UNDERSTANDING THE CONTINUATION OF THE JAKARTA-BANDUNG HIGH-SPEED RAIL PROJECT BY CHINA AND INDONESIA

UNDERGRADUATE THESIS

UNIVERSITAS
ISLAM
INDONESIA

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DEPARTMENT OF INTERNATIONAL RELATIONS

FACULTY OF PSYCHOLOGY AND SOCIO-CULTURAL SCIENCES

UNIVERSITAS ISLAM INDONESIA

2024

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Proposed to the Department of International Relations

Faculty of Psychology and Socio-Cultural Sciences

Universitas Islam Indonesia

As partial fulfilment of the requirements to earn a

Bachelor Degree in International Relations

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AUTHORIZATION PAGE

Understanding the Continuation of High-Speed Rail Jakarta-Bandung Project by China and Indonesia

Defended in front of Board of Examiners

in the Department of International Relations

Faculty of Psychology and Socio-Cultural Sciences

Universitas Islam Indonesia

As a partial fulfillment of requirement to earn

Bachelor Degree of International Relations

January 06, 2025

Validated by

Department of International Relations

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Rumaisha Putri

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ABSTRACT

Proyek Kereta Cepat Jakarta-Bandung (HSR) merupakan bagian penting dari strategi infrastruktur Indonesia untuk meningkatkan konektivitas ekonomi dan mendukung pembangunan nasional. Meskipun ada insiden keselamatan dan pembengkakan biaya, pemerintah memutuskan untuk melanjutkan proyek ini melalui Peraturan Presiden No. 93 Tahun 2021. Dengan menggunakan Model Aktor Rasional (RAM) dari Graham T. Allison, studi ini menganalisis proses pengambilan keputusan pemerintah. Temuan menunjukkan regulasi ini mendukung tujuan infrastruktur Presiden Jokowi, memperkuat daya saing global, dan menjaga reputasi internasional Indonesia. Kebijakan ini bertujuan meraih manfaat ekonomi, seperti pengurangan waktu perjalanan, peningkatan perdagangan, dan penciptaan lapangan kerja. Keputusan ini mencerminkan pendekatan rasional untuk modernisasi infrastruktur dan investasi asing.

Kata Kunci: Kereta Cepat Jakarta-Bandung, Model Aktor Rasional, infrastruktur, tujuan, alternatif, konsekuensi

The Jakarta-Bandung High-Speed Rail (HSR) project represents a cornerstone of Indonesia's infrastructure strategy, aimed at enhancing economic connectivity and supporting national development. Despite safety incidents and cost-overrun during construction phase, the Indonesian government chose to continue the project, formalizing this decision through Presidential Regulation No. 93 of 2021 to address safety concerns and financial challenges. Employing Graham T. Allison's Rational Actor Model (RAM), this study analyzes the government's decision-making process, focusing on the rationale behind continuing the HSR project. The findings reveal that this regulation serves to advance the infrastructure objectives of President Jokowi's administration, strengthen Indonesia's global competitiveness, and safeguard the country's international reputation. By pursuing this policy, the government aims to achieve significant economic benefits, including reduced travel times, enhanced trade, and job creation. This strategic decision reflects a rational and calculated approach to pursue infrastructure modernization, global competitiveness, and foreign investment within the framework of Indonesia's broader development objectives.

***Keywords**: Jakarta-Bandung High-Speed Rail, Rational Actor Model, infrastructure, goals and objectives, alternatives, consequences*

CHAPTER I

INTRODUCTION

1.1 Background

The Jakarta-Bandung High-Speed Rail (HSR) project was designated a National Strategic Project for transportation infrastructure, underscoring its significance in the country's development plans. It was President Joko Widodo who revived the discussion of creating a high-speed rail system. Determined to see the project through, his administration organized an open auction, inviting international bids for the ambitious project. This move set the stage for a high-stakes competition between two global economic giants, Japan and China (Michael and Chen 2024).

Japan was the first to express interest with its renowned Shinkansen technology and extensive experience in high-speed rail systems. The Japanese government, through the Japan International Cooperation Agency (JICA), conducted a detailed feasibility study and committed USD 3 million in 2014 to support the initiative. This collaboration involved the Ministry of Transportation and the Agency for the Assessment and Application of Technology (now BRIN), highlighting Japan’s serious commitment to the project (Michael and Chen 2024). China, not one to be outdone, entered the project with a compelling proposal under its Belt and Road Initiative (Sara 2023). The Chinese offer was notable for its significantly lower cost than Japan's bid. Rini Soemarno, Indonesia’s Minister for State-Owned Enterprises (BUMN) from 2014 to 2019, endorsed China’s proposal. In March 2016, a memorandum of understanding (MoU) was signed with Xu Shaoshi, the Minister of China’s National Development and Reform Commission. The Chinese investment plan included 40% ownership and a total offer of $5.5

billion, a more attractive financial package than Japan's. This included favorable terms: about 25% of the estimated investment was to be funded by shared capital, while the remaining amount would come from 40-year loans at an annual interest rate of 2% (Zulfikar 2023a).

Despite Japan’s early efforts and due diligence, the Indonesian government ultimately partnered with China. This decision, transitioning from the SBY to the Jokowi era, was driven by a complex interplay of political, economic, and strategic considerations. The move sparked significant controversy and criticism. Many questioned why Indonesia would opt for China over Japan, which had a proven track record and had already invested in preliminary studies. Critics included domestic stakeholders, international observers, and experts who argued that Japan's higher competency in high-speed rail technology made it more logical (Zulfikar 2023b).

Nevertheless, the decision to go with China was driven by what can be analyzed through Graham T. Allison’s Rational Actor Model (RAM). RAM posits that decisions made by the state result from rational choices by a unified entity seeking to maximize its goals and objectives. This framework provides a lens through which to understand the Indonesian government’s rationale amidst the controversies and challenges.

Indonesia’s strategic objective to advance its infrastructure agenda, regarded as a key component in enhancing global competitiveness, was at the core of the decision. The Jakarta-Bandung High-Speed Rail (HSR) project was envisioned as a catalyst for achieving these goals, promising improved connectivity

between Jakarta and Bandung, job creation, and regional development. These outcomes were seen as critical for bolstering productivity and positioning Indonesia as a competitive player on the global stage. Despite its high costs and challenges, the administration’s decision to proceed with the project was driven by the belief that its long-term benefits would outweigh immediate drawbacks. A thorough assessment of the consequences was conducted to evaluate the project’s alignment with Indonesia’s infrastructure and competitiveness objectives (K. S. Negara, 2019).

