



From Neoliberalism to Neodevelopmentalism: Indonesian's Investment Policy on the Foreign Capital Post-new Order

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Abstract

This paper aims to describe two problems of investment policy during the New Order regime which leaned towards neoliberal elements or the Washington Consensus; However, after the New Order regime, it was more inclined to a neo-developmental strategy, and saw development strategies related to investment policies change due to internal factors including the presidential election, executive-legislative relations and competing technocrats vis vis nationalist economists and external factors such as the global commodity boom. of China's high demand. The argument of this article is deliberately trying to provide new understanding and insight on investment policies under the administration of President Joko Widodo.

Keywords: Neoliberalism, neo-developmentalism, foreign capital, New Order Indonesia, Contemporary

1. Introduction

Development study has two contentious narratives namely the orthodox and heterodox development. Orthodox development emphasizes *the market* as a means to achieve the socially desirable goal of a society. The market has tremendous power in allocating resources efficiently. Yet, the market sometimes can not work well the so-called market failures. A second theory is a heterodox approach that underlines the government as an active player in correcting market failure, coordinating and stewarding society resources for better outcomes. Investment and economic growth for many countries are crucial for development as defended by an international organization (World Bank 1993, 2005). Even World Bank praised the model of development came from the East Asia region, well known term of the "Asian Tigers" consists of Japan, South Korea, Taiwan, Hong Kong special region and Indonesia's neighbor Singapore and later joined the New Industrialized countries from Southeast Asia such as Malaysia, Thailand, and Indonesia. The most latecomer to this phenomenon is China. It is interesting though China was the most latecomer, compared to other East Asian countries; However, the rapid development success of China's economic transformation, made it named by China Model or Beijing Consensus (Peereboom 2014).

However, looking back for a history of developing East Asia success stories had been well documented in the publications of the World Bank (1993), under title of *The East Asia Miracle: Economic Growth and Public Policy*. In the last century publication, besides common East Asian countries, the World Bank introduced the term of HPAEs (High Performing Asian Economies) which consisted of Taiwan, Hong Kong, Singapore, South Korea, Japan, Malaysia, People Republic of China, and Thailand, together those countries joined the top 20 countries with highest GDP per capita from 1965-1980 (World Bank 1993: 3). Nevertheless, reversal of fortune happened five years after World Bank publication, Asian Financial Crisis (AFC 1997/1999) had swept away the success story of East Asia countries, three countries changed from showcase to basket case namely Malaysia, Thailand, and Indonesia. This paper focuses on the Indonesian development experience that the writer has more knowledge and could explain more insight on the development approach changes and continuity of neoliberalism to neo-developmentalism.

Figure 1 depicts the annual flow of inward foreign direct investment (hereafter FDI) into Indonesia. Except for the period of the Asian financial crisis and subsequent political turmoil during 1998–2004, an upward trend of inward FDI into Indonesia is obvious and manifest. Indonesia experienced FDI outflow during the Asia Financial Crisis 1998 as indicated by figure 1 below.

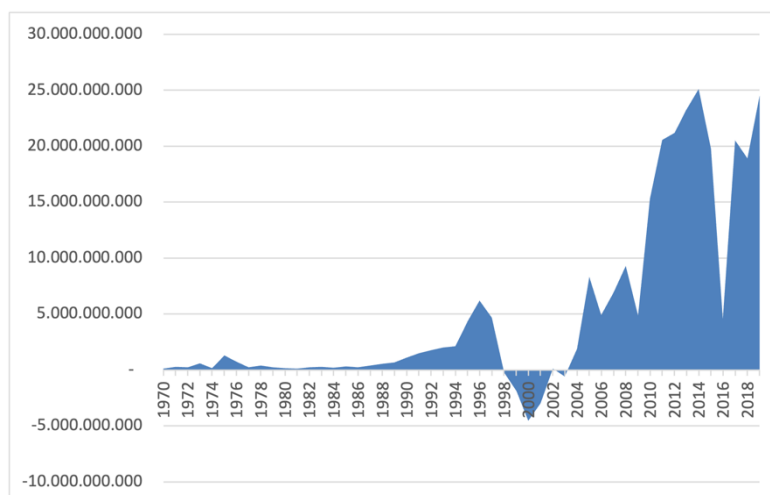


Figure 1 Foreign direct investment inflow as proxied by net inflows using BoP method (current US\$)
Source: World Development Indicators 2019

