3-2024

Chinese Digital Platform Companies’ Expansion in the Belt and Road Countries

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Abstract

The emergence of digital platforms is shifting the digital economy toward a platform economy, and Chinese platform-based businesses like Alibaba, Tencent, and JD are increasingly expanding in the Global South. Alongside this, the Chinese government has been promoting digital economy collaboration with emerging markets through high-level engagement under the banner of the Belt and Road Initiative (BRI) and its digital economy component the Digital Silk Road (DSR). Despite significant market interest and policy attention, grounded empirical analysis of Chinese digital platforms' expansion within Belt and Road Initiative countries is scarce. This study employs a mixed-methods approach, drawing on both quantitative data of Chinese platform companies' overseas foreign direct investment and qualitative data obtained from fieldwork interviews in Southeast Asia and from secondary sources to conduct a case study of Chinese platforms in Indonesia. It finds that Chinese digital platforms largely undertook their overseas expansion based on commercial interests, and Beijing's high-level policy framework BRI has had a limited direct impact on the expansion of the privately-owned Chinese platforms and their local business operations within host countries. The vagueness of BRI/DSR has also given platform companies investing in Indonesia room to choose how they engage with Chinese BRI/DSR rhetoric depending on the local context. Furthermore, local contextual factors, including Indonesian policy, policy implementation, and labor market, have shaped the platforms' business expansion. Firms have been pushed to adapt to local policy priorities and socioeconomic context, seek local partners and invest in local capacity building. The findings suggest a more complicated state-firm relationship in Chinese digital platforms' expansion than that which is often perceived, and the importance of host country contexts in shaping Chinese digital platforms' local business strategies.

Keywords: Chinese overseas investment, digital economy, digital platforms, Belt and Road Initiative, Digital Silk Road, Southeast Asia

Introduction

The digital economy is now equivalent to 15.5% of global GDP, growing two and a half times faster than global GDP over the past 15 years (World Bank 2020). Chinese firms are key players in this growth: from 2005 to 2019, China's digital economy value-added increased from RMB 2.6 trillion to RMB 35.8 trillion (USD 0.41 trillion to USD 5.63 trillion) (CAICT 2020). Chinese ICT (information and communications technology) firms have also embarked on ambitious global expansion: in 2020, in terms of deal value, the technology, media and entertainment, and telecommunications sector was the top sector for overseas mergers and acquisitions of Chinese firms (EY 2021). Southeast Asian countries, some of the world's fastest-growing digital markets, are among the major areas of interest of Chinese firms and investors. For instance, Chinese venture capital firms quadrupled their investments in Southeast Asian startups in 2019 alone (Zinser 2021).

The Chinese government promotes digital economy collaboration through high-level engagement under the banner of the "Digital Silk Road" (DSR), part of the Belt and Road Initiative (BRI) to promote connectivity with other emerging markets. Chinese State Councilor Wang Yi remarked in 2020 that the "Digital Silk Road is a priority area for BRI cooperation in the next stage" (PRC Ministry of Foreign Affairs 2020). China and the Association of Southeast Asian Nations (ASEAN) states designated the Year 2020 as the ASEAN-China Year of Digital Economy Cooperation (Xinhua 2020). On the other hand, Beijing's rhetoric of "win-win" digital economy collaboration with emerging economies has garnered suspicions. For instance, former US Attorney General William P. Barr criticized the DSR as "PRC's plans to dominate the world's digital infrastructure" (US Department of Justice 2020).

Despite the significant market interest and policy attention, scholarly analysis of Chinese ICT companies' and especially digital platform companies' expansion in the Belt and Road countries is still limited (Keane and Wu 2018; Vila Seoane 2020; Shen 2018, 2021; Su and Flew 2021).[1] In discussing China's presence in the BRI countries and in the Global South more broadly, the dominant narratives focus on the interests and actions of the Chinese state (Rolland 2015). Such state-centric perspectives, while important, can neglect the role of private firms and the influence of host country environments in shaping Chinese firms' expansion and business operations. Therefore, scholars have called for more empirical inquiries "from the ground" (Oliveira et al. 2020) to understand the complex realities of Chinese overseas investments (Lai, Lin, and Sidaway 2020) in the BRI countries. This article contributes to this nascent area of inquiry with a mixed-methods study, using both quantitative data on Chinese overseas investment, and qualitative data gathered from fieldwork interviews and secondary sources. It seeks to answer the following research questions: How do Chinese digital platforms engage with the BRI in their overseas investment in emerging markets? How do host country contexts influence the expansion of

Chinese digital platforms within the BRI countries?

This study's findings overall suggest a more complicated state-firm relationship in Chinese digital platform companies' overseas expansion than what is often perceived, with the host country context, including policies, policy implementation, and the labor market as important factors shaping the firms' business strategies. Chinese platform companies, as private-sector firms backed by transnational capital, largely conducted their overseas expansion based on commercial interests. BRI/DSR, Beijing's high-level policy framework, remained a vague slogan, offering few direct incentives and thereby having limited impact on the firms' expansion on the ground. Considering local sentiment towards the BRI, firms cautiously engaged with Chinese state rhetoric such as the DSR/BRI in local business operations. At the same time, host country governments and market players are not passive actors in their engagement with Chinese platforms, but play vital roles in shaping the trajectory of Chinese platforms' expansion. Platforms were pushed to align with host country government's digital economy development aspirations, while also adapting to the realities of policy implementation, seeking local partners, and investing in local capacity building.

This article is structured as follows. The next two sections situate the study's contribution within two main bodies of scholarship – state-firm relationships in Chinese ICT firms' overseas expansion and host country contexts in Chinese ICT firms' overseas expansion – and outline the research methods. The subsequent section presents an overview of the scope and the country destinations of Chinese digital platform companies' overseas investments. The penultimate section focuses on Chinese platforms' expansion in Indonesia, the country receiving the largest volume of platform investments among the BRI countries. Drawing on interview-based fieldwork data and secondary documents, it analyzes Chinese platform companies' engagement with the BRI/DSR in their expansion in Indonesia, and importantly, how Indonesia's particular policy and market context shaped their expansion. The final section concludes the study and reflects on the importance of shifting away from a Beijing-centric lens to studying firms' interests and behaviors and the host country's development context in understanding Chinese digital expansion in the Global South.

Chinese digital platforms' expansion in the Belt and Road countries

Beijing launched the Belt and Road Initiative in 2013 to promote "policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds" (Jenkins 2021, 15) with developing economies in Asia, Europe, and later added Latin America and the Caribbean countries in 2018 (PRC NDRC 2015). The Digital Silk Road was conceived as its digital economy component. According to Shen (2018), the Chinese state aims to achieve five policy objectives through DSR: cutting industrial overcapacity in both the ICT sector and the broader economy, enabling Chinese firms' global expansion, supporting the internationalization of the Chinese currency (RMB), constructing a China-centered transnational network infrastructure, and promoting its vision of Internet-enabled inclusive globalization.

Existing literature on the political economy of Chinese ICT firms' overseas expansion in the BRI countries largely focuses on traditional large-scale telecommunications infrastructures such as fiber-optic cable construction, network equipment, 5G, and satellite networks[2] (Aboul-Dahab 2021; Blanchard and Hoojimaaiers 2021; Brown and Burjanadze 2020; Cheney 2019; Erie and Streinz 2021; Hemmings 2020; Mochinaga 2020; van der Lugt 2021). With a few exceptions (Hernandez 2019; Keane and Yu 2019; Logan, Molloy, and Smith 2018; Shen 2017, 2021; Su and Flew 2021; Vila Seoane 2020), digital platform companies have largely not received scholarly attention. On the other hand, Chinese government documents and state media articles indicate that investments promoted under the DSR/BRI banner cover wide-ranging areas in the digital economy beyond the telecommunications infrastructure. They include e-commerce, artificial intelligence, cloud computing, smart cities, the Internet of Things, financial technologies (fintech), social networking, blockchain, online entertainment, animation, online games, science and technology parks, technology transfer centers, innovation hubs, startup incubators, student scholarships and exchange programs (CAICT 2016; PRC MOST 2016, 2017; PRC NDRC 2015; Xinhua 2017a, 2017b, 2017c, 2018, 2019). In other words, all kinds of investments and partnership projects involving Chinese ICT firms in the Belt and Road countries could fall under the BRI/DSR umbrella. Considering the important role that platforms play in today's digital economy, the expansion of Chinese digital platforms into the BRI countries calls for further analysis.

State-firm relations

The international affairs literature on Chinese digital expansion in emerging markets has a predominant focus on the strategic interests of the Chinese state. Chinese scholarly works tend to portray an idealistic vision of ICT expansion as a beneficial and "win-win collaboration" for both China and the host countries (Woon 2021). On the other hand, Western scholarly works tend to view Chinese digital expansion as a means for the Chinese state to project its power abroad amid growing US-China competition. For instance, scholars in several prominent Western think tanks argue that the rising power of Chinese players could challenge the US-centric Internet and cyber-governance model and threaten American security interests (Hemmings 2020; IISS 2021; Mochinaga 2020). Cheney (2019) argues that the Chinese government perceives "technological advancement as the sphere in which it can most adequately challenge the United States' global power without creating direct confrontation" (1), and through DSR Beijing could "maintain economic components of the (liberal) order that have facilitated its economic rise, while spreading a politically illiberal model of governance" (2). Thomas-Noone (2018) argues that China is in a growing struggle against the US over "who will lead in new technologies and set the rules for how they are used and built, as well as how and where they are deployed", and developing countries accepting Chinese investment should avoid entering "another colonial period, this time in the digital age".

Analyses through the lens of Chinese state interests in the US-China great power rivalry certainly bring forth important policy concerns. However, such state-centric analyses are primarily based on traditional telecommunications infrastructure projects – not digital platform companies. They also tend to utilize secondary policy documents instead of first-hand empirical data from emerging markets.

