Business Hegemony of the United States and China in Indonesia

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Abstract. This paper aims to explain the competition between actors in the multipolar international system and influence the constellation of countries that challenge the US in achieving hegemony. Therefore, multipolar conditions encourage competition and dominance between the US and several countries, one of which is China in control (business hegemony) as the end result of competition between the two, especially in Indonesia. The results of this paper explain that US and Chinese MNCs are tools and economic strategies for both countries to dominate the global market and economy, one of which is in Indonesia. Both countries are actors that accommodate the market expansion of MNC companies that are packaged through investment, joint ventures, and infrastructure. In other words, the competition between the US and China is a step for each country to achieve business hegemony between the two countries, one of which is in Indonesia.

Keywords: Multinational Corporation, Business Hegemony, US-China Competition

1 Introduction

The Chinese ethnic community and overseas diaspora have become an important part of China's foreign policy. Since 1989, China has actively pursued policies to connect and harness the economic and political potential of overseas Chinese using tools that include overseas recruitment, investment incentive programs, and government entities such as the Overseas Chinese Affairs Committee of the National People's Congress (OCAC) and the Office of Foreign Affairs. Overseas China from the State Council of the People's Republic of China (OCAO) which specifically deals with the overseas Chinese population. Xi Jinping has repeatedly stressed the importance of overseas Chinese as a 'bridge' that can strengthen ties between China and their 'host' country. [1].

In Indonesia, the economic position of the Chinese or also known as China is quite strong, and this strength can be explained by the historical developments and Dutch colonial politics. During the New Order era, this system developed into the *Cukong* system. Cukong is a Hokkien term which means boss or boss, but in the Indonesian context, the term is used to refer to a Chinese merchant who works closely with the ruling elite, including the president in a joint venture [2]. Even so, the story of the Indonesian Chinese is one that has caught the attention of observers over

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the years. This is evidence of how China is able to take advantage of the cross-border movement of Chinese culture or the development of Chinese society and culture in other countries, as a strategy to expand its influence and lobby to strengthen its global economic network.

1.1 Objectives

Since the signing of ACTFA or the ASEAN China Free Trade Area, China has been preparing to start its hegemony in Southeast Asia, especially Indonesia. With a huge market of 275,501,339 populations in 2022, the release of repressed demand, increased consumer confidence, and better terms of trade are expected to cause the Indonesian economy to grow by 5.1 percent in 2022 and 5.3 percent in 2023, a number that has been more or less stable over the past ten years, except for a major decline during the Covid-19 pandemic (Figure. 1).

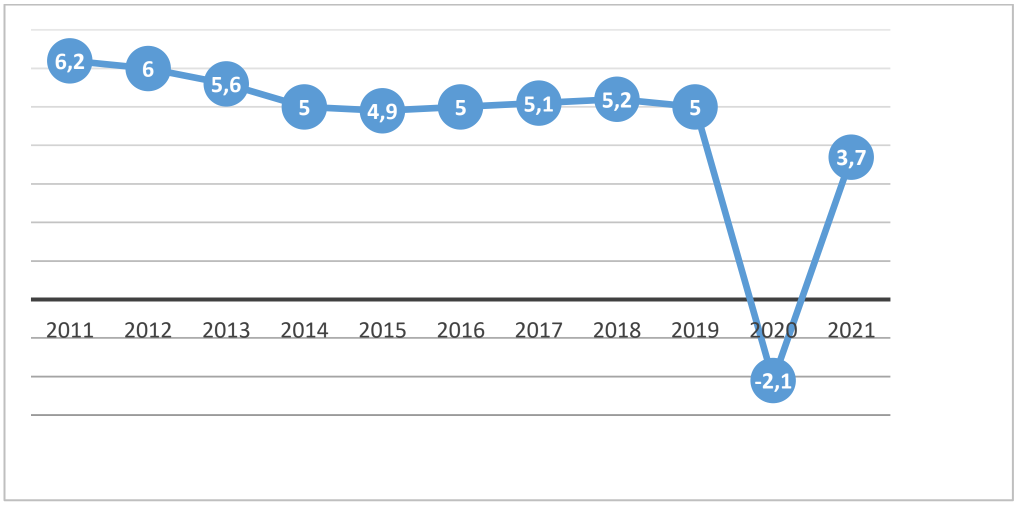


Fig. 1. GDP growth (annual %) - Indonesia
Source: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2021&locations=ID&start=2011