Indonesia's decision to collaborate with China on the Jakarta-Bandung High-Speed Railway project was strategically significant. China's proposal offered not only financial support through substantial investments but also advanced technological expertise. This collaboration was structured under a business-to-business scheme, avoiding the use of state funds (APBN), and creating opportunities for economic growth. The partnership with China aligned with Indonesia’s goals of improving national infrastructure, enhancing bilateral relations, and securing technological advancements. Moreover, it supported Indonesia's aspiration to increase global competitiveness by modernizing its transportation network and boosting economic efficiency. The collaboration further positioned Indonesia strategically within the Belt and Road Initiative, promising mutual benefits, regional connectivity enhancements, and a strengthened presence in the global economic landscape. For the Jokowi administration, this cooperation symbolized an opportunity to leverage foreign expertise to achieve long-term development goals while fostering geopolitical advantages. (Supriatna, 2017).

Despite the significant cost overruns and delays, the analysis indicated that the potential economic benefits outweighed the financial burden. The COVID-19 pandemic exacerbated these challenges, leading to poor project management and escalating costs. The initial budget of $5.5 billion ballooned to approximately $7.2 billion, raising concerns about the project's financial sustainability (Al-Jazeera, 2023). The strategic rationale of the project also faced significant challenges. From the outset, the Jakarta-Bandung HSR project was met with scepticism and criticism. Public protests erupted, with locals in West Bandung voicing concerns over the use of explosives that they claimed dried up household wells and cracked residential walls. Land acquisition and clearance issues further complicated the project's progress (Anwar, 2016).

The Jakarta-Bandung High-Speed Rail project has faced significant safety concerns, resulting in multiple accidents and fatalities. Notable incidents include a derailment in December 2022, killing two workers, a pillar collapse in December 2021, and a gas pipeline explosion in October 2019, causing one death. These incidents underscore the project's safety risks and have drawn substantial public and expert criticism, prompting temporary halts and calls for improved safety protocols (Yanwardhana, 2021). The financial sustainability of the Jakarta-Bandung HSR project has been contentious. The initial cost of 66.76 trillion rupiah in 2015 ballooned to 113 trillion rupiah by 2023. The China Development Bank's demand for APBN (state budget) guarantees added financial strain, nearly causing bankruptcy for PT. Kereta Cepat Indonesia-China (KCIC). The expenses highlighted the project's fragile financial foundation (Kiki, 2023).

Despite facing numerous challenges, including public protests, safety concerns, financial difficulties, and significant controversy over the choice of partner, the Indonesian government's decision to proceed with the Jakarta-Bandung High-Speed Railway project reflects a calculated and strategic approach. Using Graham T. Allison's Rational Actor Model, the decision can be understood as a prioritization of long-term economic benefits, enhanced global competitiveness, and strengthened regional connectivity. This alignment with national development goals and geopolitical strategies underscores Indonesia's commitment to modernizing infrastructure and positioning itself as a prominent player in the regional and global economic arena.

1.2 Research Question

Why did the Indonesian government decide to continue the Jakarta-Bandung High-Speed Rail project with China despite significant challenges?

1.3 Research Objectives

1. To define the goals and objectives set by the key stakeholders involved in the Jakarta-Bandung High-Speed Rail project.
2. To analyze the decision-making process by evaluating its alignment with the project's goals and objectives.
3. To examine the available alternatives and assess their potential consequences.

4. To explain the reasoning behind the chosen policy by analyzing its implications and potential outcomes.

1.4 Research Scope

This study focuses on the Jakarta-Bandung High-Speed Rail project in Indonesia during its construction phase from 2015 to 2021. This time frame is significant as it represents the climactic period of the project, during which conflicts and problems arose, requiring the government to make critical decisions. The analysis spans from the issuance of Presidential Regulation No. 107 of 2015, which marked the project's initiation, to Presidential Regulation No. 93 of 2021, which updated the decision to continue the project amidst these challenges. The research examines the decision-making process by analyzing two main scenarios: whether the project would be halted or continued. It evaluates the consequences of each scenario, assessing whether the outcomes align with the project's goals and objectives. The primary stakeholder analyzed in this study is the government under President Jokowi's administration, which played a central role in navigating these challenges and determining the project's direction.

Graham T. Allison's Rational Actor Model (RAM) is employed as the analytical framework due to its structured approach to understanding state-level decision-making. RAM is particularly suited for this research because of its broad applicability to analyzing governmental actions, its ability to reveal the motives and goals behind controversial policies, and its capacity to provide a deeper understanding of the reasoning underpinning such decisions. By exploring the

rationale behind this controversial policy, this research aims to contribute to a deeper understanding of the complexities involved in large-scale infrastructure projects and the strategic considerations that shape government decisions.

1.5 Literature Review

The Jakarta-Bandung High-Speed Rail project's procurement procedure involved political interests and technical concerns. The journal article by Shang-Su Wu and Alan Chong titled *Developmental Railpolitics: The Political Economy of China's High-Speed Rail Projects in Thailand and Indonesia* provides evidence for this. From China's standpoint, the HSR project assesses the political maneuvering room between the two countries in relation to each other to strengthen economic ties with Indonesia, the largest country in Southeast Asia. Because political and economic contacts by actors implementing policy affect public opinion and power, this perspective helps conclude that these interactions impact the political sector. Since different economic decisions have varying implications on income distribution, they are nearly always politicized (Wu and Chong, 2018).

The 2017 study by Cecep Supriatna, titled *Indonesia's Decision in Choosing China as a Partner for the Jakarta–Bandung High-Speed Railway Project*, examines the factors that led Indonesia to choose China over Japan as a strategic partner for this infrastructure initiative. The research identifies three primary considerations. First, the project aligns with Indonesia's aim to strengthen economic cooperation with China, a key global player in infrastructure financing, while fostering closer bilateral relations. Second, financial constraints played a

significant role, as Indonesia lacked the capacity to fully fund the project domestically. China's financial support, particularly through the China Development Bank, enabled the project to proceed without relying on the national budget (APBN), as it followed a business-to-business (B2B) financing model. Third, from a cost-benefit perspective, the partnership minimized fiscal burdens while promoting domestic industrial growth in sectors like aluminum and steel. Additionally, the collaboration facilitated technology transfer, allowing Indonesian engineers to adopt and enhance their technical skills. Using Graham T. Allison's Rational Actor Model, Supriatna concludes that Indonesia's decision reflects a calculated effort to achieve its national infrastructure goals while optimizing financial and strategic outcomes (Supriatna, 2017).