To be sure, Chinese platforms' rise to prominence poses a challenge to the dominant position enjoyed so far by only a handful of US tech platforms companies like Facebook, Amazon and Google on the global Internet (Gray 2021; Shen and He 2022). Still from a scholarly standpoint, it is critical to move beyond the interests of the Chinese state and great power rivalry, and direct more attention to the interests and behavior of other players including the privately-owned platforms and the various host country players. The existing literature on Chinese firms' overseas expansion in other industries has shown differences in the motivations and behaviors of state-owned enterprises (SOEs) and privately-owned enterprises (POEs). Compared to most SOEs that have large resource bases and enjoy high-levels of government financial support and a protectionist policy environment, most Chinese POEs face an unfavorable domestic institutional environment, operate in highly competitive markets, and expand overseas with the intention to seek new markets or strategic assets like technology and brands (Huang and Chi 2014). Unlike SOEs that have access to preferential financing from Chinese banks, POEs tend to expand overseas using their own capital and profit, raise capital through international markets, or with private equity funds (Sutherland and Ning 2011). Studies have documented how Chinese private business elites relate to and interact with international corporate networks while simultaneously being linked to domestic state-business networks (De Graaff 2019). As private firms in sectors like agriculture, textiles and electronics follow their own paths overseas, tensions can also arise between their commercial interests and Chinese state interests in private firms' expansion in developing countries (Gu 2009).

Rejecting the state-centric view that would treat the Chinese digital platform companies as mere extensions of the state, a small but growing body of literature in media and communications highlights their complex relationships with the state and international capital (Keane and Wu 2018; Keane and Yu 2019; Shen 2017 2021; Su and Flew 2021). Platform companies certainly benefited from "China's state-led digital capitalism" in their domestic market expansion (Hong 2017, 145). Yet in domestic markets, there are "tensions and potential contradictions arising from the reliance of the Chinese state on the BAT [Baidu, Alibaba, Tencent] to build digital infrastructure" (Su and Flew 2021, 67), as firms seek to minimize direct state regulation for their business models. Chinese firms may also engage in fierce battles with each other, instead of acting in concert under state demands as some would assume, e.g., ByteDance's lawsuit alleging that Tencent's WeChat and QQ messaging apps ban their users from sharing content from Douyin, the Chinese version of short-form video app TikTok owned by ByteDance (He 2021).

As this study will show, the tension between the digital platform companies' profit-seeking logic and the state's political interests also exists in overseas expansion. On the one hand, high-tech firms' overseas merger and acquisition activities can exhibit a certain degree of rhetorical alignment with policies like the BRI (Oh and No 2020). For instance, Alibaba has promoted its Electronic World Trade Platform by employing the BRI discourse of "inclusive globalization” benefiting developing countries and disenfranchised groups such as small enterprises, youth, and women (Du 2017; Vila Seoane 2020). However, firms also seek profits in overseas markets, and profit-seeking inevitably prioritizes tangible commercial interests and incentives and seeks to minimize any possible negative impacts on their business operations. Chinese private digital platforms companies have relied on their own capital and international capital to fund business expansion, making them subject to the profit-driven interests of shareholders, global funds, and international markets. For instance, as Shen (2021) pointed out, different units of domestic and international capital, and state agencies both inside and outside of China, have interacted with Alibaba’s developmental strategies and influenced the company’s global expansion.

Moreover, from the side of the Chinese government, contrary to popular perceptions, the BRI or its digital economy component the DSR is far from a top-down plan carefully orchestrated by Beijing and imposed effectively upon platform companies. In the ICT sector more broadly, Greene and Triolo (2020) critically examining the implementation of the DSR, note that it “did not occur with the degree of coordination that Beijing has projected, and foreign observers have feared”. Analyses of Chinese telecommunications firms’ expansion show that they provide low-cost products and localized services that appeal to price-conscious vendors and consumers in emerging markets (Harwit 2013; Namingit and Al Haddad 2020; Wen 2020), and firm-initiated expansion can be merely rebranded by Beijing as part of the DSR (Greene and Triolo 2020). More broadly, various stakeholders in China, including local governments and firms, employ the BRI as a broad policy slogan that is open to interpretation, competition, and contestation (Jones and Zeng 2019; Zeng 2019). Survey research of Chinese firms across all industries and their attitudes toward investment in the BRI countries shows that unlike SOEs, Chinese private firms’ perceptions of investment opportunities and decisions around overseas expansion are more driven by commercial interests rather than BRI policy (Li and Zeng 2019).

Therefore, treating Chinese firms monolithically, and their overseas business expansion as a direct outcome of policies like the BRI would be an oversimplification, giving much credit to the Chinese state, while underestimating the role of commercial interests and other factors shaping Chinese firms’ expansion. As this study will show, for platform companies, because the DSR/BRI as a high-level policy framework lacks clear definitions of participation, the vagueness of the state narrative also allows the firms to choose whether, and how to engage with the initiative in substance or rhetorically, without jeopardizing their business interests in the host country.

Host countries' contexts

While the scholarship on Chinese digital platform companies’ engagement with host country players is limited, a growing body of literature on Chinese firms’ overseas projects examines how the host countries’ development agendas overlap with Chinese firms’ commercial interests. For instance, on Chinese firms’ overseas projects in areas such as e-commerce, 5G, broadband, cable networks, and smart city development, scholars highlight the host countries’ rationale for bringing in Chinese players, including fulfilling unmet infrastructure, financing, or technology needs (Aboul-Dahab 2021; Blanchard and Hooijmaaijers 2021; Chen 2020; Das 2017; Gagliardone 2019; He 2019; He and Tritto 2022; Martinus 2020a; Naughton 2020; Paulo 2018; UNESCAP 2017; Yean 2018, 2020; Zhu, Lan, and Zhang 2021).

Host countries' governments and political elites may also have other political calculations for welcoming Chinese technologies. For instance, the Pakistani government’s need for data infrastructure motivated it to seek out collaboration with Chinese tech firms (Erie and Streinz 2021). Security concerns, such as preventing the interception of critical financial and security information by Western intelligence agencies, also motivated projects like the proposed BRICS cable network (Lee 2016; Shen 2018). As Gagliardone (2019) show, both authoritarian and democratic states in Africa have partnered with Chinese ICT firms for development projects, and contrary to the depiction of China’s influence as spreading authoritarianism, leaders in authoritarian states in Africa justify their measures for improving surveillance as their emulation of the West rather than China.

Depending on host countries' policies, collaboration with Chinese players may not preclude them from seeking other partners. For instance, in Ethiopia, the government “has the agency to independently choose which technology to acquire and from where” and cooperates with both Chinese and European firms (van der Lugt 2021, 339). Countries in Southeast Asia have sought diverse partners from multiple countries for smart city and 5G partnerships (Martinus 2020b, 2020c; Namingit and Al Haddad 2020). More broadly, studies of BRI implementation in host countries across various industries also show that local and national political elites even in much smaller and relatively weaker states such as Cambodia, Malaysia, Vietnam and Myanmar, are adept in engaging Chinese and other foreign actors and to further their own political or development agendas (Alves, Gong, and Li 2023; Calabrese and Cao 2021; He and Tritto, 2022; Liu and Lim, 2019; Loughlin and Grimsditch 2021; Tritto 2019).

As with other types of Chinese firms’ overseas expansion, local context inevitably shapes the outcomes of Chinese ICT firms’ expansion and the partnerships they form with other players. For instance, AliExpress’ expansion in Central Asia shows high flexibility and adaptability to local circumstances, as the firm collaborates and competes with all existing players, regardless of whether they are Russian, Chinese, American, or local, and leverages whichever social media networks and payment methods are popular in a specific host country to grow its business (Oreglia, Ren, and Liao 2021). Host countries' governments and politicians, firms and other stakeholders may have specific interests and leverage which they can apply to influence Chinese tech businesses. For instance, Chinese-invested smart city projects in Malaysia, such as the KL City Brain and the Forest City in Johor, have suffered delays due to Malaysia’s domestic political contentions (He and Tritto 2022; Naughton 2020). Baidu’s expansion into Vietnam was hampered by false local media reports about its business practices, playing on Vietnamese users’ anger against China in the South China Sea dispute (Logan 2015). New technologies and business practices brought by Chinese firms may also incur socioeconomic issues, prompting the host country government to respond with new regulations. For instance, the influx of Chinese capital into Indonesia's fintech lending sector led to a rapid expansion of the industry, but also escalating socioeconomic risks such as privacy violations. In response, Indonesia imposed new regulations to curb risks and promote financial inclusion (Tritto, He, and Junaedi 2020).

In effect, treating host countries as merely pawns of Beijing leads to overlooking of their roles in engaging Chinese players in ICT development. Since considerable differences exist between the political, economic, and social contexts of China and emerging markets that firms expand to, their expansion in the host country needs to be highly contextualized.

Methodology

To understand the scope of Chinese platforms' overseas expansion and more specifically the primary locations of investments in the BRI vs. non-BRI countries, first a quantitative analysis was conducted using data on Chinese outward foreign direct investment (OFDI). The official bilateral FDI data published by the Chinese Ministry of Commerce is incomplete, due to missing information on the final destination: about 75% of Chinese OFDI goes via Hong Kong SAR or tax havens (e.g., the British Virgin Islands and the Cayman Islands), with destination unknown (Diao and Park 2021). Therefore project-level investment data from the China Global Investment Tracker (CGIT) database of the American Enterprise Institute[3] was used.

The CGIT database tracks published corporation reports and official documents for investment transactions of at least USD 100 million, providing a more accurate description of the final destinations of investments. The drawback of using CGIT database is that small investments, such as venture capital financing for early-stage startups that are typically less than USD 100 million, are excluded. Nevertheless, descriptive statistical analysis using this dataset can illustrate the trend of major investments by platform companies across time, and the geographical distribution of their final destinations. To determine which destination countries are the BRI countries, the study follows the Council of Foreign Relations data of 139 countries which were participants in the initiative as of March 2021[4].

The original CGIT database includes "Technology" as a specific category, however many investments made by Chinese platform companies are categorized as "Other" or specific services (for instance, Alibaba's investment in the Indonesian ride-hailing platform Gojek was categorized as "Transport"). Therefore, the author manually went through the entire database to re-identify and include all investments recorded in the database by digital platform companies (including Alibaba, Baidu, ByteDance, Didi Chuxing, JD.com, Jumei, Meituan Dianping, NetEase, Qihoo, Renren, Shanda, Tencent, Trip.com, YY). This also narrowed the time frame, from 2010 until the end of 2021, as the first recorded investment was Tencent's investment in Digital Sky Technologies in 2010.

