP, and diversifying trade can enhance economic sovereignty. Risks, including $15 billion BRI debt, environmental degradation (10,000 hectares deforested), and corruption (20% of budgets), require mitigation through local participation, ESG standards, and digital governance. Comparative case studies (Indonesia's nickel downstreaming, Jakarta-Bandung High-Speed Rail, Malaysia's ECRL, Vietnam's FDI model) highlight practical applications. Recommendations include ASEAN-led multilateralism, transparent procurement, and sustainable policies to ensure inclusive growth in a multipolar world.

Keywords: China's economic rise, Indonesia, Belt and Road Initiative, nickel downstreaming, economic sovereignty, dependency theory, endogenous growth theory

1. INTRODUCTION

China's rise to the world's second-largest economy, with a nominal GDP of $18.3 trillion in 2024 (International Monetary Fund, 2024), reshapes global economic dynamics. Since Deng Xiaoping's 1978 "Reform and Opening-Up" policy, China has transitioned from an agrarian economy to a leader in manufacturing (30% of global output) and technology (50% of global patents) (World Trade Organization, 2024; Zhao, 2023). Strategic policies, SEZs, WTO accession in 2001, and the $1 trillion BRI, have driven this transformation, but challenges like inequality (Gini coefficient 0.47) and environmental degradation (60% of SEZ rivers polluted by 1990) highlight trade-offs (Freedom House, 2024; OECD, 2019).

Indonesia, ASEAN's largest economy with vast nickel reserves and a strategic maritime position, seeks to emulate China's growth while maintaining sovereignty. Regional disparities (Jakarta's per capita GDP is five times Papua's) and reliance on Chinese investment ($15 billion BRI debt) pose challenges (Badan Pusat Statistik, 2024; World Bank, 2024). This study applies dependency theory, which critiques reliance on foreign capital, and endogenous growth theory, emphasizing innovation and human capital, to analyze China's strategies and their relevance to Indonesia. It addresses three questions:

1. What drove China's economic success from 1978 to 2019?
2. How can Indonesia adapt these strategies to enhance growth and sovereignty?
3. What risks arise, and how can they be mitigated?

The study targets academics, policymakers, and businesses, offering evidence-based recommendations for sustainable development in a multipolar world.

2. RESEARCH METHOD

This mixed-methods study integrates qualitative and quantitative approaches to analyze China's economic strategies and their applicability to Indonesia.

Qualitative Analysis: A systematic literature review covered peer-reviewed journals, books, and reports (2019–2025) from sources like the World Bank, IMF, OECD, and ASEAN Studies Centre. Key references include Li (2020) on SEZs, Zhang (2021) on BRI, and Huang (2023) on industrial strategy. The review examines China's policies, industrialization, and challenges, framed by dependency and endogenous growth theories. Comparative case studies (Indonesia's nickel downstreaming, Jakarta-Bandung High-Speed Rail, Malaysia's ECRL, Vietnam's FDI model) draw on government reports and media analyses.

Quantitative Analysis: Data on GDP growth, exports, FDI, and inequality (e.g., Gini coefficients) were sourced from World Bank (2019–2024), IMF (2024), BPS (2024), and WTO (2024). Triangulation validated findings by cross-referencing sources. Visualizations include Table 1 (China's GDP growth), Figure 1 (Indonesia's Gini coefficient), Figure 2 (nickel export growth), and Figure 3 (BRI investment trends).

Limitations: Limited access to internal Chinese data necessitated reliance on public sources. Indonesia's democratic context limits direct adoption of China's model, addressed by focusing on adaptable principles. The evolving global economy may affect findings, mitigated by using recent data.

3. RESULTS AND DISCUSSION

3.1 China's Economic Strategies and Outcomes

China's economic ascent rests on strategic policies:

- **SEZs**: Launched in 1980, SEZs in Shenzhen and others attracted $138 billion in FDI by 2010, contributing 45% of exports by 1990 (Li, 2020). Shenzhen's GDP grew from $270 million in 1980 to $430 billion in 2019 (World Bank, 2019).
- **Agricultural Reforms**: The household responsibility system boosted output by 50% in the 1980s, enabling labor shifts to industry (OECD, 2019).
- **WTO Accession (2001)**: Tariff reductions from 15% to 9% increased exports from $266 billion to $1.4 trillion by 2010 (World Bank, 2019).
- **BRI**: Since 2013, $1 trillion in global investments enhanced trade connectivity (Asian Development Bank, 2023).
- **Innovation**: $400 billion in R&D (4% of GDP) in 2023 secured 50% of global patents, with leadership in 5G and AI (Zhao, 2023).