The 2020 study by Siddartha Nath and Gusti Raganata titled *An Assessment of Economic and Financial Impacts of Jakarta-Bandung High-Speed Railway Project* assesses the financial and economic effects of the Indonesia-China High-Speed Rail project from Jakarta to Bandung project before it was implemented. Under particular assumptions about the returns on capital, they calculated that the project was projected to improve Indonesia's real GDP by nearly 0.4% during its building phase. China's geopolitical interests in the area are probably served by the project. However, considering the long-term advantages to the Indonesian economy, the contingent obligation for both governments might be smaller (Nath and Raganata 2020).

The Jakarta-Bandung High-Speed Rail project's procurement procedure involved political interests alongside technical concerns. Kanyadibya Cendana Prasetyo's journal article, *Global South Responses to China's BRI Projects: A Case*

Study of Jakarta-Bandung High-Speed Railway Project, provides evidence of this. From China's standpoint, the HSR project reflects a strategic attempt to address infrastructure deficits while simultaneously engaging in geopolitical balancing. The interplay of developmental and political motives is evident, as the project aims to foster regional connectivity and economic growth while also solidifying China's influence in Southeast Asia through the Belt and Road Initiative (BRI). The political economy of such large-scale infrastructure projects underscores the importance of both technical feasibility and the strategic interests of involved nations (Prasetyo, 2023).

1.6 Research Framework

This study evaluates three decision-making models, Rational Actor Model (RAM), Organizational Behavior Model (OBM), and Governmental Politics Model (GPM), to analyze Indonesia's decision-making process during the Jakarta-Bandung High-Speed Rail project.

1.6.1 Rational Actor Model (RAM)

The Rational Actor Model (RAM) is a theoretical framework that analyzes decision-making processes by conceptualizing the government or decision-maker as a unified, rational entity. It assumes that decisions are made systematically through the evaluation of goals, alternatives, and outcomes, aiming to maximize utility and achieve policy objectives. The core concepts of RAM are as follows:

- **Goals and Objectives**: The model begins by defining the decision-maker's goals and objectives, which represent the agent's interests and values. These are translated into a "payoff function," ranking all potential consequences in terms of their desirability or utility. Each possible outcome is evaluated against the agent's overarching objectives, allowing the decision-maker to prioritize based on preferences.
- **Alternatives**: A rational agent must identify and evaluate a set of alternatives available in the decision-making process. These alternatives are represented in a "decision tree," illustrating possible courses of action and their associated outcomes. Alternatives must be clearly defined and distinct to enable accurate comparison.
- **Consequences**: Each alternative is associated with a set of potential consequences or outcomes that will occur if that option is chosen. Decision-makers are expected to estimate these outcomes as accurately as possible. Variations in the model arise based on the accuracy of these estimations.
- **Choice**: The decision-making process concludes with the selection of the alternative whose consequences rank highest in the payoff function. Rational choice ensures that the selected option maximizes utility based on the agent's values and objectives.

1.6.2 Organizational Behavior Model (OBM)

The Organizational Behavior Model (OBM) is a theoretical framework that analyzes decision-making processes by focusing on the role of organizational routines, norms, and standard operating procedures (SOPs). It assumes that

decisions are not made by a single, unified actor but are the product of established processes and behaviors within organizations. The model highlights how bureaucratic structures, internal procedures, and institutional constraints influence the development and implementation of policies. OBM emphasizes the importance of understanding how organizational practices shape decision-making rather than assuming purely rational calculations. The core concepts of OBM are as follows:

- **Basic Unit Analysis**: The Organizational Behavior Model (OBM) views governmental action as the output of organizational processes rather than the decisions of individuals or political bargaining. Policies and actions emerge from the routines, standard operating procedures (SOPs), and constraints inherent in the organization. Decisions are shaped by how these systems function collectively, making the organization itself the primary unit of analysis.
- **Organizing Concepts**: OBM emphasizes the internal dynamics of organizations, focusing on concepts such as SOPs, bounded rationality, and the goals of subunits. SOPs standardize operations to manage complexity, but they can also limit flexibility. Bounded rationality acknowledges that decisions are made with incomplete information and under organizational constraints. Additionally, subunits within organizations may have conflicting priorities, influencing the final outputs.
- **Dominant Inference Pattern**: Decisions are inferred to be the result of established organizational routines and constraints rather than deliberate strategies or political negotiations. In OBM, inefficiencies or suboptimal

outcomes are often attributed to the inertia of SOPs rather than failures of individuals or political actors.

- **General Propositions**: The model suggests that organizational outputs are shaped by routine processes, that change is incremental due to resistance to procedural shifts, and that internal compromises play a significant role in shaping final decisions. This highlights the tendency of organizations to maintain stability and predictability.
- **Evidence**: To analyze decisions using OBM, evidence is drawn from organizational structures, documented procedures, and historical patterns of behavior. This includes examining SOPs, organizational hierarchies, communication flows, and case studies of past decisions to understand how the organization's processes influence outcomes.

1.6.3 Governmental Politics Model (GPM)

The Governmental Politics Model (GPM) is a theoretical framework that analyzes decision-making processes by viewing the government as a collection of individual actors and agencies, each with its own interests, priorities, and power dynamics. It assumes that decisions emerge from a complex process of bargaining, negotiation, and compromise among these competing stakeholders. The model emphasizes the role of political interests, alliances, and conflicts in shaping policy outcomes rather than assuming a unified, rational entity. The core concepts of GPM are as follows:

- **Basic Unit Analysis**: The Governmental Politics Model (GPM) views governmental action as a political resultant, emerging from the interaction

and bargaining among multiple actors within the government. These actors, each with their own interests, goals, and levels of power, influence policy decisions through negotiation and compromise. Rather than being a single, rational entity, the government is seen as a fragmented collection of players whose combined actions shape policy outcomes.

- **Organizing Concepts**: GPM seeks to answer key questions about the political process: Who plays? What factors influence each player's perceptions, preferences, and positions on the issue at hand? How is each player's impact on the outcome determined? And what is the nature of the "game" being played? These concepts emphasize the roles of individual and institutional actors, their interests, and the strategies they employ to assert influence in the decision-making process.
- **Dominant Inference Pattern**: Decisions are inferred to be the result of political bargaining and negotiation rather than strategic coherence or organizational routines. The GPM highlights how outcomes are shaped by the interplay of political pressures, competing interests, and the relative power of the actors involved. This inference pattern focuses on the fragmentation and contestation inherent in government decision-making.
- **General Propositions**: GPM identifies several key patterns in governmental decision-making. Political resultants reflect the collective impact of competing influences. There is often a mismatch between actions and intentions, as well as problems and solutions. The principle "where you stand depends on where you sit" highlights how a player's institutional position shapes their perspectives and preferences. Other propositions

include the roles of "chiefs and Indians" (leaders and subordinates), the "51-49 principle" (decisions often reflect narrow majorities), and the differences in perspective at various levels of governance. Additional elements include issues of miscommunication, reticence, styles of play, and the differing faces of issues depending on one's role or seat.