To further examine the platform companies' local operations in the BRI-participating countries, a case study of Chinese digital platforms' expansion in Indonesia was conducted. As the quantitative data shows, Indonesia was the largest recipient of OFDI from Chinese platform companies among all the 139 BRI-participating, therefore it is a “critical case” in Yin's (2003) terminology.

The analysis draws on data from two main sources: (1) semi-structured interviews conducted with key informants in Indonesia, Singapore, and China either in person or mediated (phone, Skype or Zoom) to obtain both retrospective and real-time accounts of their experience with Chinese platforms’ expansion; (2) secondary documents about Chinese platforms’ expansion in Indonesia, including press releases, industry and news reports. Summary information of the 50 interviewees including their organizations, job titles and acronyms, and a description of the interviews can be found in Table 1. Interviewees represented a range of government officials, Chinese and local businesses, industry associations, consulting firms, startup founders, venture capitalists, lawyers, NGOs, and university and think tank researchers. The selection of interviewees followed a mix of purposeful sampling (selecting interviewees based on their knowledge and work experience with Chinese firms) and snowball sampling (identifying additional interviewees from the networks of existing interviewees).[5]

Interviews were semi-structured, generally divided into five parts: background information about the Indonesian digital market, the industry, and the interviewee’s organization; relationships with the Chinese players; perceptions of Chinese government policies like the BRI/DSR; Indonesian government policies and other socioeconomic factors important for Chinese platform investments; and local business strategies. To enable triangulation across different interviews, a pattern thematic analysis was conducted by grouping interview data under themes initially derived from the earlier review of literature such as the drivers of Chinese platforms’ expansion, engagement with the BRI and other Chinese government initiatives, policy for foreign investment in the digital sectors, Chinese platforms’ relations with local players and regulators, and business practices. Data analysis was performed to compare the findings of the case against the initial statements and concepts identified in the literature review and against the quantitative evidence, to develop further insights into how Chinese digital platforms engage with the BRI in their overseas expansion and how host countries' context impacts the platforms’ local operations.

Chinese digital platforms’ overseas investment: Statistical analysis

This section presents the results from the descriptive statistical analysis of major overseas investments made by Chinese digital platforms, including the trend across time before and after the BRI announcement, and the geographical distribution of the investments across both BRI-participating and non-participating countries. As the data shows (see Figure 1), Chinese digital platforms have significantly expanded their global footprint since the first major investment in 2010. The volume of yearly overseas foreign direct investment began to increase significantly after the 2013 BRI announcement, and despite the decline in recent years, investment has been consistently higher than the pre-2013 level. The decline in investment since 2016 was due to several factors. The 2016 peak value was likely an anomaly, due to a one-time USD 8.6 billion deal involving Tencent's acquisition of the majority stake in Finnish mobile game company Supercell. The domestic market also experienced a downturn, as China's real GDP growth rate fell to a 28-year low of 6.6% in 2018, creating pressure for Chinese tech firms to conserve cash flow (Kawakami 2019). Growing scrutiny of Chinese high-tech investments in the US since the start of the Trump administration in 2017 also led to some troubled transactions, such as Alibaba's failed attempt to acquire MoneyGram (Roumeliotis 2018). Consequently, Chinese platforms' major investments in the US plunged from USD 4220 million in 2016 to USD 250 million in 2017. Similar calls for screening Chinese high-tech investments in the EU may have also deterred some investments (Kirkegaard 2019).

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[Figure 1]

Figure 1. The total volume of major overseas foreign direct investments (no less than USD 100 million) by Chinese digital platform companies in 2010-2021.
Note: OFDI (outward foreign direct investment)

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In terms of the geographic distribution of investment destinations, the data shows that Chinese platform companies' investments in the BRI countries have grown compared to pre-BRI levels, but their investments in the non-BRI countries, including most developed economies and some large developing economies not participating in the BRI had much stronger growth. As shown in Figure 2, total OFDI in the 139 BRI-participating countries increased after the 2013 BRI announcement, suggesting increased investment interest. In comparison, however, OFDI in non-BRI countries grew much more significantly. Despite the decline since 2017, investment in non-BRI countries has been consistently higher than in BRI countries. A breakdown of the major investment destinations by country, including the top-20 destination countries by OFDI volume (shown in Figure 3), shows that Chinese platform companies' investments have concentrated in major non-BRI countries, notably the advanced Western economies like the US and various European countries which could offer strong market demand and innovative technology assets, and non-participating large developing economies like India and Brazil.

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[Figure 2]

Figure 2. Chinese digital platform companies' major overseas foreign direct investments in BRI vs. non-BRI countries in 2010-2021.

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[Figure 3]

Figure 3. Top-20 destination countries of Chinese digital platform companies' major overseas foreign direct investments in 2010-2021.

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The case of India in particular challenges the notion that a country's participation in the BRI can be the primary motivator for Chinese platform companies' investments. The Indian government has refused to participate in the BRI since its inception, citing issues such as the China-Pakistan Economic Corridor's (CPEC) infringement of its territorial sovereignty (Indian Ministry of External Affairs 2017). India also has a highly uncertain domestic policy environment targeting foreign tech firms, such as an "e-commerce policy that prohibits foreign firms from selling their own products on their platforms" (World Bank 2021, 235). Nevertheless, India has held the top spot among developing country recipients of Chinese platform companies' OFDI, as Figure 3 shows. Chinese companies are drawn by India's vibrant ICT sector and its large population coming online: among India's 30 unicorns (startups valued at over USD 1 billion) in 2020, 18 were Chinese-funded (Kharpal 2020). India's attractiveness as an overseas expansion destination, however, declined following the India-China border clash in 2020. India banned scores of Chinese apps and the Indian public started boycotting Chinese tech products (McMorrow and Findlay 2020). Reflecting this changed host country context, the CGIT data does not show any major investments (of more than USD 100 million) from Chinese platform companies in India since 2020.

Among emerging markets that do participate in the BRI, notable investment destinations for Chinese digital platform companies include Indonesia, Russia, Thailand, Turkey, and Pakistan.

Chinese state initiatives for promoting trade, investments and connectivity like the BRI/DSR certainly can play a role in facilitating the engagement between relevant players in China and the host countries. Yet host country factors, including market size and geographic proximity to China, have also been shown to be key factors in Chinese platforms' business expansion (Jia, Kenney, and Zysman 2018; Tritto, He, and Junaedi 2020; Zhu, Lan, and Zhang 2021). Like India, these emerging markets have a large population with growing spending power, creating strong market potential that draws Chinese firms (Tritto, He, and Junaedi 2020). Geographical proximity to China also makes them more desirable destinations for overseas expansion for companies new to international expansion, compared to populous countries further away in Africa or Latin America. For instance, some digital platforms employ the strategy of "following Chinese users abroad", expanding to proximate countries and regions in Asia where Chinese tourists visit frequently, and where a large local Chinese diaspora with business and cultural ties to China also drives demand (Jia, Kenney, and Zysman 2018; Zhao 2018).

National digital economy development policies can also help attract foreign tech firms to the country, not just the Chinese ones. For example, Thailand launched its Thailand 4.0 national strategy in 2016, devoting business-friendly industry regulations, tax incentives, and investment policies to attracting tech firms from Japan, China, the US, and elsewhere (Kohpaiboon 2020). As the next section will show, in the case of Indonesia, the largest recipient of Chinese digital platforms' OFDI among all the 139 BRI-participating countries, commercial interests largely prevailed in firms' expansion, and host country environments are influential in shaping their engagement with the BRI discourse, their expansion and localization strategies.

Case study: Indonesia

Major investments (above USD 100 million) by Chinese platform companies in Indonesia have primarily been in its two tech unicorns, ride-hailing company Gojek and e-commerce company Tokopedia, now merged as GoTo (see Table 2). For instance, Alibaba Cloud's promotional materials tout that Tokopedia uses its "cloud infrastructure as a service, big data solutions, AI capabilities, and security features to provide more intelligence and better user experience to their end customers". In addition, Chinese-invested platforms headquartered in Singapore, such as Tencent-invested gaming and e-commerce firm SEA (also the parent company of e-commerce platform Shopee), and Alibaba-invested e-commerce firm Lazada, are also active in Indonesia.

[Table 2]

Among the top ten e-commerce platforms by monthly web visits in Indonesia in the third quarter of 2021, five were linked to Chinese platforms, including the top four, Tokopedia, Shopee, Bukalapak (backed by foreign investors including Ant Financial, Alibaba's fintech affiliate) and Lazada, plus JD.com's local subsidiary JD.id ranking ninth (iPriceInsights 2021). Among the three most widely used mobile payment platforms in Indonesia, Chinese platform companies hold minority shares in two: Gojek's Tencent- and JD-backed payment platform GoPay, and Ant Financial-backed DANA.

The next section analyzes these investments, focusing on how Chinese platform companies engaged with the BRI/DSR initiative in Indonesia and how the host country's contextual factors shaped their investments and local business operations.

Drivers of Chinese platforms' investments in Indonesia

As will be seen below, in Indonesia commercial interests, rather than the Chinese government's foreign policy initiatives such as the BRI/DSR, have largely driven the influx of Chinese platforms and their investments. With a large market, a young population with growing spending power, and geographic proximity to China, Indonesia appeals to Chinese digital platforms looking to expand overseas. It also has the largest digital economy in Southeast Asia, with gross merchandise value reaching USD 70 billion in 2021 and projected to reach USD 146 billion in 2025, at a 20% compound annual growth rate (Google, Temasek, and Bain & Company 2021). Around half of its population is under 30 years old, the prime market for tech products and services. In contrast, the Chinese market has undergone a slowdown since 2017 and its population is aging, making the growth potential of Indonesia even more attractive.