Access to the natural resources, companies, and billions of customers and employees in the Indo Pacific has been of great interest to US enterprises that depend on trade to succeed. As the largest commercial partner for many nations in the region, Beijing has increasingly challenged the US [3]. That desire led the US to support the free trade deal with Japan, Australia, New Zealand, Vietnam, Singapore, Malaysia and Brunei, was seen as vital to securing US access to Asian markets and writing regional trade rules. When Retno Marsudi, the foreign minister of Indonesia, met with Antony Blinken, the secretary of state of the United States, in August 2021, Retno stated that "a new era" in Indonesia-U.S. ties would be essential to the creation of a safe and prosperous Indo-Pacific region[4].

The "free and active" (*bebas aktif*) foreign policy concept of Indonesia has long encouraged it to adopt a neutral and non-aligned position in its interactions with regional and international powers. However, it is also worth examining which of these two big countries holds hegemony in Indonesia from an economic perspective, because economic decisions will affect political decisions, and political decisions affect to many broader domestic problems, such as the people's perception of their government.

2 Literature Reviews

Hegemony in the economic field explains that the magnitude of economic influence dominates. Hegemony itself explains domination by one party which emphasizes great influence or power. Economic historians Brad DeLong and Barry Eichengreen observe that, "in political science," the Hegemonic Stability Theory "is perhaps the primary approach to understanding how order can be maintained in an anarchic international system." [5]. The hegemon's ability to reshape political coalitions in other countries may continue. The ability to achieve mastery by moving first forced other nations to react in predictable ways [6].

In other words, only hegemons have incentives to provide an open economic order because only hegemons are large enough to benefit from economic openness large enough to maintain stability [5]. Countries that are at the level of hegemony emphasize economic market domination, by making territorial control in the global economic system. Specifically, hegemony is an advanced variable that emphasizes a certain percentage of resources in the hands of one country. Alternatively, some analysts equate hegemony with the concentration of resources across the system. Such a variable corresponds to a quantification system to determine the degree of hegemony associated with more or less trade (or other variables) [6].

Interestingly, to achieve hegemony in the international political system which is now multipolar, the challenge is even greater considering that actor competition is not only focused on one actor (unipolar) or two actors (bipolar), but more than two actors (multipolar) [7]. With multipolar conditions, stability is increasingly difficult to maintain.

In other words, hegemony refers to the accommodation of economic power such as large corporations to expand outward through investment. The development of investment and expansion of companies to other countries which then opens up space for investment competition run by certain companies with the support of the state to expand their market or better known as MNC (Multinational Corporation).

According to Spero & Hart [8], multinational companies are business entities that maintain direct investment abroad to control or own value-added assets in more than one country. MNC as a incorporated or unincorporated company consisting of a holding company (which owns no less than 10 percent of the assets or voting rights of a company that is outside of its national economy) To be considered an MNC, equity mode must be a single entry mode to initiate orientation global company. Thus, firms that use non-equity modes (such as exports) early in their multinational processes are not viewed as MNCs [9].

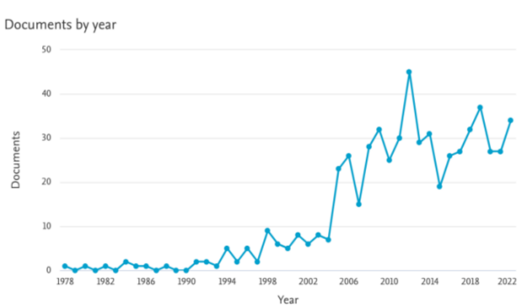
MNC is one of the strategies carried out by the state to do business with other countries which is generally carried out in investment schemes. However, investment is not the only economic goal. By investing, a country's MNC has become a tool to gain economic benefits, as well as a political strategy to build political and economic relations with the target country. Moreover, the pattern of interaction with the target country will be easier to carry out and control considering that investment is a medium of cooperation between the two countries. On the other hand, MNCs can also be used as a strategy to dominate the market in dealing with countries that are considered as rivals, especially in expanding market control.