- **Specific Propositions**: GPM applies particularly well to scenarios involving the use of force, military action, or crises. It provides a lens for understanding how decisions in such high-stakes situations are shaped by bargaining, miscommunication, and the interplay of individual and institutional pressures.
- **Evidence**: Applying GPM requires examining the roles and actions of players, their alliances, and the broader political context. Evidence includes official records, documented negotiations, personal communications, and case studies of political interactions. This evidence reveals how bargaining dynamics and political gamesmanship shape decision-making outcomes.

These three decision-making frameworks offer distinct perspectives on how governmental actions and policies are formulated, ranging from rational, goal-oriented processes to organizational routines and political bargaining dynamics. The following table highlights the key differences and characteristics of these models to provide a comparative understanding of their applications and analytical focus.

Table 1. Allison's Decision-Making Frameworks Comparison

Aspect	Rational Actor Model (RAM)	Organizational Behavior Model (OBM)	Governmental Politics Model (GPM)
Basic Unit Analysis	Government as a unified, rational entity	Governmental actions as organizational outputs	Governmental actions as political resultants
Focus	Goal-oriented, systematic decision-making	Standard operating procedures, organizational routines, and constraints	Political bargaining, negotiation, and power dynamics
Decision Process	Logical evaluation of goals, alternatives, and consequences	Incremental changes driven by routines and organizational norms	Fragmented process shaped by competition and compromise among actors
Key Actors	A single rational actor representing the state	Organizations and their subunits	Individuals and agencies with competing interests
Dominant Inference Pattern	Decisions are rational choices to maximize utility	Decisions arise from established processes and organizational inertia	Decisions result from bargaining and negotiation among stakeholders
Strengths	Provides a clear framework for strategic, long-term decisions	Explains procedural inefficiencies and organizational constraints	Captures the complexity of political power struggles and compromises

By comparing these models based on their focus, decision-making process, and applicability, this study identifies which framework best explains the policy decisions surrounding the project. While OBM and GPM offer valuable insights into bureaucratic processes and political complexities, RAM is ultimately chosen for its structured approach to understanding goal-oriented and strategic decision-making. Therefore, while the Governmental Politics and Organizational Behavior Models offer valuable perspectives on decision-making processes, the RAM is better suited for analyzing the detailed economic rationale and strategic

considerations that influenced Indonesia's decision to proceed with the Jakarta-Bandung High-Speed Rail project in partnership with China.

Graham T. Allison's Rational Actor Model (RAM) offers a comprehensive framework to understand Indonesia's decision-making process regarding the Jakarta-Bandung High-Speed Rail project through several key factors. As expounded in his seminal work "Essence of Decision: Explaining the Cuban Missile Crisis," Allison offers a theoretical framework for analyzing decision-making processes in international relations.

According to Allison, states function as rational actors when they pursue clearly defined **goals and objectives**. These objectives typically encompass priorities such as national security, economic prosperity, technological advancement, and diplomatic influence. The RAM posits that decision-makers prioritize these objectives to maximize benefits for the state and its interests.

In the RAM framework, the evaluation of **alternatives** involves a meticulous assessment of potential benefits and risks associated with each alternative. Decision-makers analyze factors such as the capabilities of potential allies or adversaries, the geopolitical implications of various actions, and the alignment of choices with national interests. This evaluative process guides rational actors in selecting the most advantageous course of action amidst competing alternatives.

Consequences, a cornerstone of Allison's RAM, plays a crucial role in decision-making. It entails weighing the costs and benefits of different courses of action to determine which option offers the greatest net gain or least net loss for the

state. This analysis extends beyond financial considerations to encompass political, strategic, and humanitarian factors. In international crises like the Cuban Missile Crisis, decision-makers scrutinized the potential costs of military conflict against the benefits of achieving strategic objectives.

Choice, within the RAM framework, refers to the rational pursuit of efficient means to achieve national objectives and goals. Rational actors endeavor to maximize benefits while minimizing costs and risks. This involves identifying and implementing the most effective strategies, policies, or actions to achieve desired outcomes. During crises such as the Cuban Missile Crisis, optimization was evident in the deliberate choice of less provocative actions, like establishing a naval blockade, to achieve strategic goals while mitigating the risk of escalation.

Overall, Graham T. Allison's Rational Actor Model provides a structured approach to understanding how states navigate complex international scenarios. By emphasizing clear national objectives, rigorous evaluations of strategic options, comprehensive cost-benefit analyses, and efficient optimization strategies, the RAM illuminates the rationality behind state actions and policies in pursuit of broader interests and goals.

By applying the Rational Actor Model through the economic growth lens, this research aims to provide a nuanced understanding of the decision-making process behind Indonesia's partnership with China on the high-speed rail project. It elucidates the rational calculations, strategic considerations, and economic imperatives driving this significant bilateral cooperation. This approach highlights how Indonesia's government, as a rational actor, strategically pursues national

interests to achieve long-term economic growth and development through its partnership with China (Allison and Zelikow 1999, 13).

1.7 Provisional Argument

Indonesia's decision to proceed with the Jakarta-Bandung High-Speed Rail project reflects a rational evaluation of its national goals, available alternatives, anticipated consequences, and strategic priorities. Guided by the objective of enhancing global competitiveness and promoting equitable development, in line with the fifth principle of Pancasila, the government prioritized long-term infrastructure and economic benefits over immediate challenges such as financial pressures and environmental risks.

This rationality is evident in the consideration of alternatives, where the government weighed the potential outcomes of halting or continuing the project. The decision to continue was selected as the most advantageous option, given its potential to advance the national objectives of President Jokowi's administration, including infrastructure improvements, economic growth, and strengthened global positioning.

In assessing the consequences of this decision, the government evaluated both the benefits, such as job creation, foreign investment, and enhanced infrastructure and the manageable short-term risks, including financial constraints and environmental concerns. This comprehensive assessment enabled a decision aligned with Indonesia's broader strategic vision.