Interviewees highlighted the appeal of Indonesian market growth for Chinese platforms looking to expand overseas. For instance, a venture capitalist (VC) remarked:

> In recent years, it [Chinese investment] has gravitated towards technology, partly because Internet penetration in Southeast Asia is where China was in 2014, but Southeast Asia is growing twice as fast. So we see a lot of activity coming here to tap on the growth in Internet penetration, and also the demographic dividend of the growing middle class ... growth in some areas in China is slowing down, and this is particularly true for asset-light investors … it's not [just] the Chinese coming, but also Korean and Japanese investors flocking to Southeast Asia. (Interview 38)

Similarly, a JD.id executive explained the decision to set up the local subsidiary:

> Indonesia is the biggest country in ASEAN, and that's why this is our biggest investment outside China. Indonesia has one of the youngest populations in the world, growing middle class so we see a lot of potential here. (Interview 28)

The Vice-Chairman of the Indonesian FinTech Lending Association, a self-regulatory organization set up by the Indonesian Financial Services Authority to regulate fintech lending platforms, concurred that "Chinese tech VCs follow what the market wants" (Interview 1).

The influx of Chinese tourists and businesses to Indonesia has also helped facilitate Chinese platforms' expansion. For instance, research has shown that because Chinese tourists are accustomed to using e-wallets at home and prefer not to carry large amounts of cash, Chinese digital payment services, such as WeChat Pay, have expanded to popular destinations like Bali by partnering with local startups developing point-of-sales devices for local merchants to cater to their demand (Pranata 2019). Chinese business people using platform services within China have also helped drive the local demand when their businesses expanded to Indonesia. As one interviewee observed, "for AliCloud, people that are using Ali in China would use it in Indonesia too, because they are very familiar with the management of the cloud, the dashboard and the support team." (Interview 7)

Indonesia is home to a large ethnically Chinese population, constituting about two percent of its entire population (Fossati 2019). It has helped facilitate partnerships with Chinese platforms. Despite deep-rooted anti-Chinese sentiments, the top listed Indonesian conglomerates with the highest market capitalization have all been founded by ethnic Chinese businessmen. The growing economic power of China has led to Chinese-Indonesian business moguls being more open to using their ethnic identity to promote business partnerships with Chinese firms (Liu and Zhou 2019). Major conglomerates, including Sinar Mas Group, Salim Group, Lippo Group, and Astra Group, accounting for 17.5 percent of total market capitalization in Indonesia altogether, all have business lines in media, information, and communications (Liu and Zhou 2019). Some have partnered with Chinese platforms to enhance the conglomerates' incumbent positions and tap into the digital market boom. For instance, Astra International established a joint venture with the Chinese fintech platform WeLab to launch an online lending firm for unsecured consumer loans (Freischlad 2018). Lippo Group invested IDR 628 billion (USD 44.35 million) in Chinese Internet giant Tencent through shares and equity-linked notes to promote the group's digitalization (Reuters 2018). However, the desire for partnership should not only be associated with Chinese Indonesian-owned businesses; it has also come from other Indonesian conglomerates. For instance, MNC Group, an Indonesian media conglomerate became the local partner for Tencent's WeChat messaging service, because the company was interested in expanding into social media, and Tencent could provide the platform for promoting MNC's media and user-generated content (Tapsell 2017).

In comparison, the BRI and its digital component the DSR, have been perceived by interviewees as a vague policy framework, yielding very limited direct influence on the platforms' expansion into Indonesia. Interviewees viewed BRI as a high-level policy primarily promoting large-scale government-funded infrastructure projects in sectors like mining and energy, or a vague policy discourse with largely symbolic value promoting exchanges between Indonesian firms and Chinese firms. Unlike Chinese state-owned telecommunications equipment providers like ZTE or mobile service providers like China Mobile, Chinese digital platform companies are predominantly private-sector firms, whose business decisions are dominated by profit-seeking interests. The BRI/DSR as a high-level framework provided few direct commercial incentives for them on the ground. For instance, as one interviewee remarked:

> Most of those preferential policies … like the loans from the [Chinese] state, from CDB [China Development Bank], preferential bank loans, any kind of loans … most go

> to the state-owned companies, so many private companies or SMEs [small and medium enterprises] cannot access those benefits. (Interview 13)

The vagueness of the BRI/DSR as a high-level initiative also allowed firms to choose to engage with the initiative in ways deemed suitable for their business interests, leading to different strategies when dealing with stakeholders in Indonesia. Some firms linked their expansion in Indonesia to the broader discourse of the BRI such as BRI’s espoused win-win collaboration for both China and Indonesia, while still recognizing that commercial interests instead of Chinese foreign policy were the primary driver of expansion for private-sector collaborations. For instance, a JD.id executive remarked:

> I'm a big advocate of BRI. I think it's a fantastic idea. But under that umbrella, it's more about the people. BRI is more visionary, Chinese companies have invested in a lot of infrastructure projects through government to government agreements. But for us [JD], this is purely private sector driven … the BRI idea is pretty good in bridging China and Indonesia. I see more and more strategic partnership, but it's more on the macro atmosphere that allows private sector to engage in. (Interview 28)

For some firms, associating their expansion rhetorically with BRI seems to be part of a public relations strategy to promote their businesses to domestic regulators and players within China, instead of in Indonesia. For example, a fintech platform operating in Hong Kong and mainland China expanded into Indonesia via a partnership with an Indonesian conglomerate. Its expansion was recognized with an award for innovation during the Belt and Road International Innovation Forum in Beijing, where the firm’s chief executive attended and shared their insights on the expansion. Yet when asked about BRI and its impact on the company’s expansion, the firm’s executive in charge of international markets in Indonesia was unfamiliar with the BRI or the award, concluding that there was “no incentive (from BRI) or government support” (Interview 7). The executive speculated:

> this [BRI] is one of the China initiatives as well, right? Wherever we are, we want to do what we can to help the government. Like, in Indonesia, if we have the chance to meet with the OJK [Financial Services Authority], we also say the same thing – if you need anything, you want to see how China does business or technology, we are more than happy, you can come to visit us anytime … So I think the impact is not felt in Indonesia on this BRI thing, but it's helpful for our colleagues in [mainland] China and Hong Kong … So this is helpful attention. We welcome these recognitions. (Interview 7)

In some cases, the local executives of Chinese-invested joint ventures showed hesitancy to associate their business expansion even rhetorically with the BRI. They cautioned that unintended negative consequences may occur when engaging local players critical of the BRI. For instance, one local executive of the subsidiary of a Chinese firm who preferred to be off the record remarked:

> One Belt One Road initiative is quite sensitive, especially in Southeast Asia. So for us, we don't mention the One Belt, One Road initiative so much here, especially to Indonesian companies. Maybe we mentioned a lot to Chinese companies [at home] …The world situation is changing a lot recently and hard to predict … for us, we don't have any expectations from [Chinese] government to give us support or whatever. (Interview 29)

It should be noted that Indonesia's history of anti-Chinese ethnic prejudices has long stirred negative sentiments toward Chinese presence, and anti-Chinese rhetoric is frequently employed by politicians in political campaigns (Freedman 2003). Indonesia is a Muslim-majority society, and Chinese Indonesians, both as an ethnic and religious minority, display a high-level of cultural distance from the other Indonesians, despite having long played a key role in domestic and international business (Fossati 2019). Survey research shows that cues to the ethnicity of Chinese investors substantially lower public support for foreign investment (Fossati 2019). While there has been growing admiration among the public of China's economic power, criticisms of the economic consequences of Chinese investments, such as the influx of Chinese workers perceived as negatively impacting local employment, have also grown, along with socio-cultural concerns of growing Chinese influence (Damuri et al. 2019). Furthermore, opposition politicians employed anti-BRI messaging in the lead-up to the presidential election in 2019 (Priyandita 2018), creating a more hostile environment for Chinese firms at the time of the interviews. Such factors could be influential in some firms' decisions to distance themselves from the BRI or any Chinese government incentives in Indonesia, in comparison to countries with a more friendly environment. Nevertheless, this shows the importance of the host country context in shaping the Chinese platforms' expansion and business strategies.

Interestingly, while Chinese foreign policy such as the BRI seemed to have a very limited direct effect on the Chinese platforms' expansion, China's domestic regulatory shift towards stringent regulations over its ICT industries played a role in pushing some firms' expansion. For instance, the Chinese government clamped down on the fintech lending sector in 2015-18 to address growing financial and socioeconomic risks. Many Chinese platforms as a result shifted their business overseas, including to Indonesia (Tritto, He, and Junaedi 2020). As regulations tightened within China, coupled with intense competition for a saturating market, the option of expanding overseas grew more attractive for some Chinese platforms. As a consultant for the Indonesian Investment Coordinating Board remarked:

> I think it all boils down to policies. In promoting investment Chinese government can push firms to go out without forcing them … you have two choices, you can just stay here [in China], but the cost of doing business is rising. (Interview 32)

Since mid-2021, Beijing has initiated a new round of crackdowns on tech platforms in numerous sectors such as ride-hailing, cloud computing, online education, fintech, e-sports, e-commerce, social media, online home rentals, virtual reality, live streaming, and entertainment, for issues such as data security risks, market monopoly, financial risks, tax evasion, marketing deception, failure to protect workers' rights, failure in content moderation, or perceived negative influence on minors (China Project 2021). It will be interesting to see whether this expedites the growing interest of Chinese platforms in expanding to emerging markets like Indonesia.

Indonesian context: Chinese platforms' local business strategies

As will be seen below, in the case of Indonesia, the host country's context, including its policy environment for foreign investment in the digital economy, the gaps between the stated policies and the policy implementation in practice, and its labor market and policy have further shaped Chinese platforms' expansion and their localization business strategies.

The policy environment for foreign investment in the digital economy: Local partnership expectations and preferential treatment

The Indonesian government has vowed to make the digital economy a key engine of its economic growth, using the nation's strength as the fourth most populous country in the world and the largest market in Southeast Asia (BeritaSatu 2020). In a speech to Parliament in 2019, President Joko "Jokowi" Widodo remarked that "data is the new type of wealth for our nation, it is now more valuable than oil" (Reuters 2019). The government is keen to support innovation and local tech firms. For example, Nadiem Makarim, the co-founder of Gojek, was appointed by Jokowi as the Education, Culture, Research, and Technology Minister in the current Jokowi administration.