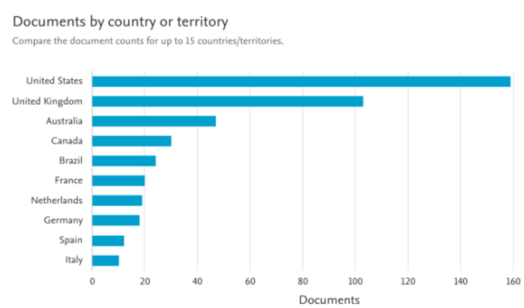
The framework of hegemonic stability and MNC is used in this paper to analyze the market domination by the US and China in Indonesia through the various MNCs of each country which explains the percentage of each country's resources in the Indonesian market. The control (economic hegemony) that the US and China want to achieve as the central theme of this paper emphasizes market control for the economic interests of the two countries as the end result that the two countries want to achieve in a multipolar international political condition. The competition between the two countries through the Multinational Corporation (MNC) is a way to achieve their respective political and economic goals. For this reason, this paper emphasizes the comparison of various MNCs of the two countries that dominate the market in Indonesia.

3 Method and Data Collection

This research uses a qualitative research approach, with the aim of identifying how much influence Chinese and United States multinational companies have in Indonesia. The data collection method used is in the form of documentation from books, journals, and local and international news portals.

4 Result And Discussion





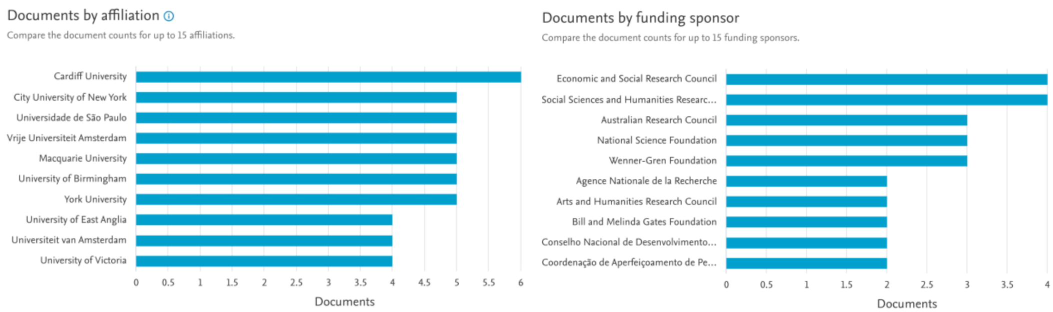


Fig. 2. SCOPUS.COM Analyze search results title-abs-key (business and hegemony), 589 document results, year range to analyze 1978 to 2022

SCOPUS.COM Analyze search results title-abs-key (business and hegemony), 589 document results, year range to analyze 1978 to 2022. Funding sponsor Documents, more than 3, first Economic and Social Research Council, then Social Sciences and Humanities Research Council of Canada, Australian Research Council, National Science Foundation, and Wenner-Gren Foundation. None ASIA and Indonesia Funding sponsor.

Affiliation Documents, more than 5, first Cardiff University, then City University of New York, Universidade de São Paulo, Vrije Universiteit Amsterdam, Macquarie University, University of Birmingham, and York University. There is no ASIA and Indonesia Affiliation Documents

Country/Territory Documents, more than 10, first United States, then United Kingdom, Australia, Canada, Brazil, France, Netherlands, Germany, Spain, and Italy. There is no ASIA and Indonesia

Director of Policy Legatum Institute Stephen Brien explained, Indonesia's economic openness actually shows a positive trend. The government always strives to continuously improve economic openness in Indonesia, especially in the investment sector. This is in line with instructions from President Joko Widodo who wants to trim burdensome regulations. The regulation is mainly related to licensing, both for business and investment through Online Single Submission (OSS) (Mahardhika, 2020). By 2020, BKPM data shows that the potential relocation and facility expansion of 17 companies will generate a total investment of $37 billion and provide employment for 112,000 people. (Parama, 2020). Currently there are 143 companies that have plans to relocate investment to Indonesia, including the United States (US), Taiwan, South Korea, Japan, Hong Kong, and China with the potential to absorb more than 300 thousand people (Gatra.com, 2020).

