



A cargo terminal in the Indonesia Morowali Industrial Park. It has its own seaport and power plants, with an airport to be completed this year. The park is expected to soon produce three million tonnes of stainless steel slabs a year. PHOTO: IMIP

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## Non-BRI project in province turns town into world's biggest nickel industrial park

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Indonesia's Central Sulawesi is seeing how Chinese investment has benefited the local economy as exports from the province jumped 16-fold over the past five years and thousands of jobs were created after Chinese steelmaker Tsingshan turned Morowali, a sleepy town in the province's south-eastern district, into the world's largest nickel industrial park.

Unlike projects under China's Belt and Road Initiative (BRI), the Indonesia Morowali Industrial Park (IMIP) is a business-to-business endeavour with no government guarantee. It is a joint venture between Tsingshan and local partner Bintang Delapan.

The project has received strong endorsement from the leaders of both countries and enjoyed commercial financing from the state-owned China Development Bank.

The industrial park project was born at a bilateral summit between China's President Xi Jinping and Indonesia's then President Susilo Bambang Yudhoyono in 2013.

At that meeting, Mr Xi conveyed a plan to construct a 21st-century maritime silk road. Both leaders then witnessed the signing of the joint-venture agreement for the Morowali project.

The maritime silk road is the sea route part of the Belt and Road Initiative, China's geopolitical strategy offering infrastructure project investments in countries such as Malaysia, Indonesia and Pakistan to gain greater influence in the littoral regions across the historical Silk Road.

But various countries, according to observers, have fallen into a debt trap from overborrowing.



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## Chinese projects in Indonesia

Chinese investors have pumped in at least US\$4 billion (S\$5.4 billion) with their local partners in the Morowali industrial park in Central Sulawesi.

The investments do not come under China's Belt and Road Initiative (BRI), but are heavily endorsed by leaders of both countries, and include a 1,000MW coal-fired power plant, an airport and a steel plant with a capacity of 3.5 million tonnes a year.

The Indonesian government, meanwhile, has offered several strategic projects under the BRI, including a multibillion-dollar hydropower plant in North Kalimantan's Kayan river, a US\$1.6 billion power plant in Bali, and an industrial park in North Sumatra, according to the maritime affairs coordinating ministry.

None of the planned projects has started, Maritime Affairs Coordinating Minister Luhut Pandjaitan said in a reply to a Straits Times query.

The ministry was tasked by President Joko Widodo to take the lead in the BRI-related projects.

Indonesia's first high-speed train - the 150km Jakarta-Bandung high-speed rail project - is also not listed as a BRI project after the Indonesian government, amid growing domestic criticism, was forced to reject China's request to issue guarantees to repay debts to creditors if the project does not run profitably.

The project, which is still in its early stages, is partially financed by the China Development Bank.

Critics of the project have cited high investment risks as the Jakarta-Bandung trip is too short a distance for a high-speed train service.

Sri Lanka, for example, has been forced to give up operations of its Hambantota Port, which China helped to finance and build.

The construction of the deep-sea port, allowing bigger vessels to dock there, was a costly project Sri Lanka had no need of as its meagre exports did not require a port for larger vessels. The financing for the project, guaranteed by the Sri Lanka government, was valued at US\$1.5 billion (S\$2 billion), which it struggled to repay.

Malaysia halted billions of dollars of BRI projects and Prime Minister Mahathir Mohamad has charged China with attempting to secure influence through debt-funded infrastructure projects that recipient countries cannot afford.

Professor Hikmahanto Juwana, a legal expert at the University of Indonesia, agrees with Tun Dr Mahathir's concerns, telling The Straits Times: "Other objectives of helping include gaining market access in certain countries."

"It is not something that only China is doing... Everyone else too, including the US," he added.

The IMIP, which began construction four years ago on 2,000ha of land, boasts the ability to produce two million tonnes of stainless steel slabs a year, which will soon rise to three million tonnes, or 6 per cent of global output.

The joint venture and tenants have spent at least US\$4 billion on the industrial park, building facilities such as plants to process raw nickel into intermediate products, which are processed into the finished products of stainless steel slabs. Also to be completed this year is an airport to cater mainly to the industrial park, which has its own seaport and power plants.

IMIP and its tenants employed a total of 25,662 workers at the end of 2017, of whom 18,556 are Indonesians and the rest mainly Chinese nationals.

Morowali has now become a main income driver for the Central Sulawesi province.

They fear that the service may not attract enough passengers to cover operational costs.

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The province's total exports last year were worth US\$5.11 billion, compared with US\$297 million five years ago, according to the website of the province's agency for statistics.

The jump reflects the successful climb up the value chain by Central Sulawesi as today's exports are dominated by steel and stainless steel - accounting for two-thirds of the total - compared with five years ago, when exports were dominated by cheap raw minerals, including nickel ores.

IMIP and its partners have also recently started the construction of a plant to produce battery-grade nickel chemicals for electric car batteries, with commercial production expected next year.

Projects related to the BRI in Indonesia are valued only around US\$5 billion, based on a loose estimate and including projects without a government guarantee, according to a senior Indonesian diplomat. This figure is dwarfed by those in Pakistan, valued at more than US\$60 billion, and Malaysia.

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- BRI has been used as a tool by China amid rising rivalry in the region with the United States. The US has occasionally told Indonesian officials that the South-east Asian country is getting too close to China and receiving large investment projects, but the the statistics speak otherwise - Indonesia lags behind in terms of benefits from China's BRI strategies.

"China said we are a minion of the US, while the US said we are a minion of China. We are no one's minion. This is just them playing us," a senior Indonesian government official told The Straits Times.

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