Similar to other developing countries with large markets such as China (Huang and Sharif 2015), to develop its national innovation capabilities, Indonesia must rely on foreign investment to bring much-needed technology and capital to the country. Accordingly, the policy environment actively promotes foreign direct investments in the digital economy (Indonesia Investment Coordinating Board 2021). This promotion is actively supported by a variety of digital economy stakeholders, as the following interviewees' responses show:

> The fact that we are very technology-dependent [on foreign technologies] makes it easier for everybody to come in, not just from China … China is in the position to provide that technology, the ecosystem. Indonesia's demographic circumstance, it's almost like a perfect combination. (Interview 16: Indonesian digital/investment advisor)

> The foreign investment's role is very, very influential for our country … because local investors are quite afraid to do early investment. Early investments are mostly taken by foreign investors … without the capital from the foreign investor, it is hard to achieve what we achieved. (Interview 12: Indonesian digital economy researcher)

> Government doesn't care who invested in technology. There's no citizenship in money. Money can come from the US, come from China, we don't worry about

where the money is from. (Interview 6: Indonesian digital startup founder)

In order to attract foreign investments to the digital economy, the government provides incentives such as tax breaks. Under the Ministry of Finance Regulation No. 150/PMK.010/2018, the "Digital Economy Sector" has been included among a list of 18 "pioneer industries" for a tax holiday (exemption of tax) since 2018. Investments of IDR 100-500 billion (USD 7-35 million) are eligible for a 50% tax holiday for five years; IDR 500 billion-1 trillion (USD 35-70 million) qualify for a 100% tax holiday for five years; larger investments can secure a 100% tax holiday for even longer periods depending on the size of the investment, with investments of IDR 30 trillion (USD 2 billion) or more qualifying for 100% exemption for 20 years. Once the tax holiday expires, an additional two-year tax holiday is provided with a 25% exemption for investments of IDR 100-500 billion (USD 7-35 million) and a 50% exemption for larger investments.

On the other hand, similar to other sectors in Indonesia, most foreign investments in the digital economy were still subject to foreign ownership restrictions, requiring Indonesian firms as local partners. This suggests that the government wanted local firms to retain some or majority control of business operations, while receiving the benefits of partnering with foreign firms to access capital, technology or other resources. The Indonesia "Negative Investment List" (effective until 2021 under *Presidential Regulation No. 76 of 2007* and *Presidential Regulation No. 44 of 2016*), and now the "Priority List" (effective under *Presidential Regulation No. 10 of 2021*) provide sector- and industry-specific guidance on foreign ownership. For example, web portals and digital platforms in the information and communications sector allowed 100% foreign ownership for investments involving at least IDR 100 billion (USD 7 million), while investments smaller than IDR 100 billion were restricted to 49% foreign ownership under the 2016 Negative Investment List (HSF 2021). For businesses such as e-commerce, 100% foreign ownership was allowed only if the retailer sold a specific list of goods and had entered into partnerships with local cooperatives and micro, small and medium enterprises (HSF 2021). These restrictions appeared to have been scrapped under the "Priority List" since March 2021, but legal experts caution that the new investment policy is still at an early stage and that investments may be scrutinized on a case-by-case basis (HSF 2021).

Regulators responsible for specific digital sectors have also imposed requirements of Indonesian shareholdership, regardless of the scale of investment. For instance, for fintech lending, under regulation *POJK No. 77* effective since 2016, the regulating Financial Services Authority requires platforms to have at least 15% Indonesian ownership. This low-level suggests that the government is eager for foreign investment to help propel the industry's growth to promote the underbanked populations' access to credit. For payment platforms, the regulating Bank Indonesia requires non-bank payment services to have at least 15% Indonesian ownership, but at least 51% of shares with voting rights must be owned by Indonesian individuals or entities (Reuters 2021). Bank Indonesia requires non-bank payment infrastructure companies providing clearing and settlement services to be at least 80% Indonesian-owned, with at least 80% of the voting rights held by Indonesian investors

(Reuters 2021). This suggests that the government sees these payment platforms to be crucial to financial security and seeks to avoid significant influence of foreign platforms.

In addition, Indonesia's data governance policy has been cited for requiring data localization to promote investments in local industry development, such as investments in data centers and digital infrastructure (Foster and Azmeh 2020). In 2012 Indonesia imposed *Government Regulation No. 82 on the Management of Electronic Systems and Transactions* to require websites and applications that provide public services (which was interpreted to cover almost all websites and applications) to establish local data centers for storage. The blanket data localization requirement was in place for seven years. In 2019, facing pressure from the western corporate lobby and US digital trade agenda (Basu 2020; Diela 2019), Indonesia rolled back its data localization mandates with the implementation of *Government Regulation No. 71 on Organisation of Electronic Systems and Transactions* allowing private firms to store commercial data abroad. This shift suggests that Indonesia has become more receptive to foreign platform companies' demand for cross-border data flows.[6]

How have these policies shaped the Chinese platforms' investments and expansion? As the quantitative data showed earlier, Indonesia is the largest recipient of Chinese platforms' OFDI among all 139 BRI-participating countries. Interviewees also generally agreed that the policy environment for large-scale foreign investments in the digital economy was supportive, and combined with Indonesia's market potential, drew many Chinese and other foreign platforms to Indonesia. The favorable investment policies for the digital economy even led to some pushback from other sectors. For instance, one local think tank researcher observed:

> Most big VCs come from the US, Singapore, and Japan, for the Chinese, capital mostly comes from tech firms … the [investment] policy is quite supporting and wonderful, very open compared to the other sectors … Indonesian government is very supportive for the digital [sectors] even compared to other sectors, the other sectors have been complaining that the government has a special [treatment] for the digital economy, very open and they provide quite a lot of incentives and easy procedures for the foreign investor, that's also become the problem for the other sectors because they feel that their sector does not get the same regulatory ease for foreign investment. (Interview 3)

Interviewees also highlighted the importance of seeking local partners for Chinese players. This was often required by the regulations but could also be motivated by business considerations such as tapping into the local user base. In general, Chinese firms' expansion can take several forms, including establishing or acquiring a local subsidiary in which the parent company holds a controlling interest, establishing a joint venture with one or more local firms (with more balanced interest arrangements and control over corporate affairs), or investing in local firms as a minority shareholder with limited voting rights (such as VC investments). Chinese firms seeking predominant control over their local business operations would often seek close to 100% ownership or at least a majority ownership stake

(Interview 8), yet this might not be possible for certain sectors and smaller investments due to the foreign ownership restrictions outlined above. As one lawyer explained:

> The key for an international investor is to have majority stake … the logic [for Indonesia's foreign ownership restrictions] is, foreigners are only here for big projects, that Indonesians do not have the capital or the expertise. (Interview 8)

The process of finding a good local partner could certainly take time and effort. As one interviewee remarked, "the problem is not that Chinese firms don't want a local partner, but [sometimes] there is no local partner. But the law says you must have a local, even if it's 5%." (Interview 9). Chinese platforms often found local partners through mutual business contacts or employees with overseas experiences. For example, one joint venture executive explained how a Chinese platform XX approached its Indonesian partner:

> from a mutual friend … XX and ourselves, we do our research. Based on our research, we felt it might be a good match. Early on, what's important, is that I wouldn't say it's easy, but it's to be upfront with the Chinese companies, this is what we want, what do you guys think, then put it in writing in the JV [joint venture] agreement, and then set up the company. There are some cultural frictions, but that's natural. In my experience, what bridges that was that in XX these top managers had some experiences overseas. They've gone to schools overseas like Northwestern, Babson, they've worked overseas, so those guys know the overseas market. (Interview 24)

As noted earlier, Indonesia is home to a large ethnic Chinese population with strong business interests. This also allowed some platforms to enter Indonesia through partnerships with local ethnic Chinese businesses. As one interviewee remarked:

> Here there are many Chinese companies, Chinese people from the mainland, but also here, there are many Chinese Indonesians, so more natural and easier to use them, like "Laoxiang" ["fellow townsmen" in Chinese], to help them … some of the successful companies, they only do business internally within [ethnic] Chinese business circles, they can survive here. (Interview 13)

Gaps between policy and implementation: Leeway for Chinese platforms' local partnerships and business practices

As in most developing countries, in Indonesia, policies were not always implemented as they were stated. Although the digital economy sectors enjoyed preferential treatment and less regulation compared to other sectors, the process of securing incentives and regulatory approvals for business expansion could still be cumbersome for Chinese platforms. While some (Interview 28; Interview 32) said implementation was improving, interviewees generally concurred that regulations applicable to digital economy sectors remained scattered across different laws and different government agencies. Also, there were other issues such as the lack of qualified personnel, bureaucratic red tape, and inter-agency infighting within the government. For instance, one interviewee compared Indonesia with nearby Singapore, another hub of Chinese tech investment, “you go to Singapore, everything just works so perfectly, and then we have the same technology here, it [gaining approval] just doesn’t seem to work” (Interview 9). Another interviewee highlighted the limited governing capacity at the Financial Services Authority, where a small team of “only about 8 to 10 people” were responsible for supervising all fintech platforms in Indonesia (Interview 11).