By focusing on the choice that best addressed these goals and considerations, Indonesia demonstrated a calculated approach consistent with the Rational Actor Model. The framework underscores the logic behind Indonesia's partnership with China, which provided critical financial and technological support to mitigate risks and realize the project's objectives. This decision-making process highlights the alignment of Indonesia's strategic priorities with the selected course of action, ensuring progress toward its long-term national development goals.

1.8 Research Method

1.8.1 Type of Research

Using a mixed methods approach in this research, which combines qualitative and quantitative data, allowed for a comprehensive analysis of the Jakarta-Bandung High-Speed Rail project. Qualitative methods provided in-depth insights to define and elaborate on the national objectives, complex decision-making processes, alternatives, consequences, and choices of the Indonesian government and stakeholders. Meanwhile, quantitative data, such as cost overruns, job creation, and financial assessments, offered measurable evidence of the project's financial and operational challenges and gains. Integrating these methods enabled a thorough understanding of both the contextual factors and the tangible impacts, leading to a more complete and nuanced analysis of why Indonesia decided to continue its partnership with China despite significant obstacles.

1.8.2 Subject and Object of the Research

The Indonesian government as the executive stakeholder, the actor and the decision maker, is the subject of this study, and the continuation of the project after the occurrence of several challenges during the project is the object of the study.

1.8.3 Method of Data Collection

The data used in this research was collected from literature sources, including books, journals, reputable websites, official reports from organizations, and news on related topics.

1.8.4 Process of the Research

The author thoroughly examined and comprehended the information gained from literary sources before using it as a primary source in the research. This ensured that the information gathered is accurate. The obtained data was then connected to the research context to allow for the drawing of conclusions and proposal of a solution appropriate to the issues covered in this research.

1.9 Thesis Outline

This research uses Graham T. Allison's Rational Actor Model (RAM) to analyze Indonesia's collaboration with China on the Jakarta-Bandung High-Speed Rail (HSR) project, focusing on economic interests. The RAM emphasizes rational decision-making by states to maximize national interests.

The first chapter sets the stage by introducing the research context, objectives, literature review, conceptual framework, and methodology. It provides a comprehensive overview of the background, theoretical underpinnings, and methodological approach, laying the foundation for the study. This chapter establishes the context in which the research explores the decision-making

processes and strategic considerations behind Indonesia's High-Speed Rail project, framing the subsequent analysis of national objectives, strategic options, and the rational actor model.

The second chapter delves into Indonesia's national objectives and goals that underpin the High-Speed Rail (HSR) project, highlighting how the government aligned the project with priorities such as economic development, regional connectivity, and technological advancement. It explores alternative options considered by the government to sustain the HSR project amidst challenges like budget constraints, environmental concerns, and public opposition. This chapter provides insights into the decision-making dynamics, including the evaluation of strategic alternatives and the complex interplay of domestic politics.

The third chapter analyzes the consequences of each proposed alternative and the government's chosen policies as the action following these deliberations. It focuses on the cost-benefit analysis conducted within the RAM framework, examining how the government justified the continuation of the project based on anticipated benefits such as enhanced infrastructure, job creation, and economic growth. This analysis underscores the strategic rationale behind the government's decisions, reflecting its commitment to achieving long-term economic and strategic objectives through the HSR initiative.

CHAPTER 2

The Continuation of the Jakarta-Bandung High-Speed Rail Project

This chapter will discuss the decision-making process behind the continuation of the Jakarta-Bandung High-Speed Rail (HSR) project, a cornerstone of Indonesia's vision for infrastructure modernization and global competitiveness. Despite facing significant challenges, including financial constraints, technical difficulties, and public scrutiny following delays and accidents during construction, the government evaluated several alternatives: halting the project, changing its primary partner, or continuing the current collaboration. Supported by key policies such as Presidential Regulation No. 107/2015 and Presidential Regulation No. 93/2021, the decision to proceed reflected a careful assessment of the consequences. This chapter examines these alternatives, the rationale for the final decision, and the challenges encountered throughout the project's development.

2.1 The Jakarta-Bandung High-Speed Rail Project as a National Goals and Objectives

The Jakarta-Bandung High-Speed Rail project has been championed by President Joko Widodo because it is considered to support national objectives. Under his administration, Indonesia's national interest has been articulated through a strategic emphasis on infrastructure development as a critical driver of economic and social transformation. Infrastructure is conceptualized as a foundational element for enhancing the nation's global competitiveness, facilitating foreign

investment, and enabling sustainable economic growth (Lim, Li, and Adi Syailendra, 2021). It is further regarded as instrumental in addressing unemployment by generating substantial employment opportunities during construction and fostering long-term economic benefits. Large-scale infrastructure projects, such as the Jakarta-Bandung High-Speed Rail (HSR), have provided significant job opportunities during the construction phase and are expected to create further employment in operations and associated industries. These efforts underscore the HSR's role in fostering long-term employment and workforce development (K. S. Negara, 2019).

The Jakarta-Bandung High-Speed Rail (HSR) project aims to serve a diverse range of users, contributing to both economic development and inter-city mobility. The primary target demographic includes business professionals who require frequent travel between the two cities, government employees involved in inter-city administrative tasks, and tourists attracted to Bandung's cultural and natural attractions. Additionally, the service is designed to accommodate commuters seeking a faster and more efficient mode of transportation compared to traditional road or air travel. The HSR offers significant time savings, reducing travel time from 3-4 hours to approximately 40-50 minutes, which can improve productivity and facilitate enhanced business interactions, particularly between Jakarta, as Indonesia's economic hub, and Bandung, known for its cultural and academic significance.

The direct economic benefits of the HSR extend beyond simple time efficiency. By improving mobility, the HSR fosters regional business interactions and strengthens economic ties between the two cities. The project's broader

economic implications include potential growth in the tourism sector, as Bandung becomes more accessible to both domestic and international visitors. This increased ease of travel is likely to stimulate demand for local services, particularly in hospitality, retail, and tourism-related industries, potentially creating jobs and supporting local economies. Moreover, the development of the HSR is expected to spur regional growth around station areas, with new infrastructure projects, commercial centers, and residential developments likely to emerge. These changes contribute to the broader objective of enhancing urban connectivity and promoting balanced development in the region. Therefore, while the HSR does not directly impact logistics or supply chain efficiency, its role in fostering economic development, enhancing mobility, and supporting tourism underscores its broader strategic value for Indonesia's socio-economic landscape.