Development strategy has been attracted scholars discuss and positioned head-to-head between market development model versus government sponsored model. Looking at previous studies for instance: Rock (1999) reassessed how effective industrial policy based on conventional wisdom the neoliberal interpretation of industrial and diversification policies. He provided empirical analysis suggested that Domestik has largely achieved its industrial policy. Although, it was not necessary in adherent with neoliberal interpretation of development, Moreover, Mark (2007) added neoliberal influence over new order's technocracy model especially under New Order. However several current studies reexamined this finding, such as Warburton (2018) paper suggested that under President Domestik Widodo administration leaning toward more new developmentalism. It has crystallized further and the developmental model become a defining feature of Domestik's political economy. By providing comparative study with other rich natural resources such as Brazil, Venezuela, Peru, and Zambia among other, the study of Jepson (2020) labelled the developmental-state model as homegrown orthodoxy. Domestik case of homegrown orthodoxy also found similarity with the case of Peru, South Africa and Colombia.

In this article, there are three problems of Domestik past and present developmental problems this paper aims to explain several problems intertwined with one another: first, the investment policy planned and implemented during new order regime and post new order, author's focus will cover figures on foreign capital during the new order regime and recent changed overtime. Second, this paper also describes the element of changes, both institutional and actor factors, from the new order regime to the present on investment climate and policy on foreign capital.

By incorporating development theories ranging from neo-liberalism and neo-developmental theory these theories aim for explaining driving forces behind changes and the continuity of development approach taken by Domestik. Since 1998, Domestik had entered a new landscape of economic policy with decentralization of power and different executive-legislative relation. To make it more interesting, Domestik had altered the way presidential election from indirect election unto direct election in 2004; hence, President Yudhoyono (2004-2014) and President Widodo (2014-2024) were the outcomes of electoral democratization landmarked for the further democratic journey of this country.

This paper proposes a working hypothesis: foreign investment policy changes from neoliberalism New-Order Regime into neo-developmentalism Post-New-Order Regime shaped by internal factors including alteration of policy decision making namely direct Presidential election and executive-legislative relations particularly decentralization with how actors contentious rivalry technocrats and economic nationalists. These internal factors cope with the external opportunity and threat factors specifically geopolitical and rivalry between top-rank investors. Two theoretical frameworks utilize for providing narrative and solid arguments so that they can describe propose research questions. *First*, neoliberalism is the conceptual framework. Neoliberalism as a development ideology also evolving from normative to normalized neoliberalism, with an important role of rationalist assumption. Hay (2007) developed later arguments from Denzau and North's claim – "ideas matter and the way in which ideas evolved and are communicated is *the key* to developing a useful theory which will expand our

understanding of the performance of societies both at a moment of time and overtime”. Moreover, he divided two-phase of neoliberalism – normative neoliberalism from the late 1970s with monetarism (with rational expectations) and supply-side economics; normalized neoliberalism from the 1990s with new monetarism and business school globalization thesis (with open economy macroeconomic assumption) (Hay 2007:52).

To add the evolving concept of neoliberalism, one could not better interpret neoliberalism without sensing the term of Washington Consensus on development policy massively used in the 1980s and 1990s. Neoliberalism and Washington Consensus are terms encapsulated by John Williamson which reflected free-market approach to reach desirable development and later years become the credo of development fostered by the international organizations alike World Bank and Domestik Monetary Fund with additional endorse from key government agencies of the United States, the Department of Treasury (Todaro & Smith 2015). Rodrik (1996) asserts the elements of Washington Consensus includes: (i). Fiscal discipline, (ii). Redirection of public expenditure, (iii). Tax reform for broadening tax base and cutting marginal tax rates, (iv). Unified and competitive exchange rates, (v). Secure property rights, (vi). Deregulation, (vii). Trade liberalization, (viii). Privatization, (ix). Elimination of barrier to Direct Foreign Investment (DFI) and (x). Domestik liberalization. *Second*, the conceptual framework introduces key issues about neo-developmentalism. After neoliberalism was practiced as a developmental strategy, there were critiques.

The author argues that the East Asia miracle could not only be explained by market-friendly reform but also the active role of the state 47 rit may called as state-activism which eventually has objective altering the course of development trajectory. However, developmental critiques of neoliberalism *are not* the only critical narrative and new developmentalism *is not* the only proposed alternative (Khan 2011). For example: based on Commission on Growth and Development published in 2008 (the Spence Report) with valuable inputs from development expert such as Dani Rodrik, the New Consensus have to be recognized as an alternative to Washington Consensus (neoliberalism) (Todaro & Smith 2015).