As of the first quarter of 2020, here are top five leading sector of Indonesia’s largest investment:

Table 1. Indonesia's Top Leading Investment Sector

Sectors	Amount (in trillion Rupiah)
Transportation, Warehouse, and Telecommunication	49.3
Basic Metal, Metal Based Goods, Non-Machinery and Equipment	24.5
Electricity, Gas, and Water Supply	18.0
Housing, Industrial Estate, and Office Building	17.8
Foodcorps, Plantation, and Livestock	17.2

Source: https://www.investindonesia.go.id/en/article-investment/detail/here-are-5-countries-with-biggest-foreign-direct-investment-in-indonesia

4.1 China and US in Global Market

Economically, the world's 75,000 multinational corporations are responsible for about 20% of the world's economic activity which might be considered reasonable. Data published by the U.S. Census Bureau provides statistics on the domestic and foreign economic activity of all U.S. MNCs. non-bank. In 2003, these companies contributed $2.7 trillion to the world's gross product (Roach, 2007: 4).

The magnitude of the influence of US MNCs is global. The country has the number and level of MNCs capable of influencing global economic development. In other words, MNCs have a major contribution to the global economy which is influenced by market openness. With the increasing role of MNCs globally, the space for improving welfare and cooperation between investor countries and investment target countries will be wide open. Many global MNCs operate in the Indonesian economic market, inseparable from the participation of the MNC's country of origin. In fact, MNC also functions as a strategy for each country to dominate the market in the target countries. The competition from developed countries is seen globally through the number and magnitude of the influence of the MNCs of these countries in many destination countries.

Many developed countries are countries with great economic capacity. Moreover, in a multipolar context where many countries have balanced power and are not fixated on just one or two countries, the global economy is influenced by countries, such as the United States, China, Brazil, India, and Russia.

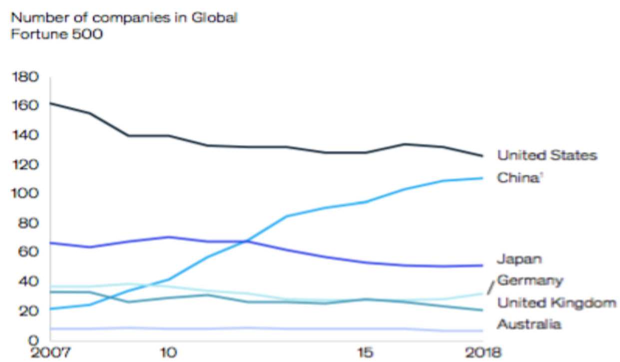


Fig. 2. Comparison of China and US MNC

Two of these developed countries, namely the US and China, are two countries that are often involved in global economic competition. The United States (US) and China are two countries that have a major influence in the global economy, one of which is influenced by the ability of the MNCs of each country that has a global reach and level in the global economy. The MNCs of the two countries have a large global influence, especially in terms of employment. For example, Wal-Mart is the largest company in the world, with 1.8 million workers. Other companies with more than half a million employees include China National Petroleum, Sinopec (a Chinese oil and chemical company), the US Postal Service, and the Agricultural Bank of China. (Roach, 2007: 6). In a global context, in terms of total market size, China is almost as big as the US and much larger than any other country, whether measured in current dollars or in purchasing power parity dollars. In 2019, US GDP was $21.4 trillion, while China's GDP was $14.1 trillion in nominal terms and in terms of purchasing power balance, China's GDP was $27 billion as describe at Picture 1 above.

In terms of corporate competitiveness, China had 119 Fortune Global 500 companies and the US had 121 in 2019. In terms of innovation, measured as R&D spending in the country, the US is by far the world's leading spender with $581 billion in 2018, while China in second place with $293 billion[10].