Table 1: China's Economic Growth (1978–1990)

Year	GDP (Billion USD)	GDP Growth (%)	Exports (Billion USD)
1978	149.5	7.6	9.8
1985	309.4	13.5	27.4
1990	360.9	3.9	62.1

Source: World Bank (2019)

These strategies achieved a 9.5% annual GDP growth rate (1978–1990), urbanisation from 18% to 60% by 2019, and a shift to high-tech industries (OECD, 2019). Challenges include:

- **Inequality**: A Gini coefficient of 0.47 in 2023 signals disparities (Freedom House, 2024).
- **Environmental Degradation**: Industrial growth polluted 60% of SEZ rivers by 1990 (OECD, 2019).
- **Financial Risks**: The Evergrande crisis ($300 billion debt) highlights vulnerabilities (IMF, 2024).

3.2 Lessons for Indonesia

Indonesia can adapt China's strategies, guided by endogenous growth theory (emphasizing innovation) and dependency theory (cautioning against foreign reliance):

- **Downstreaming and Industrialisation**: Nickel downstreaming generated $15 billion in exports in 2023 (BPS, 2024). Investing $20 billion in Sulawesi and Maluku smelters could boost exports by 30%, with 50% local ownership retaining 40% of profits (Li, 2020).
- **R&D Investment**: Raising R&D to 1% of GDP ($2 billion) could yield 10,000 patents in five years, leveraging partnerships with ITB and startups (Zhao, 2023).
- **Trade Diversification**: Reducing the $10 billion trade deficit with China requires RCEP and EU/India agreements, with SME e-commerce training boosting exports by 20% (Lin, 2022).
- **Infrastructure**: BRI contributes 0.8% to Indonesia's GDP annually (World Bank, 2024). Sustainable financing for Trans-Java avoids China's $9 trillion debt trap (IMF, 2024).

3.3 RISKS AND MITIGATION

Adopting China's model poses risks, analyzed through dependency theory:

- **Economic Dependency**: BRI debt ($15 billion, 10% of GDP) and Chinese contractor dominance (70%) threaten sovereignty (World Bank, 2024). Enforcing 80% local worker quotas, as in Malaysia's ECRL, and diversifying with $10 billion EU investment mitigate risks (Asian Development Bank, 2023).
- **Environmental Impact**: Nickel smelters deforested 10,000 hectares in Sulawesi (ASEAN Studies Centre, 2024). China's post-2010 environmental standards could reduce pollution by 20% (OECD, 2019).

- **Inequality**: Indonesia's Gini coefficient (0.38) risks unrest (Freedom House, 2024). Progressive taxation on the top 5% could raise $10 billion for social programs (Freedom House, 2024).
- **Corruption**: 20% of budgets are lost to corruption (Transparency International, 2024). Blockchain-based tendering, as in China, could save $1 billion annually (Transparency International, 2024).

Comparative Case Studies:

- **Indonesia's Nickel Downstreaming**: Generated 100,000 jobs but sparked environmental protests (ASEAN Studies Centre, 2024). ESG certification and reforestation are critical.
- **Jakarta-Bandung High-Speed Rail**: Employs only 30% local workers, limiting benefits (World Bank, 2024). Technology transfer and local quotas are needed.
- **Malaysia's ECRL**: BRI-funded but enforces 80% local labor, reducing dependency (Asian Development Bank, 2023).
- **Vietnam's FDI Model**: Attracted $400 billion in FDI by diversifying partners, offering a model for Indonesia (World Bank, 2023).

3.4 STRATEGIC RECOMMENDATIONS

Indonesia can leverage China's lessons through:

- **Downstreaming**: Expand smelters with $20 billion, enforcing 50% local ownership (BPS, 2024).
- **R&D**: Allocate $2 billion to universities, targeting 10,000 patents (Zhao, 2023).
- **Trade Diversification**: Reduce $10 billion trade deficit via RCEP and EU/India agreements (Lin, 2022).
- **Inclusive Policies**: Implement progressive taxation ($10 billion revenue) and integrated ID systems for migrants (Freedom House, 2024).
- **Digital Governance**: Use blockchain to save $1 billion annually (Transparency International, 2024).
- **ASEAN Leadership**: Drive ASEAN Connectivity 2025 for $200 billion in investment (ASEAN Studies Centre, 2024).

4. CONCLUSION

China's economic rise, driven by SEZs, WTO integration, BRI, and innovation, offers Indonesia a blueprint for growth, framed by dependency and endogenous growth theories. Strategies like nickel downstreaming, R&D investment, and trade diversification can enhance sovereignty, but risks, dependency, environmental harm, inequality, and corruption, require local participation, ESG standards, and digital governance. Comparative case studies underscore the need for balanced policies. By adapting China's successes and mitigating its pitfalls, Indonesia can achieve inclusive growth in a multipolar world. Future research should explore BRI's long-term impacts and ASEAN's role in global connectivity.

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