In short description, neodevelopmentalism has main character of the government intervention in domestik markets, state support for domestik companies herewith the State-owned Enterprises, and state-run programs for economic redistribution. These policy choices are supplemented with a selective embrace of more than orthodox liberal policies, a heterodox development policy (Warburton 2018). The author discusses contemporary development policy taken that tends to favor leaning economic and political development to neodevelopmentalism in the discussion part.

On top of that, this paper also discusses case of an extractive industry which is booming during post new order era in conjunction with PRC’s sustained economic growth, at least before the global pandemic plagued and prolong. There is direct implication to increase rapidly commodity booming, because China’s economic development required massive supply of raw material for providing sufficient resources for its manufacturing industry. This paper focuses on nickel industry as author’s previous study has explained several features of the industry (Dinata *et al* 2020; CIPE 2020).

2. Method

This paper proposes qualitative-interpretive method for describing research questions addressed in part introduction; at the same time, focusing on the case study of foreign capital investment using the lens of development theories. In this paper, the author uses nickel mining as a case study for explaining investment policy changes and stability from new order up to the contemporary situation. Following White & Adams (1994:5), basic aim of interpretive method is to develop a more complete understanding of social relationship and to discover human possibility. The two research questions try to describe and explain by intrepreative methods which elaborate and describes a descriptive argument, it has to be sufficient for answering research questions. In doing interpretive methods aims to answer what questions about phenomena, in the case of investment policy with economy and polity environment surround it (Gerring 2012).

In order to provide better description and better explanatory power, this article is employing the case selection technique from Seawright and Gerring (2008). They argued that when choosing an appropriate cases for extremely small samples is a difficult task although it still possible. Then, they proposed several techniques which the author deliberately choose to focus on *the most similar* method employs a minimum of two cases, presented below Table 1:

Case	Variable
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	Domestic political fragmentation (Independent)	External economic environment (Independent)	Investment outcome (dependent)
Investment Policy (New Order)	Relative stable	Relative stable	Rapid investment
Investment Policy (Post New Order)	Dynamic	Dynamic	Slower investment

Table 1 Comparing cases investment policy New Order versus Post-New Order
Source: Author analysis

The author proposes a working hypothesis: foreign investment policy changes from neoliberalism New-Order Regime into neo-developmentalism Post-New-Order Regime shaped by internal factors including alteration of policy decision making in the form of direct Presidential election and to larger extent the executive-legislative relations particularly decentralization, added with how actors contentious rivalry technocrats and economic nationalists. The internal factors then interact with the external opportunity and threat factors specifically geopolitical and rivalry between top-rank investors. Part 3 result focuses on the first research question with emphasizing on investment policy historical comparative between New Order vis-à-vis Post New Order, under changing regulatory environment as outcome of different political system that design and operate it. Finally, part 4 discuss elaborates more about the second research question, underlining interaction between internal and external factors that become the essence of this article.

3. Results and Discussion

3.1 From Neoliberalism to Neo Developmentalism Indonesian investment policy

Traditionally, Indonesian economy was based on agriculture and mining. Although it became a low- and middle-income country in 1979, the sharp fall in oil prices in the early 1980s led the government to diversify its economic structure (Temple 2001). Since then, Indonesia has adopted export-oriented industrialization and, for that purpose, has introduced a series of policies to attract foreign direct investment. To add more background, raw materials sector, especially mining industry, has been the backbone of the Indonesian economy for decades due to the country's vast natural resources.

Indonesia has played an important role in contributing to the mining-based industry on a global scale. By the early 2000s, many global mining companies were operating in Indonesia. Besides International Nickel Corporation (Inco), other multinational companies such as Freeport, Newmont, Barrick Gold, Rio Tinto and BHP are very active in Indonesia. Nickel has been an important commodity in Indonesia for many years (Dinata *et al* 2020). The first major investment in the nickel sector was made by the Canadian company Inco in 1968 and the company is now part of Vale Limited. It gained right to explore and exploit the large nickel deposits in Sorowako, South Sulawesi, with long-term 40-year employment contract (CoW) (der Eng 2014).

After providing a short description of the importance of natural resources for the Indonesian economy from time to time, although the materials could alter from oil and gas, tin, coal, and now nickel. Looking at the potential resource Indonesia blessed. How investors comprehend the investment climate, especially after the new order. Based on data from Japan Bank for International Cooperation (JBIC) surveyed a country target investment destination by Japanese investors. Indonesia's investment climate had experienced a steady decline as the investment target for Japanese investors. From top position 2013, steady decline for Indonesia positioned number 5 in 2018 below Thailand and Vietnam. Japan's foreign direct investment type is more beneficial for Indonesia because Japanese FDI tends to produce and manufacture goods and sold for the Indonesian market.