From 2000 to 2010, its share more than doubled to 8 percent, and in 2018, China already accounted for about 16 percent of world GDP. It overtook the United States to become the world's largest economy in terms of purchasing-power parity in 2014, according to International Monetary Fund (IMF) data — for the first time since 1870.37 In nominal terms, China's GDP was 66 percent of the United States in 2018, making it the second largest economy in the world. The country has significant scope for continuing impressive GDP growth [11].

In this global competition, the US and China are competing fiercely in terms of numbers, profits, and global financial financing. It can be said that each MNC is the main weapon of each country to maintain control of various global markets to gain national economic benefits, as well as influence in the global market.

The data above illustrates that both countries have big ambitions in achieving economic hegemony. The MNC of each country becomes a tool for both of them to exert great political and economic influence for the economic interests of each country. The objective of expanding the global market will provide great political and economic benefits, especially in controlling global economic markets through investments made by many MNCs from both countries.

4.2 Ability to Influence System

In controlling the Indonesian market, the US and China, each has and implements various policies that are packaged in lobbying and diplomacy to the Indonesian government, as a strategy. The strategic trend of the two countries leads to ease of investment while maintaining market opportunities in the competition. That way, each country sees opportunities and risks as part of political and economic calculations.

Both countries, both the US and China, have strategies. The strategy aims to adjust the company's business in the face of risk. This strategy includes setting up factories or other processes or facilities in countries other than rival countries to avoid the direct threat of government intervention[10].

By adapting to the situation, the MNC can move accordingly; with market needs. In addition, security from various interventions from the destination country will ensure the smooth running of the MNC in carrying out various economic activities in controlling the domestic market of the destination country. However, with economic competition that is also influenced by political issues, each country tends to avoid intervention from each other.

For example, China puts its companies into production facilities, then adaptation could involve moving to other emerging markets in Asia. In addition, adapting the company's business financially can also be beneficial, for example by taking on local debt in a country where local assets are at risk. In general, establishing local liabilities where local assets are at risk will help protect the company [10].

Investments made as part of the country's economic policy are inseparable from the soft power of each country to attract the interest of the target country as well as to expand the market. Interestingly, this strategy is used by China to countries that need investment, such as countries in Southeast Asia.

In Southeast Asia, the source of China's soft power in the region mostly comes from foreign aid, trade and investment. Technically, China continues its efforts to become one of the largest economic contributors to Indonesia by providing Foreign Investment (FDI). For China, the Indonesian market is an opportunity to maintain tight competition with the US considering that Indonesia is a part of Southeast Asia where economic benefits can be achieved in the region, especially in Indonesia.

Moreover, some of China's infrastructure cooperation with Indonesia is considered quite successful. Previously, China helped Indonesia complete a power plant project that had stalled due to lack of financing. The Bank of China and the China Export Import Bank agreed to finance the US$1.061 billion project. China also took part in the construction of the Suramadu Bridge which connects Surabaya and Madura Island for 5.4 km [12]

The approach taken by China to the Indonesian government through investment and involvement in infrastructure development can be said to be an additional point for China to maintain its influence in Indonesia.

4.3 Business Strength of Chinese Descent in Indonesia

Currently, many Indonesian conglomerates are Chinese and dominate businesses in Indonesia, including: Trihatma Kusuma Haliman, owner of the holding company PT Agung Podomoro Land, Tbk (Agung Podomoro Land); The family of Eka Tjipta Widjaja, owners of the holding company Plaza Indonesia Realty, Tbk (Sinar Mas Group); The families of R. Budi and Michael Hartono are the owners of the holding company PT Grand Indonesia (Djarum Group); and the Riady family is the owner of the holding company Lippo Karawaci, Tbk (Lippo Group); and others (Warta Ekonomi.co.id, 2019).

From this it can be understood that the influence of China in the economy in Indonesia does not only come from the state, but also the Chinese descent who, although they do not live in their country of origin, and are even Indonesian citizens, but have great influence, especially in the investment sector.