Beyond its economic implications, infrastructure development is framed as a civilizational milestone and a manifestation of the fifth principle of Pancasila, social justice for all Indonesians, by ensuring that the benefits of modernization are distributed equitably. This vision reflects a comprehensive approach to nation-building, integrating economic progress, social equity, and national prestige, while positioning Indonesia to navigate the challenges and opportunities of an increasingly interconnected world.

To implement this project, President Joko Widodo (Jokowi) of Indonesia embraced the Belt and Road Initiative (BRI) shortly after it was launched by China in 2013. The idea for the Jakarta-Bandung High-Speed Rail (HSR) project was first conceptualized in 2012, and China has since emerged as one of the most significant partners in Indonesia's infrastructure development plan, with an investment of over

USD 450 billion (Salim and Negara, 2016). CREC (China Railway Engineering Corporation) secured a 40-year loan from the state-owned China Development Bank (CDB) to finance 75% of the Jakarta-Bandung High-Speed Rail (HSR) project's cost. The remaining 25% of the project's cost was covered by the Indonesia-China joint venture, *Kereta Cepat Indonesia China* (KCIC). This financial arrangement highlights the significant role of Chinese investment in Indonesia's infrastructure development, particularly in the context of the Belt and Road Initiative (BRI), which facilitates large-scale infrastructure projects between China and various countries. The partnership between CREC, CDB, and KCIC underscores the deepening economic ties between China and Indonesia. The KCIC is then 60% owned by four Indonesian SOEs, with the rest of the equity held by CREC (Negara and Suryadinata, 2018). After the project's construction, KCIC will be responsible for operating and maintaining the HSR for a fixed concession period of 50 years.

Figure 1. The Routes of Jakarta-Bandung High Speed Rail (HSR)

Source: (KCJB 2024)

The prominence of State-Owned Enterprises (SOEs), known as Badan Usaha Milik Negara (BUMN), in Indonesia's economy is long-standing.

Historically, the assets of Indonesian SOEs have represented, on average, more than half of the country's GDP. This project could add approximately $4.6 billion to the Indonesian economy, representing about 0.4% of the GDP (Raganata and Nath, 2018). PT Wijaya Karya (Persero) Tbk, PT. Perkebunan Nusantara III (Persero), also known as PTPN, and PT. Jasa Marga (Persero) Tbk are the state-owned firms that are engaged in the construction of this modern train (Rahayu and Setiawan, 2024). This significant presence of SOEs underscores their importance in the economy. Under President Joko Widodo's administration, there has been a notable infrastructure push, with direct appointments and capital injections from the state budget to SOEs, highlighting their central role in national development.

The interactions between Indonesian SOEs and Chinese companies, both private and state-owned, are extensive and multifaceted. Due to their substantial size and economic influence, Indonesian SOEs serve as crucial channels for both direct and indirect Chinese influence in Indonesia. For example, PT. Kereta Api Indonesia's import of rolling stock from CRRC Sifang is a key component of the Jakarta-Bandung High-Speed Rail project. Additionally, business loans from Chinese policy banks, such as the China Development Bank (CDB) and the Export-Import Bank of China, play a significant role in financing these ventures (Rocky, 2022).

The High-Speed Rail, known as Whoosh, has also attracted significant foreign direct investment (FDI), particularly from China as a major economic partner, significantly contributing through its Belt and Road Initiative (BRI). The project, valued at approximately $5.5 billion, involves a joint venture between

China Railways and several Indonesian state-owned enterprises (SOEs) under Presidential Regulation (Perpres) No. 107/2015 (Blake, 2023).

The 142-kilometer rail line will connect four stations: Halim, Karawang, Padalarang, and Tegalluar. Foreign experts from China are involved due to their expertise, working with locals to transfer knowledge and technology. The construction of this project alone is projected to create over 40.000 jobs, with 87.02% of the workforce being local. Additionally, the HSR is anticipated to improve market access (MA) by more than double, resulting in an estimated increase in combined real income in the range of 12-18%. This improvement in market access and the subsequent economic benefits aligns with the project's broader goals of enhancing economic efficiency and supporting sustainable long-term growth (Raganata and Nath, 2018)**.**

Table 2. Projected Job Creation for the Jakarta-Bandung High Speed Rail

Phase	Job Creation	Description
Construction Phase	40,000	Jobs created during 3 years construction (Nath and Raganata, 2020).
Operational Phase	2,400 local jobs	Jobs created in passenger services, equipment maintenance, and related supporting industries (Centre, 2021).

Looking at these dynamics, we can conclude that the Jakarta-Bandung High-Speed Rail (HSR) project aligns with President Joko Widodo's

administration's infrastructure agenda, which became a central component of Indonesia's national interest at that time. Enhanced intercity connectivity and expanded market access through this project align with the agent’s aim to foster infrastructure development, particularly by facilitating more efficient business operations and attracting greater investment flows. Consequently, the Jakarta-Bandung HSR exemplifies the country's efforts to achieve greater infrastructure resilience, attract foreign investment, and enhance economic competitiveness in the long term.

2.2 Issues Encountered during the Construction Phase

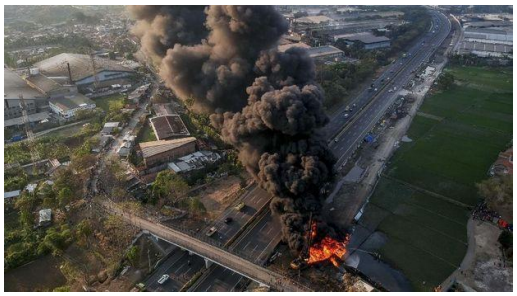
During the construction phase of the Jakarta-Bandung High-Speed Rail project, several significant challenges arose, including accidents, social and environmental impacts, and financial constraints. Notably, some accidents during construction caused delays and raised safety concerns. Additionally, financial pressures mounted as the project faced cost overruns and delays, leading the government to ultimately guarantee funding through the State Budget (APBN). These issues highlighted the complexities of executing such a large-scale infrastructure project and underscored the need for effective management and coordination among all involved parties.