Therefore, FDI may created a multiplier effect for the labor market by recruiting more workers and transferring technology as well. There are four types of FDI start from the resource-seeking type, then market-seeking type, the efficiency-seeking type as well, and finally the strategic-asset-seeking (Wadhwa and Reddy 2011). FDI motives can differ by industry and the type or purpose of investments. Resource-seeking FDI is concentrated in the resource-rich region. The case for extractive FDI past and now in Indonesia is an example of resource-seeking.

Then, market-seeking FDI comprises a wide range of services industries such as: retail, finance and insurance, and engineering) are involved with seeking market.

The efficiency-seeking FDI includes the industrial and chemical sectors that have set up production facilities for efficiency-seeking reasons related to regional sales. Strategic-asset-seeking FDI is relatively less common for Indonesia because it incorporates knowledge-intensive activities such as R&D and acquisitions of strategic target companies. Broadly speaking, foreign mining investments are attracted by access to natural resources. On the one hand, domestic and foreign manufacturing investments by low-cost operating environments and market factors.

On the other hand, domestic and foreign services investments tend to the market and efficiency-seeking factors. This article provides a timeline from Lindblad (2015) which differentiated three phases of political economy history. Because, Lindblad consider to be an economic historian specializing in FDI, for example his previous work of the 1998, 2000. All of which turn out roughly the same length: (1). 1966-1982: rehabilitation and windfall gains from oil boom; (2). 1983-1997: structural change in the economy and continued rapid growth; (3). 1998-2015 interlude with Asia Financial Crisis and its aftermath. The author presents only the first and second periods.

Figure 3 illustrates net inflow as a percentage of GDP from 1971-1982 and Figure 4 with timeline 1983-1998:

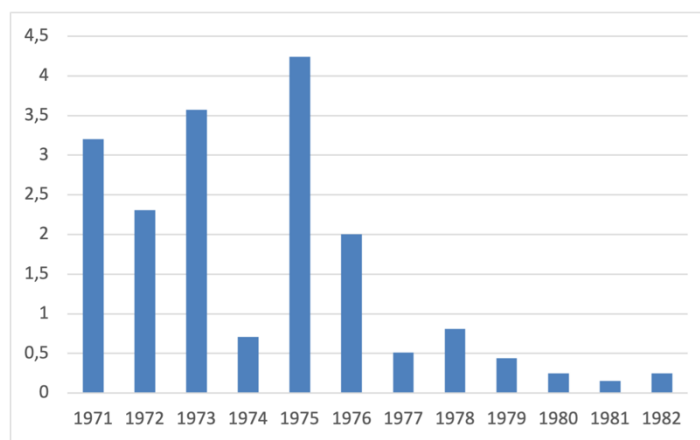


Figure 3 Foreign direct investment, net inflows (% of GDP)
Source: World Development Indicators 2019

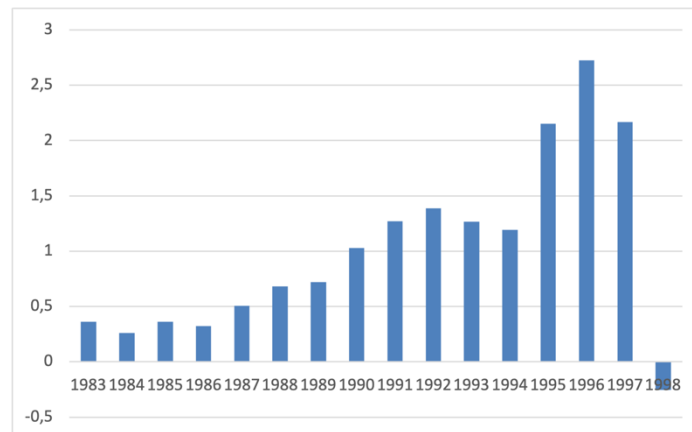


Figure 4 Foreign direct investment, net inflows (% of GDP)
Source: World Development Indicators 2019

Average FDI net inflow (% of GDP) during 1971-1985 approximately 1.3 percent of GDP, this period of Government implemented import substitution policy, which escalated effective rate of protection (Pangestu *et al* 2015). Along the period, the Indonesian economy also experienced an oil boom that created a huge dependency on oil exports and revenue and there was also political turmoil with foreign investment that time Japanese capital culminated in the *Malari* incident (Lindblad 2015, Pangestu *et al* 2015). The events created more inward FDI policies and emerged promoted local content and strategic industry.