For example, in the trade sector, Chinese-Indonesian entrepreneurs and businesspeople are important players in Sino-Indonesian trade relations, particularly in establishing business-to-business (B2B) relationships. Recognizing the importance of personal connections and referrals in doing business with China, many Chinese Indonesian entrepreneurs have joined associations such as the Indonesian Chinese Entrepreneurs Association (PERPIT), the Indonesian Chinese Entrepreneurs and Society Association (PERMIT), and the Indonesia-China Business Council (ICBC) to gain access to this network of associations with current and potential Chinese investors and/or business partners [13].

The issue of economic influence can be understood not only as a political issue packaged in policies to achieve economic interests through investment, but also in the historical and cultural context, providing space, especially for China, both as a country and as an individual entrepreneur, to contribute and influence in controlling the market in Indonesia.

In recent years, this association of Chinese-Indonesian entrepreneurs has become increasingly connected to the global network of overseas Chinese entrepreneurs, so that in September 2015, PERPIT hosted the World Chinese Entrepreneurs Conference (WCEC) in Bali. Bringing the WCEC meeting to Indonesia is a great achievement for PERPIT, not only because it promotes investment and trade in Indonesia, but also because it shows that Chinese Indonesian business leaders are prominent and influential in the overseas Chinese global business scene [14]. It can be said that when many countries expand their influence, both through lobbying and diplomacy of an economic and political nature, the presence of overseas Chinese scattered in many countries, one of which is Indonesia, becomes one of the strengths that other countries rarely have.

The overseas Chinese “nationalism” side explains the strong connectivity between China's economic policies to a country, such as Indonesia, and its overseas community. In this way, cultural issues become a lobbying mechanism capable of pushing economic and political administrative barriers that the state tends to face in building economic interactions. Domestically, Chinese businessmen build connections to strengthen their position through the closeness of entrepreneurs with state officials or authorities. The initial interaction that encouraged the closeness of overseas Chinese ethnic entrepreneurs was called the 'colonization of a system of state monopolies by state-backed private conglomerates' and this system occurred in Indonesia in the 1980s [15].

Relations and lobbying carried out by Chinese businessmen were carried out by building closeness with politico-bureaucrats, especially the Suharto family in the state business network, thus becoming the main recipients of patronage. They push for power through an unshakable blend of political and economic authority. Combined in one political-business 'capitalist oligarchy' the Chinese state managers and corporate moguls have thus established a power tool that cannot be attacked by outsiders, perpetuating their power through an ever-expanding capital base [15].

In detail, most important for the massive expansion of big business was the liberalization of the banking sector after the economic crisis of the mid-1980s. This gave conglomerates the opportunity to raise capital from sources they previously had no access to, thus enabling them to grow more rapidly in inside and outside Indonesia [15].

The close relationship that was built between the ruling government and the lobbies of overseas Chinese businessmen in Indonesia opened up space for economic and political closeness that provided an opening for smooth business and capital loans, which became a strong foundation for Chinese entrepreneurs in expanding their business both in Indonesia and overseas.

It can be said that overseas Chinese entrepreneurs who have now become conglomerates and play an important role in the country's national economy, are able to become a force or become a big player in the economy, cannot be separated from lobbying against state power which is used as a way to smooth the movement of entrepreneurs, both in obtaining capital or expand the business.

4.4 The Strength of Chinese and US Lobby in Indonesia

China continues to present many opportunities for Multinational Enterprises (MNCs); and MNCs continue to play a key role in China's economic development. This is inseparable from China's ambitious and visionary policy reform program announced in 2013, in many ways, China's need for insight, technology and knowledge from beyond its borders is deepening in various sectors. (kpmg.com/cn, 2014: 3).

In this way, MNC becomes one of the strategies implemented in its global economic policy. This is in accordance with China's desire to increase its global influence in the economy while closing the space for the US and its MNCs.

Therefore, the strategic importance of the Chinese market for multinational companies and the actions taken by some leading companies to seize opportunities and respond to challenges (kpmg.com/cn, 2014: 3). It is China's policy to take advantage of market opportunities that can be controlled. That way, Chinese MNCs can compete at the global level.