As many Chinese platform companies and investors were new to Indonesia, the gaps between the policies and their implementation prompted them to rely on local partners, consultants, and lawyers for dealing with government agencies in business registration and expansion. For instance, one joint venture executive remarked:

> I see some Chinese investors probably have a cultural gap, especially on the regulation, they are not really prudent … if Chinese investors would like to invest in Indonesia, they need to have a strong partner that really understands the market and be vocal. We [Indonesian partner] need to be bold, you cannot have a local partner that would only say yes as long as your money is coming in … I always tell them [Chinese partner] good corporate governance and always everything by the law, let’s do this. If you are thinking of doing otherwise, maybe you are meeting up with the wrong person. I know regulations can sometimes be troublesome … once you read and you follow the guidelines you will believe you can make a good business. (Interview 24)

One local law firm working with Chinese firms remarked:

> For lawyers, it’s a good business opportunity … sometimes one government agency issues this regulation and then the other [agency] issues [another one], and then they clash, so which one you should follow? And even the lawyers can only mention [to the Chinese firm], these two are contradicting, and how will it be enforced, we don’t really know, but then we could do this and this. (Interview 25)

Another consultant working with Chinese firms and the Indonesian Investment Coordinating Board also remarked that Chinese firms typically used local consulting services:

> The policy is constantly changing, the government does not have a good reputation of keeping to its words … whenever a new policy comes out, we ask which agencies will be taking part, then we ask all these agencies, and when they give us more or less the same answers, we can respond [to Chinese firms] … that’s why they [Chinese firms] typically use local agents like us because you cannot do it alone, but it is getting better. (Interview 32)

The government’s uneven capacity to implement policies also resulted in some Chinese platforms, especially smaller players in sectors where the regulatory capacity was limited, to attempt to circumvent the regulations for investment. For instance, some Chinese fintech platforms simply ran their local operations without registration (Interview 2), leading to unfavorable perceptions of Chinese investments among some local competing businesses and consumer rights groups (Interview 2; Interview 30). Some used pseudo-Indonesian partners with potentially serious legal ramifications. As one local business association leader observed:

> The regulation says 85%, they are actually owned 100% by the Chinese, they'll have a nominee, an Indonesian, who they'll just identify through mostly their employees. They'll say, "look, I'll just use your name because you are Indonesian. You own 15%, but actually it's ours." That's not an ideal model … customers come and complain, then we [industry association] pass the complaint down, we cannot call the Chinese national, usually the director is Indonesian because it is required, so we call the Indonesian, and they'll say, "OK, I told these guys already but they are not listening." But you are the director, you have a judicial responsibility, the company is under you, if you are under violation, they are going after you, not the Chinese guy because he is not on the board. (Interview 16)

As another example of the gap between the stated policies and their implementation shaping firm practices, interviewees reported different practices with respect to the requirement for firms to invest in local data centers for storage. Some firms reported strict compliance by storing all their data on local servers, or using cloud services with local servers in Indonesia like AliCloud (Interview 17; Interview 24). Yet some tried to circumvent the rule, as the enforcement was weak before it was rolled back in 2019. As one lawyer working with Chinese firms remarked:

> No one cares about the data center and all this … they [the government] are playing checkers, but everyone is playing chess … the data center requirement is antiquated really, because it doesn't address the reality on the ground … how can they [the government] tell the difference between the mirroring or a data center? ... [the firms] have a data center in Singapore, or in Hong Kong, which they built for hundreds of millions of dollars for the region, so it's secure. Then the government says you must build your data center here in Indonesia. Why? You'll just build something which is cheap, but not secure. So actually it will not fulfill the purpose … my friend said for the data center, he just once put a box with some Christmas lights on it, saying "that's our server", will they [the government] know? (Interview 8)

Talent shortage and pro-local labor policy: Chinese platforms investing in local capacity building

Indonesia has a severe human capital shortage, as 58% of the population has an education of junior high school or below (Jakarta Post 2020). In terms of tech talents, the country produces only 278 engineers per 1 million people each year, far behind regional peers such as Malaysia or Thailand (Tani 2019). On the other hand, Indonesian regulations on employment prioritize the employment of the local workforce in foreign-invested tech firms operating in Indonesia, with the hope of building up the talent pool for indigenous innovation over the long term. For firms, hiring foreign workers from overseas could be a solution but one that is time-consuming and costly: a number of interviewees commented on the lengthy work permit process, the requirement for the foreign worker to learn Bahasa Indonesia, and for the firm to show that no local workers can qualify for the job (e.g., Interview 10; Interview 29). There is an exemption to the Foreign Manpower Utilisation Plan approval (by the Ministry of Manpower) for Indonesian tech-based startups, yet this exemption only lasts for three months, and the startups must apply for a work visa afterward for any staff hired this way.

Importantly, Indonesia requires that each foreign worker must have a parallel Tenaga Kerja Pendamping (Indonesian companion employee) appointment for the transfer of technology and skills from the foreign worker, and that firms must provide training for the Indonesian companion employees, per the *Ministry of Manpower Regulation No. 10 of 2018*. The policy's goal is that "this apprentice he [the foreign worker] must teach [so as] to replace him, and transfer his knowledge" (Interview 9). Foreign nationals also cannot serve in human resources positions, per the Ministry of Manpower regulations, on the grounds that Indonesian nationals are more adept in dealing with local employees in a manner consistent with local cultural norms.

On the incentives side, the Jokowi administration unveiled tax incentives for training local workers. Under the Super Deductible Tax Scheme, companies can receive a reduction of taxable income as high as 200 percent of the cost of vocational education activities, such as working with local vocational and polytechnic schools to provide vocational training, industrial equipment, and apprenticeship activities, and deduction of up to 300 percent for the cost of R&D activities conducted within Indonesia (Jakarta Post 2019). Interviewees cautioned, however, that due to the talent shortage, Chinese platforms would likely still consider nearby countries with stronger talent pools such as Singapore or Malaysia as primary location choices for R&D activities in Southeast Asia (e.g., Interview 32; Interview 33; Interview 35).

As a result of the policies promoting the hiring of local workers, Chinese-invested platforms have devoted significant attention and resources to local workforce hiring and retention (at least rhetorically). Chinese firms, being relatively new players in the market, are still not as highly regarded among local tech workers as Western businesses like Google (Interview 39; Interview 40). Thus, the competition for the limited pool of local talent is fierce, and talent with specialized skills in high demand, such as product managers, senior developers and software engineers have strong bargaining power. Some Chinese firms and Chinese-invested startups have reportedly offered 30%-50% above-market rates of compensation to attract talent from other firms (36kr 2022; Timmerman 2022). Some firms reportedly engaged in intense competition with Western firms, even writing blank checks for high performers (Monk's Hill Ventures and Glints 2021)[7]. As one interviewee vividly described:

> Everybody would complain the same thing. We hired this guy, six months later he's gone. So we keep on paying expensive money to get people in … These local tech talents are like San Francisco 49ers. their grade is actually 4, but for us, the pay is 9 … once we have our own Technology Center here, then the challenge would be, can we retain these talents. (Interview 7)

Aligning with the government's priority of local workforce development, businesses also highlight talent training and education activities as key parts of their localization and corporate social responsibility efforts. For instance, Alibaba Cloud Indonesia promotes its Digital Talent Empowerment Program providing workshops on cloud services to lecturers at Bina Nusantara University and Prasetya Mulya Business School, and training for local developers through partnering with startup incubator BLOCK71 and IT providers Trinocate and Inovasi Informatika (Jakarta Post 2020). JD.id runs its own management training programs, sending selected local students to work in the JD.com headquarters in Beijing and then back to Indonesia; an initiative that had helped the company grow its local Indonesian workforce to about 3000 people by 2018 (Interview 28). In 2020 JD's core e-commerce platform operations employed about 1200 people in Indonesia, 95% of whom were Indonesians, and only 5% were foreign employees including Chinese; in addition, its warehousing and logistics business in Indonesia, which served to fulfill orders for not only its own platform but also other corporate clients like IKEA, employed about 2000 people, predominantly local Indonesians (Xinhua 2020).[8] Interviewees also highlighted initiatives such as developing training programs with their local partners, offering paid student internships to local schools, free open seminars, and business competitions with prizes (Interview 7; Interview 24; Interview 40). These are not just public relations exercises but business-oriented initiatives aiming to attract future employees in a challenging local labor market. As one joint venture executive explained:

> We go to the campus directly sometimes, what else can we do? Because all the best qualified are already hijacked the minute they leave the campus. We try to prepay them first before they graduate, in return we give them some knowledge. At the end of the day, when it's so difficult, then we bring in our expertise, the Chinese team that are working in Jakarta … I've been dealing with IT talent for many years, it's so difficult to find the right IT talent because 100% of our IT talents are not ready to work, what they have been taught in schools are completely different from the real world … but the good thing is that Indonesian IT students are super smart … they can adjust pretty quickly … once they have a good mentor. (Interview 24)

Admittedly, the evidence of such efforts' impacts on developing Indonesian talents' capability for learning is still limited. A consensus among business leaders and venture capitalists is that the limited local talent pool hinders significant technology transfer (Interview 6; Interview 39). In addition, some Chinese firms opted to use tourist visas to bring in Chinese or other foreign workers for short-term assignments to circumvent the regulations, a controversial practice with potentially serious legal ramifications (Interview 10). Some poached employees from local firms, leading to acrimonious relationships

(Interview 14). Nevertheless, the local talent shortage and the labor policies to promote local workforce participation have resulted in the Chinese platforms investing in local capacity building, building more local partnerships, and further localization of their business operations.

Conclusion

Existing literature on China's digital expansion in the Global South has focused primarily on the role of the Chinese state, with analyses based on Chinese policy documents and/or documents related to Chinese telecommunications infrastructure projects and firms. By contrast, this article relies on empirically-grounded research to investigate a much less studied phenomenon: expansion of Chinese digital platforms in overseas emerging markets, focusing especially on Belt and Road countries. It highlights the nuanced engagement Chinese platform companies have with Chinese government's policies like the BRI/DSR. It also highlights the role of host country development aspirations, policies and their implementation in practice, and socioeconomic context in shaping platforms' operations in the host countries.

This study finds limited impact of the BRI/DSR, Beijing's high-level policy framework, on Chinese platform companies' overseas investments. Commercial interests, shaped by local market opportunities and host countries' socioeconomic and policy environments, largely influence these private-sector companies' decision-making. In some cases, China's domestic regulatory crackdown and the resultant rising costs of doing business at home also motivated their expansion overseas. In this regard, the findings of this study accord with survey findings of Chinese firms across different sectors that report the predominance of commercial interests, rather than the BRI, motivating the private firms' decisions regarding overseas expansion (Li and Zeng 2019). They lend support to scholarly calls for understanding Chinese platform companies and their global expansion not merely as an extension of the Chinese state, but as a dynamic process involving different units of domestic and international capital, and state agencies both in China and in the destination countries (Shen 2021).

With the case study of Indonesia, recipient of Chinese platform companies' largest overseas investment among the 139 BRI countries, this study further contextualizes the platform companies' engagement with the initiative in a BRI-participating host country. The Chinese government has advanced BRI as its overarching policy framework to promote investments, trade, and connectivity between China and emerging markets, and the DSR as its digital economy component. This has played at least some role in directing Global South investments of Chinese state-owned and state-affiliated telecommunications companies (Vila Seoane 2020). However, the evidence presented here from Indonesia at least suggests that, for platform companies, BRI/DSR has become a policy slogan with enough vagueness that allows them to choose whether and how to engage with it based on specific local circumstances. At home in China, the BRI/DSR may be used by platforms as a beneficial branding tool to liaise with regulators and other actors and to promote the firms' internationalization efforts. In the expansion in the host country, the BRI/DSR's impact appears more limited and dependent on the context of the host country. In the case of Indonesia, Chinese platform companies perceived the BRI/DSR as lacking an economic payoff for private firms, therefore they engaged cautiously with the BRI/DSR in their local operations. Indonesia's history of anti-Chinese sentiments and its political environment has led to some platform companies distancing themselves from not just the policy but also any discourses of the BRI/DSR in their local operations and business partnerships.