When the end of the oil boom coincided with the global recession of 1985, the government responded with bold deregulation and an aggressive export diversification strategy (Pangestu *et al* 2015). Average FDI net inflow from 1986-1998 approximately 1.17 percent of GDP with the end of 1998 outliers (-0.25 percent of GDP). The article corroborates its stance with both Indonesian observers from Japan: Yuri Sato and Takashi Shiraishi's description of the principle of macroeconomic stability during the new order regime, with maintaining international relations with the western donor community (Sato 2017; Shiraishi 2014; Bresnan 1993). Moreover, both scholars argued that three "credo" of macroeconomic stability are balanced budget for credible public finance management, flexible capital account, and maintain fixed exchange rate system.

Those three credos are adhered with the element of the Washington consensus policy stance or neoliberalism in the academic sense, from fiscal discipline and a balanced budget are similar, the open capital account is a necessary condition for Indonesia liberalization, and only pegged exchange rate system is not followed element of Washington consensus. Nonetheless, government Indonesia's policy choice was determined to some extent by the government budget position. There are two ample pieces of evidence supporting the author's claim: *First*, state intervention had culminated to its peak during the oil boom of 1974-1982. *Second*, previous oil boom had created unintended effects of Pertamina's mismanagement and corruption case which culminated in President Soeharto was needed the technocrat's advice once more. In the later part of this paper, The author elaborates who is the actor of deregulation and their rival of the idea. Using the approach of ideology and institution, the neoliberalism framework would add more understanding on Indonesia political fragmentation factors and external factors (oil boom and recession).

Average FDI net inflow (% of GDP) during 1999-2019 spanned twenty years approximately 1.1 percent of GDP, although FDI net inflow improved compared to the period of 1986-1998 it was still below the period of 1971-1985. FDI net inflow decreased from 2008 – to 2009 due to last decade Indonesia crisis began in the US spread across the globe and the condition happened again of 2015 – 2016 as the Federal Reserve of the US ended the Quantitative easing policy or taper tantrum. Indonesia's contemporary considers relatively small-open economy which never immune with global economy rapidly changes. Therefore, during the Yudhoyono second term, Law Indonesia 4/2009 on Coal and Mining was amended in order to achieve increased government revenue 50 none side.

The government actively intervened in industrial policy by down-streaming or value-added policy. Later on, the new administration of President Widodo asked firms or companies involved in the Indonesia palm oil industry will accelerate the "down-streaming" of the industry in order to add value and export volume of palm oil products. How the government implements value-added policies through bans or restrictions on the export of raw minerals came into effect in Indonesia 2014, and the export ban on logs and wood chips came into effect between 1981 and 1986, as history repeat with different commodity (Athukolara and Patunru 2019). Athukolara and Patunru argued that usual rationale keep repeatedly assert by proponents of this policy, that the proportion of gross Indonesia product (per unit of value added) is higher domestically, while accelerating growth of the economy as a whole through an increase in gross Indonesia product. Eventually, the increase gross Indonesia product to create jobs [GDP] compared to gross net export revenue or total added value of exports.

Nonetheless, there are always intended and unintended consequences of every policy choice. Mining land rents and mining royalties are major discussion issues between the Government of Indonesia as a representation of State with companies most likely the Multinational Companies. Mining land in previous regulation on the Fiscal Balance divided 65% central government, 19% provinces and 16% districts/municipalities and based on new arrangement taken place now 20% central government, 16% provinces and 64% districts/municipalities. Mining royalties also imply new arrangements favoring districts/municipalities in the provinces of origin. It was used to be shared 30% for central, 56% for provinces, 14% for districts and major change altered 20% for central, 16% for provinces and 32% divided equally between district/municipality of origin where mining operates (origin) and non-origin (but they are neighboring) somehow support the operation of mining or impact by positive and/or negative externalities of the operation. The author presents table 2 to give broader context on investment policy changes using a selected comparable factor, which is summarized, from several regulations.