Multinationals continue to have a strong role to play in China's commercial future, although they are likely to find operating conditions much more difficult than in the past. Indeed, for all the focus on China's national champions, the Chinese government recognizes that multinational corporations will continue to play an important role in the country's economic transition during the decade. (kpmg.com/cn, 2014: 4). In Indonesia alone, in 2010 there were more than 1,000 Chinese businessmen investing in Indonesia. Their investment value reached US$ 2.9 billion, up 31.7 percent from the same period the previous year (Tempo.co, 2012).

Three Chinese companies recently announced investments totaling $9 billion in iron ore smelters and alumina processing plants. Among them Oriental Mining and Mineral Resources and

Rui Tong Investment invested $1.5 billion in an iron ore plant. Later, Beijing Shuang Zhongli Investment Management invested in an alumina processing plant worth $7.1 billion (Tempo.co, 2012).

With more and more Chinese MNCs coming, investing, and operating in Indonesia, it can be said that the country's MNCs are starting to have influence and make a big contribution to Indonesia. In addition, the domination of the Indonesian domestic market by MNC China provides an advantage for the country to expand its market in Southeast Asia considering that Indonesia is one of the countries with a strong economy, apart from Thailand.

In addition, Tonghua Jianxin Metallurgy Co., a company based in Jilin Province, opened a branch office in Jakarta. Chinese state-owned aluminum company Chalco signed an agreement with PT Indonusa Dwitama to build a bauxite refinery, a raw material for aluminum manufacture, and state-owned company Bosai Minerals Group earlier this month announced a US$1 billion investment to build a bauxite plant. (Tempo.co, 2012).

A different situation can be seen from the expansion of the market by US MNCs. The country places more emphasis on pure investment by not involving in certain projects. The country's MNCs operate in accordance with the applied business mechanisms.

On the website of the United States-Indonesia Chamber of Commerce, there are 42 US companies operating in Indonesia, either in the production sharing mechanism or capital investment (aicusa.org, 2021). These companies are: Coca Cola, Citibank, Phillip Morris, Mobil, Caltex, Freeport, IBM, Mc.Donalds and others. These big companies have global economic power. Nearly 60 countries in the world have representatives. In Indonesia, US MNCs still occupy the number 1 position, although the investment value for the past 10 years has begun to shift to East Asian countries, Japan and China.

Regardless of what is happening internationally, the trade war between the US and China has brought losses to Indonesia. Indonesia's exports to the United States fell 1.5 percent year-on-year to $12.9 billion in the first nine months, according to Central Statistics Agency (BPS) data. The decline in exports was due to a fair trade agreement and the implementation of a reciprocal system between the United States and Indonesia (jakartaglobe.id, 2019). The economic conditions and relations between the two countries affected globally and resulted in a decline in the value of Indonesia's exports, especially to the US.

The reciprocal strategy implemented by the US is able to encourage the country to be able to overcome problems that may occur so as not to provide difficulties even though the country is in a difficult situation. With a reciprocal mechanism, the US is able to keep the opportunity from being caught in a loss.

5 Conclusion

Looking at the constellation of strategies, policies, and existence, as well as the contribution of the US and China, as well as the MNCs of each country in Indonesia, it can be said that the two countries do have great global economic power, and have influence and ambition to dominate the global economy. For Indonesia, each country makes a large investment, on the other hand, each country expands the MNC market in Indonesia as an effort to dominate the Southeast Asian market in general. With the number of MNCs in each country, it can be seen that the competition between the two countries is great in Indonesia.

In total, US MNCs has the most operations in Indonesia compared to MNCs from China. On the other hand, the existence of these MNCs has been in Indonesia for quite a long time, and affects the absorption of labor which has been going on for quite a long time, but on the other hand, it can be said that China is more involved in influence, considering that China's strategy is more focused on infrastructure development and development have a positive impact on the development of the infrastructure needed by Indonesia, although on the other hand, the involvement of the overseas ethnic Chinese diaspora in Indonesia also has a significant influence in smoothing political lobbies in Indonesia.

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