The findings of study accord with other research showing that the BRI is far from "a monolithic program designed in Beijing and imposed upon others", but "a bundle of intertwined discourses, policies and projects that sometimes align but that are sometimes contradictory" (Oliveira et al. 2020, 1). Beijing's loose branding of all Chinese ICT-related overseas projects as falling under the "BRI/DSR" umbrella, regardless of the firms' varied level of alignment or even non-engagement with the state policy framework on the ground as shown in this study, also prompts critical reflections on such narratives and possible varied interests behind their usage, a topic suitable for future research. For scholars, this study also suggests rethinking the rather singular focus on the Chinese state – its policies and rhetoric and US-China great power rivalry – in much of the literature on the expansion of China's technology footprint. More attention needs to be devoted to studying the interests and the behaviors of the firms, and the circumstances and the perspectives of the affected host countries. The impact of Beijing's BRI/DSR may thus also not be as far-reaching as popular perceptions – both positive and negative – assume, with China's digital expansion depending more on the preferences of Chinese firms and host countries' stakeholders.

The power dynamics that Chinese platforms face both at home and abroad are constantly shifting, which may impact the firms' calculations of their commercial interests and their business strategies. Domestically, amidst economic downturn, Beijing recently softened its regulatory crackdown on dominant tech platforms, instead national and local state agencies moved to acquire "golden shares", tiny minority stakes with special rights, in the domestic subsidiaries of platforms like Alibaba and Tencent (McMorrow et al. 2023a). Internationally, broader market and political dynamics, such as the retreat of some US venture capital funds from China due to rising geopolitical tensions (McMorrow et al. 2023b), also signal fast-changing relationships between Chinese platforms and their overseas partners and global investors. Chinese platform companies are in the process of recalibrating their business units (Horwitz 2023), while investing in overseas assets and possibly seeking diversification away from China or distancing their China operations from global operations and product branding (McMorrow et al. 2023a; Olcott and Liu 2023; Ruehl and Lewis 2022). An in-depth analysis of these recent developments is beyond the scope of this article. Future research moving beyond the state-centric lens could further examine Chinese platforms' dynamic linkages with different domestic and international capital, and state agencies and other stakeholders in China and overseas.

Moving beyond a narrow focus on the interests and actions of the Chinese state, this study centers on the context of the host country shaping Chinese platform companies' overseas expansion. In the case of Indonesia, the host country's aspirations to develop its digital economy led to the use of favorable but also selective foreign investment policies and regulations attracting Chinese platform companies to bring much-needed capital, technology and services to help propel Indonesia's growing digital economy, while also prompting the Chinese platforms to partner with local businesses.

The capacity of the government to implement the policies and streamline the regulatory environment for business registration and expansion was however constrained, leading to a gap between the policies and their implementation. This prompted Chinese firms to rely on local partners and consultants to engage the regulators, but also led to some firms exploiting the limited enforcement on the ground. The local labor market context characterized by talent shortage and labor policies prioritizing the local workforce in foreign-invested businesses also prompted the platforms to invest in local workforce development. The Indonesian government under the pro-business Jokowi administration is keen to develop the capacity of local firms and talents to learn from Chinese partners and build indigenous capability for innovation over the long term. While the impact of the Chinese platforms on the local innovation system is limited without substantial evidence of technology or knowledge transfer, and the host country's governing capacity needs to be strengthened, the analysis shows that companies have been prompted to localize their business operations, seek local partners and talents, and adapt to local circumstances.

The response of Chinese platforms to Indonesian policies has often imposed higher costs: in identifying, evaluating, and engaging local partners; in retaining the services of local legal and consultancy advisors; and in the recruitment and retention of both foreign and local workers. Where the platforms have sought ways around local policy – using sleeping partners to nominally meet ownership rules; evading local data ownership regulations; using tourist visas for foreign workers; or poaching staff from local competitors – this imposes additional risk and, potentially, further costs. In all cases, though, it is local policy and local context that has determined these behaviors.

Care must, of course, be taken in generalizing from the particular circumstances of Indonesia, even given its pre-eminent role as a platform investment location. Nonetheless, this study adds credence to a small but growing body of literature highlighting how the political, socioeconomic, and regulatory contexts of host countries shape the localization of Chinese technology firms, with case studies drawn from other parts of the world such as Africa, Europe and Central Asia (e.g. Drahokoupill et al. 2017; Gagliardone 2019; Oreglia, Ren, and Liao 2021). The study also adds to our understanding of Chinese platforms' flexible and tailored localization strategies in response to host country environments, leveraging and accommodating the pre-existing host country conditions and market players in each country (Oreglia, Ren, and Liao 2021). Furthermore, as this study shows, the host country policymakers and local firms are not passive players: they have their own interests which vary based on local circumstances, driving their interactions with both Chinese and other foreign (including the US) technology players and capital. Therefore, Chinese tech expansion in Southeast Asia and broadly in the BRI countries in Global South is not a one-way street, nor is there a single business model, strategy, or policy template to be used by the host country. It is a two-way street where the interactions between businesses and the institutional and socioeconomic contexts on both sides can shape deals and outcomes.

For scholars and strategists, then, this study highlights the importance of understanding host country-specific policy, policy implementation, and labor market contexts shaping Chinese digital expansion in the Global South on the ground. The way in which local policy shapes behavior also suggests that opportunities exist for governments within emerging markets to foster development gains from the expansion of Chinese platform companies. Future research may seek to expand the focus beyond Indonesia to other BRI countries, and to add a comparative dimension that helps understand the developmental gains to be obtained from different host country policy instruments.

Acknowledgments

This research project was partly funded by the Strategic Public Policy Research Funding Scheme from the Central Policy Unit of the Hong Kong Special Administrative Region Government, China (Project Number: S2016.A7.003).

Declaration of interest statement: No potential competing interest.

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Table 1. List of interviewees.

Interview no.	*Organization (anonymized when requested)*	*Role*	*Topics discussed*
1	Indonesian FinTech Lending Association	Vice chairman	Chinese and other foreign investments; fintech development and regulation
2	An Indonesian fintech firm	Founder	Relationship with Chinese players
3	Indonesian Institute of Sciences	Researcher	Chinese investment in Indonesia
4-5	An Indonesian think tank	Program officers	Chinese investment in Indonesia
6	Indonesian Fintech Lending Association	Executive	Relationship with Chinese players
7	A Chinese-Indonesian joint venture firm	Executive	Local business strategies; relationship with BRI and Chinese authorities; Indonesian regulation
8-10	An Indonesian law firm	Attorney, associate attorney, associate	Chinese investment in Indonesia; Indonesian regulation
11-12	Indonesian Institute of Sciences	Researcher, research assistant	Indonesia's digital economy; e-commerce development; fintech
13	China Council for the Promotion of International Trade Indonesia	Official	Chinese investment in Indonesia; BRI; local response
14-15	An Indonesian fintech firm	Co-founders	Relationship with Chinese players
16	Indonesian Chamber of Commerce and Industry	Advisor	Chinese investment in Indonesia; Indonesian policy on ICT development
17	Indonesian subsidiary of a Chinese firm	Director	Local business strategies; relationship with BRI and Chinese authorities; Indonesian regulation
18	PwC Indonesia	Senior associate	Indonesia's digital economy; mergers and acquisitions activities and regulations
19-20	Economic Research Institute for ASEAN and East Asia	Senior economist; research associate	Chinese investment in Indonesia; Indonesian policy on ICT development, e-commerce
21-22	UN Pulse Lab Jakarta	Officers	ICT for sustainable development
23	An Indonesian research institute	Research head	Indonesia's digital economy
24	A Chinese-Indonesian joint venture firm	CEO	Local business strategies; relationship with BRI and Chinese authorities; Indonesian regulation
25-27	An Indonesian law firm	Partners	Chinese investment in Indonesia; Indonesian regulation
28	JD.id	Executive	Local business strategies; relationship with BRI and Chinese authorities; Indonesian regulation; e-commerce

29	Indonesian subsidiary of a Chinese firm	Vice head	Local business strategies; relationship with BRI and Chinese authorities; Indonesian regulation
30-31	Indonesian Consumer Protection Foundation	Directors	Chinese business in Indonesia; consumer complaints; Indonesian regulation
32	Indonesia Investment Coordinating Board	Consultant	Chinese investment in Indonesia; Indonesian ICT development policy
33-34	Nanyang Technological University	Researchers	Chinese investment in Southeast Asia
35-37	National University of Singapore	Researchers	Chinese investment in Southeast Asia
38	A Singaporean venture capital firm	Founder	Digital economy in Southeast Asia; early-stage investment for startups; Chinese investments
39	An Indonesian venture capital firm	Partner	Indonesia's digital economy; early-stage investment for startups; Indonesian policy for entrepreneurship
40	Gadjah Mada University	Program officer	Early-stage investment for startups; university training
41	Nanyang Technological University	Researcher	Technology policy in Southeast Asia
42-43	National University of Singapore	Researchers	China-Southeast Asia relations
44-45	Nanyang Technological University	Researchers	Chinese investment in Southeast Asia
46	Monash University Malaysia	Researcher	Chinese investment in Southeast Asia
47-48	ISEAS–Yusof Ishak Institute	Researchers	Digital economy in Southeast Asia; Chinese investment
49-50	UNSW Sydney	Researchers	Digital economy in Southeast Asia

Table 2. Major investments by Chinese platform companies in Indonesia.