Comparable factors	Indonesia New Order	Indonesia Reformation

Regulatory framework	The Foreign Investment Law No.1/1967	Law 25/2007 on Capital Investment Law 4/2009 on Coal and Minerals The Mining Law No.11/1967 Law 3/2020 on Coal and Minerals
Contractual arrangement and time frame	Contract of Work (KK) with 20 years could be renewed contract after expired	Production Operation Special Mining Business License (IUPK) with 7, 8, and 20 (based on business contract agree by parties involved) years of license could be renewed after the expiration
Decision-making process between state-investor	Centralized and central government really powerful	Decentralized with every stage of decision making legitimately elected officials
Value-added (down streaming policy)	None directly	Yes

Table 2 Comparing regulatory framework and decision making from New Order to Reformation
Source: Author analysis

Warburton (2019: 8-46) contested three policy courses that leaned toward neo developmental theory including first, the Indonesian government's activist approach to industrial policy, the second expansion of State Own Enterprises (SOEs) in the economy, and lastly the institutionalization of state-run social welfare schemes. The industrial policy already discussed above argument, the author restates Warburton's reasoning of why this policy was revived. It was a policy decision during the second term of President Yudhoyono (2009–14). As was the case at previous points in Indonesian history, a commodities boom gave the government fiscal freedom to pursue an activist approach towards its industrial goals (Warburton 2019:39). The industrial approach was expressed most clearly in the Master Plan for Acceleration and Expansion of Economic Development 2011–2025 (MP3EI), and in a new Industry Law (3/2014), which laid out a vision for a value-added economy that could move the country beyond its reliance on raw commodity exports (Warburton 2019:39).

However, such policy decisions never worked in a vacuum environment for examples industrial interventions, such as export restrictions, domestic market obligations, and local content requirements are also subject to regular revision. In January 2017, President Widodo had decided to ease 2014 mineral export ban, but initially showed enthusiasm for downstream strategies. Aneka Tambang, the state-owned miner as one of the prime state-owned company in the mining sector, experienced huge profits dropped when the ban on crude nickel ore was introduced. The Indonesian president's administration has decided to allow ore exports to secure profits and cut the losses (Warburton 2019: 42).

In the case of decentralized Indonesia after 1998, uncertainty sources came from big bang approach for regional autonomy. The proliferation of new region has created new political power differ from central authority in Jakarta capital city. This article presents domestic political fragmentation as political factor by looking at the Indonesia's electoral result has outcome a fragmented parliamentary. For instance third election result in 2009 with new comer party as first winner Democrat Party with 20.9 percent votes, Golkar's place second with 14.5 percent and PDIP place third with 14 percent votes. Five years after 2009's election, fourth election of 2014 has placed PDIP as first winning party with 18.9 percent, Golkar the second place with 14.7 percent and Gerakan Indonesia Raya (hereafter Gerindra) party established by former General Prabowo Subianto, Prabowo was Jokowi competitor for presidency in 2014 and 2019, won third placed by 11.8 percent votes.

Then, President Yudhoyono inherited a somewhat fragile economy, but one in which the economic policy framework and parameters were clearly established and operational. His major economic legacy was to consolidate this framework and to guide the economy through the 2008–09 global financial crisis. Moreover, President SBY came to power when Indonesia was still fragile economically and of course politically and institutionally. This situation has created the government under SBY focus more toward macroeconomic and institutional political reform on broad sense – regional autonomous region was created. Compare to President

SBY, President Jokowi has articulated a detailed vision, philosophical or programmatic, of where he wishes to take Indonesia. His goals, as for example articulated in his *Nawacita* (nine priorities) and major speeches, include poverty alleviation, rural development, economic nationalism, infrastructure, maritime development, and clean government (Hill and Negara 2019).

Historical lesson from neoliberalism practiced by the new-order regime never worked in a vacuum. There was always a tendency for the pendulum of policy choice to swing between favoring market power or state intervention. The neo-developmentalism approach that is currently considered as the main development strategy also would encounter the same situation. Moreover, the expansion of State Own Enterprises (SOEs) in the economy is also another evidence of the development model. The divestment of the Freeport process was completed during the first term of President Widodo, which claimed as Indonesian people sovereignty over foreign capital. The government established a new entity registered as Inalum Mining Holding, Freeport-McMoran and Rio Tinto have finally officially completed the transfer of a majority stake from Freeport Indonesia to Inalum (Inalum 2019).

After completing the divestment process Freeport Indonesia shall gain both legal and business certainty by obtaining future mining rights as the 20 year extension secured, up to 2041 besides receiving tax and regulatory guarantees. Eventually, Freeport Indonesia will also set up a smelter within 5 years as the agreement requires (Inalum 2019). The smelter business has become as integral part of the larger value-added policy, again after five years would Freeport eventually materialize its smelter facilities? It is the duty of the future government of Indonesia to make sure the decision is enacted in good faith. Shall changes in policy occur in the future? It is still too early to speculate.