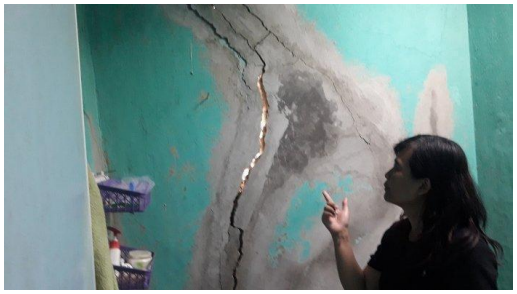
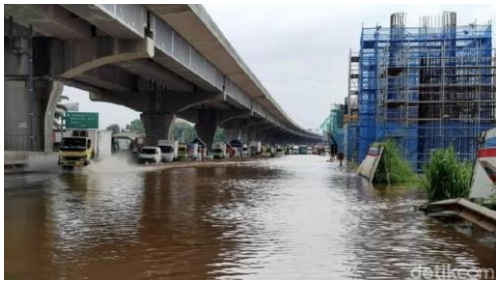
2.2.1 Environmental and Social Constraints

The Jakarta-Bandung High-Speed Rail project has faced a series of incidents and disruptions that have significantly impacted its development. These

challenges, ranging from construction accidents to traffic disturbances, have not only delayed the project but also raised concerns regarding safety, environmental impact, and financial sustainability. Below is a chronological overview of the major events and setbacks that have shaped the course of the project, highlighting the complexities and hurdles faced during its implementation:

Table 3. Issues Encountered During the Construction of the Jakarta-Bandung HSR

Year	Events
2019	An explosion involving a Pertamina fuel pipeline occurred on October 22, 2019, triggered by ongoing work on the Jakarta-Bandung High-Speed Rail project. It tragically claimed the life of a Chinese national. The explosion of the pipeline resulted in a fuel oil spill that contaminated the rice fields of Kampung Mancong residents, RT 02/01, in Melong Village, Cimahi Selatan District, Cimahi City, West Java (CNN 2019, 201).  **Picture 1. The explosion of the fuel pipeline** Source: Antara Foto/Raisan Al-Farisi
	Explosive techniques used in constructing a railway tunnel caused cracks in the homes of residents living at the foot of Mount Bohong in West Bandung (Agustina, 2019).

	 **Picture 2. Cracks of one residents home** Source: Tribun Jabar/Hilman Kamaludin
2020	Flooding occurred on the Jakarta-Cikampek toll road, caused by the ongoing construction of bored piles and pile caps, leading to significant traffic disruptions and disrupted logistics. The project was temporarily halted for two weeks, from March 2 to 16, 2020, while improvements were made to the construction management system related to safety, health, and environmental concerns (Antara, 2020).  **Picture 3. Flood at the Jakarta-Cikampek toll road** Source: Detik News/Rachman Haryanto
2021	A support pillar for the high-speed rail line collapsed, crashing into an excavator, after a contractor failed to follow standard operating procedures. PT. Kereta Cepat Indonesia China (KCIC) has admitted to an error in the pile installation for the construction project at Teluk Jambe, Karawang, West Java. This mistake led to a pier collapsing and damaging the two

	excavators of the project. While no one was injured, the incident caused delays as repairs were necessary (CNN, 2021).  **Picture 4. The collapse of the HSR pillar** Source: Tribun News
	In 2015, the Chinese government planned the budget for the Jakarta-Bandung High-Speed Rail (KCJB) at USD 5.13 billion, which was about IDR 76.95 trillion at an exchange rate of IDR 15,000 per USD. However, as time passed, costs kept rising, reaching USD 6.07 billion (IDR 91.5 trillion). By 2021, KAI's Director of Finance and Risk Management predicted that the costs would soar even further, from USD 6.07 billion to USD 8 billion, or roughly IDR 120 trillion (Technology, 2023).
2022	A technical train went off the tracks, leading to a serious incident that resulted in 6 casualties. Tragically, 2 of these individuals lost their lives, while 4 others sustained injuries. All of those affected were workers from China, underscoring the impact of the accident on the team working far from home (Hikam, 2022).

Picture 5. The incident at the train tracks

Source: Antara Foto/Raisan Al Farisi

In late 2022, the Indonesian House of Representatives Commission IV approved a State Capital Injection (PMN) amounting to IDR 3.2 trillion for the Jakarta-Bandung High-Speed Rail project (KCJB). The legal basis was regulated in Government Regulation (PP) No. 62/2022 concerning the Addition of PMN RI to KAI's Share Capital, on December 31, 2022 (Saputra, 2023). Under Presidential Regulation (Perpres) No. 93/2021, KAI was designated as the head of the BUMN consortium for the KCJB project, and the government is permitted to allocate state capital (PMN) to the consortium's lead entity.

This move sparked heightened opposition from several stakeholders, as the project was originally set to follow a Business-to-Business (B to B) model without drawing on the state budget. Despite this initial framework, the government has had to step in with financial support to address the project's escalating costs, further fueling controversy.

2023	In early April 2023, the government conceded to an increase in the project's budget by USD 1.2 billion, bringing the total to USD 7.27 billion, or around IDR 110.5 trillion. To manage this cost overrun, PT. KCIC plans to secure an additional USD 560 million loan from China Development Bank. However, this has raised concerns within the government, as China is now pushing Indonesia to use its state budget (APBN) as collateral for these extra expenses, adding more pressure to an already contentious situation. The Indonesian government proposed an alternative solution involving a debt guarantee provided by the state-owned credit guarantor, PT. Penjaminan Infrastruktur Indonesia (Persero) or PII (Idris, 2023a).

Sorted by: (Rakhmat and Purnama, 2023).

The project's exclusion from the Ministry of Transportation's 2030 National Railway Master Plan highlighted discrepancies in national infrastructure planning, leading to criticism from various stakeholders about the project's strategic alignment and long-term benefits (Putra, 2015).

One notable executive actor in the Indonesian government who expressed reservations and recommended reassessing the Jakarta-Bandung High-Speed Rail project was the former Minister of Transportation, Ignasius Jonan, who served as the Minister of Transportation starting on October 27, 2014. He was later appointed as the Minister of Energy and Mineral Resources of Indonesia from October 14, 2016, to October 20, 2019, after a cabinet reshuffle by President Joko Widodo (BBC, 2016). He raised strong concerns about the project's financial viability and sustainability, emphasizing the potential strain it could place on Indonesia's national

debt. According to Ignasius Jonan, the high-speed rail project between Jakarta and Bandung lacks commercial viability and, from a practical standpoint, such a mode of transport is unnecessary for this particular route. Ignasius Jonan as the former Minister of Transportation further estimated that with five stations planned for the Jakarta-Bandung route, the distance between each station would be approximately 30 kilometers. Initially, the project proposed five stations; however, the final plan now includes only four, with stations at Halim, Karawang, Padalarang, and Tegalluar, while the construction of Walini Station has been discontinued. Technically, high-speed trains, which typically exceed 300 km/h, are unsuitable for relatively short distances like Jakarta-Bandung, which spans only 150 kilometers. This limitation arises because the train cannot reach its maximum velocity on such short routes. Additionally, frequent station stops further hinder the train's ability to maintain high speeds. Even with current technological capabilities allowing speeds in excess of 300 km/h, such high speeds would only be sustained for brief periods due to the short distance (Idris, 2021).