Year	Chinese Investor	Indonesian Investee	Amount in USD
2017	Tencent	Gojek	$ 150m
2017	JD.com	Gojek	$ 100m
2017	Alibaba	Tokopedia	$ 500m
2019	Tencent, JD.com	Gojek	$ 340m
2021	Primavera Capital, Tencent	GoTo (formed after the merger of Gojek and Tokopedia)	$ 100m

Data source: China Global Investment Tracker (CGIT) database of the American Enterprise Institute

Figures

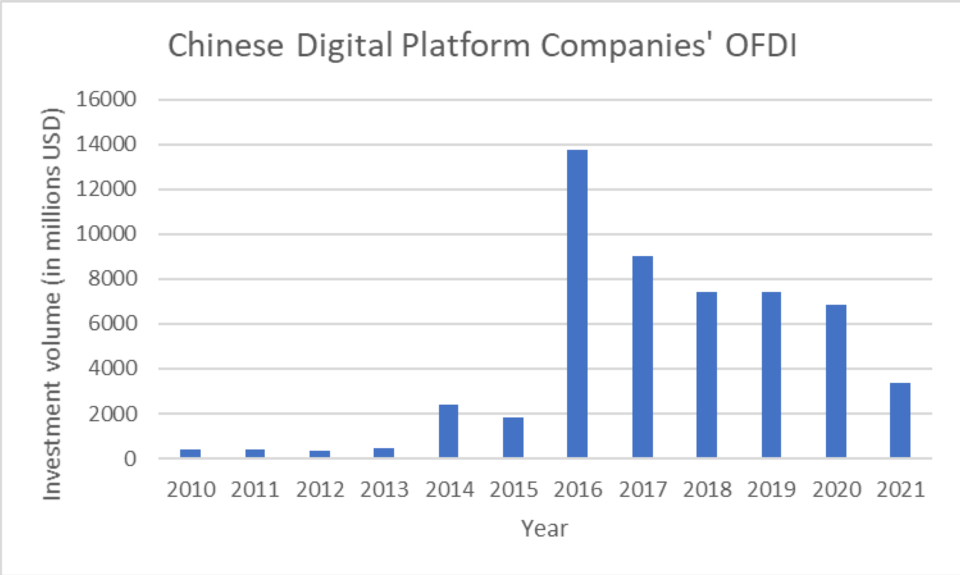

Figure 1 The Total Volume of Major Overseas Foreign Direct Investments (no less than USD 100 million) by Chinese Digital Platform Companies in 2010-2021

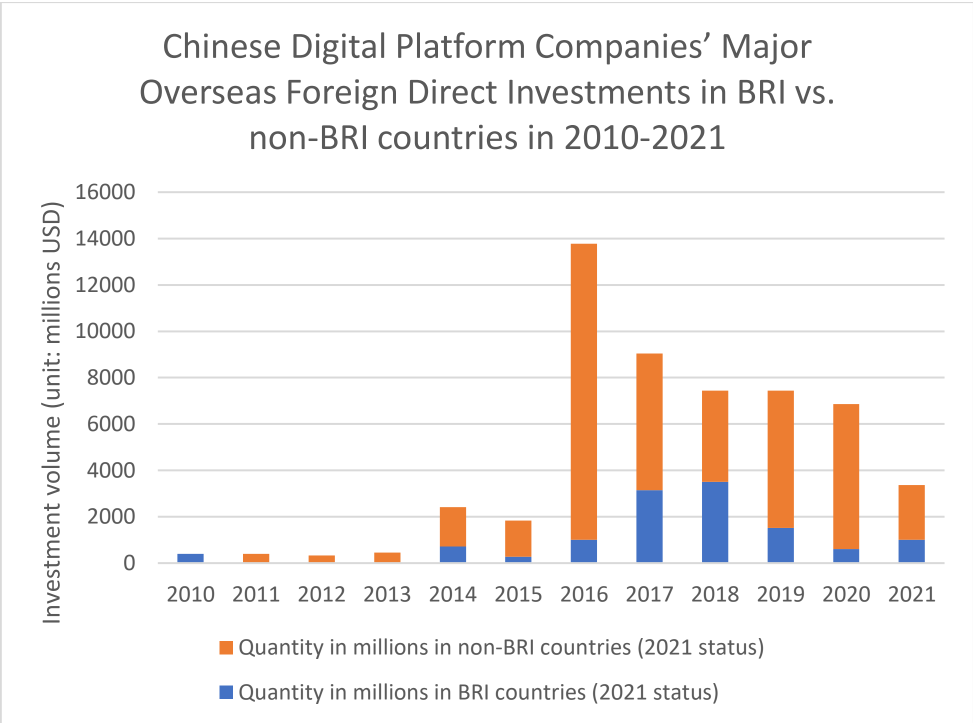

Figure 2 Chinese Digital Platform Companies' Major Overseas Foreign Direct Investments in BRI vs. non-BRI countries in 2010-2021

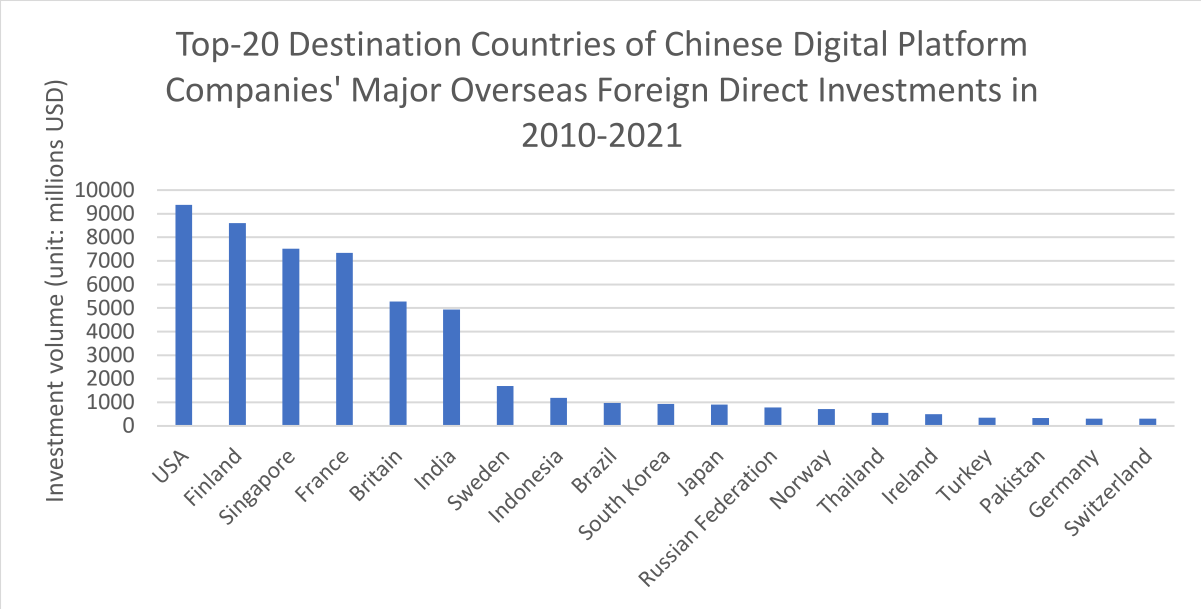

Figure 3 Top-20 Destination Countries of Chinese Digital Platform Companies' Major Overseas Foreign Direct Investments in 2010-2021

Notes

[1] More broadly, given that the existing research on digital platforms focuses on business models in the Global North, there is a need for studies on the expansion of platforms in developing country settings (Nicholson, Nielsen, and Saebø 2021).

[2] The Chinese state exerts considerable influence over Chinese firms' overseas telecommunications infrastructure projects by taking ownership stakes and its term for financing (Hsueh 2011). Also, state-owned enterprises are major players in the telecommunications sector, e. g., all major telecommunications network operators are state-owned. In the same vein, telecommunications equipment providers like ZTE are state-financed, and Chinese state-backed policy-directed banks such as the Export-Import Bank of China and China Development Bank, and funds like the China-Africa Development Fund, have financed major telecommunications infrastructure projects, mandating the use of Chinese suppliers and equipment (Agbebi, Gong, and Zheng 2021). Furthermore, private companies like Huawei piggyback on diplomatic missions and state financing for overseas deals, building strategic alliances with state-owned telecom firms and party officials (Hawes 2021). In contrast, digital platform companies like Alibaba, Tencent and ByteDance are private firms that have amassed significant revenue and capital from the Chinese market,

domestic and international stock exchanges, and global investors for their overseas expansion (Shen 2017, 2021; Jia and Liang 2021; Jia and Winseck 2018), and they are embedded in different state-business relationships and power dynamics in their overseas expansion.

[3] Available at http://www.aei.org/china-global-investment-tracker/

[4] Available at https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out

[5] In selecting key informants in developing country settings, efforts were made to seek out interviewees within divergent organizations and holding divergent perspectives (Kumar 1989). This included first identifying the relevant groups from which the interviewees can be drawn, as already noted in the text; then selecting a few informants from each group based on the consideration that informants possess an intimate knowledge of the Chinese platforms' expansion and local business practices or relevant work experiences, and reaching out to possible informants through networks and colleagues, and attending conferences like the Indonesia Development Forum, industry and startup community events, and academic seminars on relevant topics (purposeful sampling). The author also asked interviewees to suggest names of other persons who in their opinion are knowledgeable experts (snowball sampling).

[6] As Foster & Azmeh (2020) pointed out, in latecomer economies including China and Indonesia, industrial policy objectives are important drivers of national digital strategies. Both countries also share similar policy preferences in maintaining the domestic policy autonomy for imposing data localization requirements. Yet the Indonesian legislation mandating data localization was first implemented in 2012, prior to the significant inflow of Chinese capital. So in this sense, Chinese capital's influence on Indonesian national digital policy in this area was fairly limited. In fact, Indonesia's roll-back of its data localization requirement in 2019 was mainly because of pressure from the US government's digital trade agenda and US tech firms (Diela, 2019; Basu, 2020).

[7] It is possible that such intense competition for talents using compensation packages may experience some cooling, as the mass tech layoffs at tech firms in both the US and China starting in 2022 also affected the tech sector in Indonesia (Timmerman, 2022).

[8] It should be noted that companies like JD did not disclose the ratio of local to foreign employees at senior management level, so the extent of workforce localization at the senior level is unknown. The post-pandemic bear market and the mass tech layoffs also affected JD's operations in Indonesia. As part of overseas business restructuring, JD shut down its JD.id e-commerce platform that was having difficulty sustaining revenues in 2023 and chose to focus on expanding the logistics business in Indonesia. So it is possible that the local to foreign ratio now has changed.