3.2 *Interaction between internal and external factors*

The fourth part of this paper describes changes in courses of development from neoliberal into neurodevelopment. Basically, foreign capital and business-state relations are external forces that shaped the developmental approach taken by Indonesia. Transformation of state government would certainly be followed by transformation industrial structure, follow the path from the primary sector including agriculture, fishery, and forestry with mining development into manufacturing development and now service sector became the engine of growth. Mining's contribution to GDP has steadily declined from 6.1% in 2011 to 4.2% in 2016, but in 2017 it showed a slightly higher contribution of 4.7%. However, one have to keep in mind that mining sector really sensitive with the global commodity prices as reflection of global equilibrium supply and demand. It usually increase with higher oil price and decrease as oil price lower. With exception for price anomaly may happen. This rise may be due in particular to rising coal prices. This is because this trend appears to be positively correlated with fluctuations in commodity prices (PricewaterhouseCoopers, 2018 in CIPE 2020).

With the rapid development of the mining sector, business-state relations also changed and were marked with more power of investors from local or abroad. Take as an example the case of Indonesia Morowali Industrial Park (IMIP) that already achieved success in building integrated industrial park, from mining to manufacturing to shipping, located in the nickel-rich state of Central Sulawesi in eastern Indonesia. PT Sulawesi Mining Investment (SMI) the holding company of the industrial park is owned by jointly China-based Shanghai Descent Investment (66.25%) and Indonesian mining company Bintan Delapan Group (33.75%) (*Dinata et al 2020*).

This paper argues that external forces from emerged of TNCs and the bargaining power of investors over the state play important role in describing the development approach. However, the picture is incomplete when one only relies on explanation from external force presence of foreign capital alone. China's economic growth during the first decade of the twenty-first century was the fastest over any comparative period and more resource-intensive than the world has ever seen (*Garnaut 2015*).

This underwrote extraordinary rates of growth in demand for almost all commodities. The effects were greatest for energy and metals, which the Chinese pattern of development required in unprecedented dimensions. The global resource boom included Nickel as one of the basic metals that occurred from 2000 up to 2011. I found that indices for non-fuel primary commodities prices increased gradually from 2000 to Global Financial Crisis (2008) slowing down; However, improved again after 2009 up to 2011 Figure 5 depicts Non-Fuel Primary Commodities Indices from International Monetary Fund (IMF) Primary Commodities Prices.

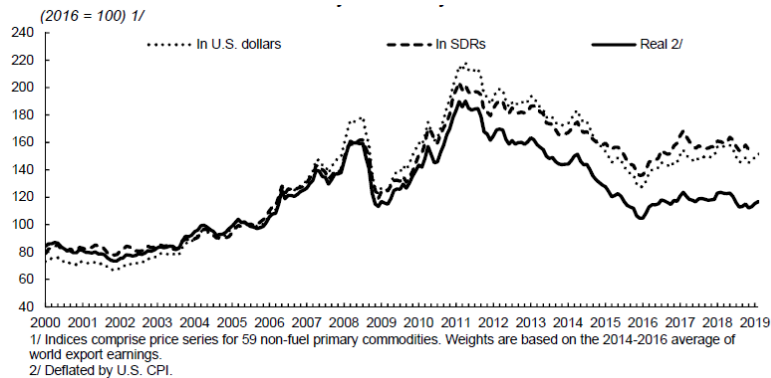


Figure 5 Non-Fuel Primary Commodities Indices
Source: IMF Primary Commodities Prices (2019) in CIPE (2020)

In explaining the neoliberalism approach, the new order regime of Soeharto take could describe by utilizing an argument from Denzau and North that ideologies and institutions can then be viewed as classes of shared mental models. Moreover, they added that the creation of ideologies and institutions is important for economic performance, as there exist gains from trade and production that required coordination. In addition to that, mental models together with institutions and ideologies all contribute to the process by which human beings interpret and order the environment. "Soft" institutions created by new order government such as more open to foreign capital to solve lack of investment and technology, began in 1967 with Law 1 on Foreign Investment was enacted.

Besides existence of institutions such Law on Foreign investment created, the role of neoliberal economists also need to analyze in this part The recent literature on policy reforms in emerging markets often features members of an epistemic community of neoliberal economists as key players (Chweiroth 2007). Professional training of economists serves as a form of socialization that shapes their subsequent policy preferences and drives the diffusion of policy practices with timely professional training in economics shapes an individual's preferences by promoting, both implicitly and explicitly, a particular set of causal and normative beliefs (Chweiroth 2007). On top of that, a testimonial from former IMF First Deputy Managing Director Stanley Fischer notes "*neoliberal economists in emerging markets often use official sentiment to secure and to promote their position, using negotiations and discussions with the IMF to strengthen their views against their domestic opponents.*" (Chweiroth 2007).

In the case of Indonesia, Marks (2007) mentioned the education of more and more Indonesian economists in a graduate program in Australia and the United States has planted seeds for neoclassical analysis and neoliberal mental model to continue their way into economic discourse or decision making. Technocrats have to struggle convinced President Soeharto and more easy to win the battle of ideas with solid arguments when Indonesia's economy deteriorated. For example Sadli one of the outspoken technocrats of the first generation of "Berkeley Mafia" said that "*the policy of industrialization is still not properly integrated with trade policy. That is because two camps, one favoring high protection and one favoring more competition, are equally strong*" (Hill 1996). But when commodity booming occurred like the oil boom of 1976, President Soeharto was favoring more policies leaning toward more economic nationalists, whom they were mostly and not-intended were engineering educated (non-economist by trained), further discussion about Indonesian technocracy in transition (see Shiraishi 2014). To describe more argument to neo-developmental approach picked by the Indonesian government, the author elaborates argument from Jepson (2020) argument that speculates a strong indication of massive influx Chinese investment while the alliance of capital and bureaucracy persisted, new conditions began to tip the balance of power within these networks toward the capital. Then, Jepson continued describing the shifts of policy in mining sectors, beginning during Yudhoyono's second term, which seems indicative of both the Indonesian capital's political influence and its ambivalent attitude toward neoliberalism. He quoted an argument from Warburton (2017: 299; Jepson 2020:230) that this legislation reveals "the ambitions of politically connected domestic capitalists driving policy."

But term neoliberal per se was used for political purpose. As Kuncoro et al (2009) argued that by the second direct election in the nation history of 2009 general election, politicians were pejoratively make use of neoliberal to accuse their opponents of alignment and well connected with big business and foreign interests. Without any

alternative economic program offered to larger the country which came from comprehensive assessment. When we went back to parliamentary seats, as the 2009 mining law enacted, it was power sharing among supporting parties with 3 major parties supporters: Democrats (26.4 %), Golkar (18.9 %) and PKS (10.2 %) with PAN, PKB and PPP as additional supporters. The opposition parties were PDIP, Gerindra and Hanura (Slater 2018). Toward this second term of his presidency, Democrat party governed the executive. However, in the parliament power sharing have to work equally. Under this backdrop, mining law 2009 was able to be passed the parliamentary debate and supported by SBY's executive government.

The substance of the 2009 mining law was increased royalty rates, mandated that foreign firms divest 20 percent ownership of mines within five years of operation, and banned the export of some unprocessed ores while heavily taxing others. When looking for counterfactual of value-added policy, from the palm oil industries which has ownership structures are much more complex and blended between domestic and international capital, providing a strong incentive for political-economic elites to reject moves toward capping foreign investment in the sector (Jepson 2020: 230).

Investment always has a crucial factor for any country, this paper tried to explain historically and empirically the Indonesia investment figure before and after the deep economic crisis of 1997/1998. This paper applied several theoretical frameworks that could be positioned diametrical or opposite one another. Neoliberalism versus Neo-developmental state is the main theoretical consideration. The investment provides the necessary condition for industrial development but is *not sufficient* for becoming an industrialized country only from any investment per se. Several conclusions can be drawn:

4. Conclusion

There are two main conclusions in this article as follows. First, the investment policy that had designed and implemented during new order regime and post new order had profound influence. By this article, author's attempt to focus covering figures on foreign capital during the new order regime and recent changes over time. During the new order investment policy, with sole leader the regime leaned toward neoliberal elements of the Washington Consensus. However from time to time, a market friendly investment policy often interrupted with economic nationalism, that mandated and constituted in the Indonesian constitution. Second, this paper also describes the element of changes, both internal and external factors, ranging from the new order regime to the present on investment climate and policy on foreign capital. The breakdown of the New order regime provided momentum for a new arrangement of institutional factors such as decentralizations and direct presidential election with new executive-legislative relations. Political actors have agreed to amend Foreign Capital Law and Mining Law which is more supportive of state intervention. Unlike during New Order, the centralization of power broke down into more fragmented political power in central and local authorities. Technocrats also cannot play their roles in a similar manner as the previous governing style. Although, their expertise and knowledge are still valuable for executive power from the past Yudhoyono administration and now the Widodo administration. With the enactment 2009 mining law, later on 2020 already amended minor, keep the mandated that foreign firms have to divest its 20 percent ownership of mines within five years of operation. This policy could be perceived as a narrative toward emerged of Indonesia's new development policy with several adjustments here and there. The neo-developmentalism with Indonesian characteristic.

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