In the recent trial runs of the Jakarta-Bandung High-Speed Rail, the train was able to reach speeds above 300 km/h. However, during the trials, which were open to both the public and media, the train only stopped at two stations, Halim and Tegalluar, bypassing the Karawang and Padalarang stations. Jonan points out that to achieve and sustain speeds of 300 km/h, a certain distance is required for momentum to build, necessitating several minutes of acceleration. This reasoning, according to Jonan, renders the high-speed train impractical for the Jakarta-Bandung route (Idris, 2021). Jonan also questioned the long-term economic benefits of the project, especially given its significant costs and associated risks. His

cautious stance underscored the need for thorough financial scrutiny and alignment of such large-scale infrastructure projects with Indonesia's broader economic goals and fiscal condition.

Rizal Ramli, the Coordinating Minister for Maritime Affairs in 2016 and also the former Coordinating Minister for Economic Affairs of Indonesia, has also been a vocal critic of the Jakarta-Bandung High-Speed Rail (HSR) project. He questioned the project's financial viability and its long-term benefits for Indonesia. Ramli highlighted concerns over the project's escalating costs and the substantial debt incurred, suggesting that the economic returns might not justify the investment. He also raised issues about the project's management and the involvement of foreign entities, emphasizing the need for transparency and accountability in such significant national projects (Idris, 2023).

Due to their outspoken criticism of key executive figures in the government, both Ignasius Jonan and Rizal Ramli were reshuffled in 2016. Rizal Ramli, who served as the Coordinating Minister for Maritime Affairs, was replaced by Luhut Binsar Pandjaitan on July 27, 2016. On the same day, Ignasius Jonan, previously serving as Minister of Transportation, was reassigned to the position of Minister of Energy and Mineral Resources (ESDM). This reshuffle reflected the administration's realignment of key figures in response to internal dynamics and differing views on strategic national policies.

Umar Arsal, a member of Commission V of the Indonesian House of Representatives (DPR), speculated that Jonan’s replacement was indeed influenced by his stance on the high-speed rail project (Rmol, 2016). Despite the controversy

surrounding his dismissal, Arsal acknowledged that Jonan's tenure as Minister of Transportation had been largely successful, marked by his strong commitment to safety and regulatory compliance in Indonesia's transportation sector. Jonan was known for his rigorous approach to transportation safety and his insistence on proper documentation and financial prudence before launching large-scale projects.

This situation serves as a clear example of Allison's Rational Actor Model (RAM), where the government acts as a unified entity in pursuit of a singular goal. In this case, the Indonesian government, under President Jokowi, demonstrated a coordinated approach by reshuffling key officials who publicly opposed the Jakarta-Bandung High-Speed Rail project, such as Ignasius Jonan and Rizal Ramli. Their criticism of the project, particularly regarding its financial viability and long-term benefits, contradicted the government's overarching objectives of infrastructure development. By replacing these figures with others more aligned with the government's goals, President Jokowi reinforced the notion that the state, as an actor, seeks to achieve coherent and strategic decisions, even at the cost of internal dissent. This reshuffling aligns with the theory's assertion that governments tend to prioritize the successful implementation of national strategies, regardless of internal opposition, in order to ensure consistent progress toward their goals (Ihsanuddin, 2016).

The public and political response to the project was mixed. There was notable resistance to the potential closure of the popular Argo Parahyangan train service, which offered an affordable travel option between Jakarta and Bandung. The proposed replacement of this service with the more expensive KCJB train was met with backlash from commuters and the general public, who viewed it as a move

that could limit accessibility and increase travel costs. This reaction underscored the political sensitivity of transportation policies in Indonesia, particularly when they intersect with broader economic and social concerns (Saputra, 2022). As the project progressed, discussions about extending high-speed rail services to other parts of Indonesia, such as Surabaya, came to the forefront. The Ministry of Transportation has even incorporated it into the development framework (Pratiwi, 2023).

In conclusion, the construction phase of the Jakarta-Bandung High-Speed Rail project faced numerous challenges that significantly impacted its progress, ranging from safety concerns and accidents to social and environmental disruptions. Accidents, such as the explosion of a Pertamina fuel pipeline and the collapse of a support pillar, highlighted the technical risks involved in the project, while the increase in costs and delays placed significant financial pressure on the government. Environmental and social impacts, including traffic disruptions and flooding, further complicated the project's execution and raised public concerns. The decision to allocate state funds to support the project underscored the financial strain, and political opposition, especially regarding the project's alignment with national transportation goals, revealed the broader socio-political implications. These issues reflect the complexities of undertaking such a large-scale infrastructure project and the difficulties in balancing the economic, social, and environmental demands that emerged throughout the construction phase.

2.2.2 Financial Constraints

Financially, the project also faced significant challenges, particularly with cost overruns. The initial estimate of US$5.5 billion escalated to US$7.27 billion (Correspondent, 2023), a substantial increase attributed to planning errors and the rising costs of imported materials, such as machinery and steel. The government's controversial move to nearly use state budget funds (APBN) as a guarantee for the Jakarta-Bandung High-Speed Rail project marked a significant shift from their earlier promise that no public funds would be involved. This reversal not only triggered public outcry but also damaged the government's credibility, as it raised serious questions about the transparency and management capabilities of such a large-scale infrastructure project.

In response to concerns about using public funds, Finance Minister Sri Mulyani explained that the government's recent regulation under PMK No. 89 of 2023 provides a backup guarantee for the Jakarta-Bandung High-Speed Rail project, aimed only at handling unexpected extra costs. This guarantee covers PT. Kereta Api Indonesia's (PT. KAI) financial obligations if needed, with safeguards like audits and income from PT. KAI's coal transport operations in Sumatra to help repay the debt. Additional monitoring and a "sinking fund" were also set up to prevent using state budget funds (APBN), so public finances remain safe (Rachman, 2023). The issue was compounded by the weakening Indonesian rupiah against the US dollar, which intensified the project's financial burden and underscored concerns about the project's long-term financial viability.

Luhut Binsar Pandjaitan, Indonesia's Coordinating Minister for Maritime Affairs and Investment, firmly rejected China's request to use the Indonesian state

budget (APBN) as a guarantee for the Jakarta-Bandung High-Speed Rail (HSR) project debt. This decision was widely supported by Abdul Muhaimin Iskandar, Deputy Speaker of the House of Representatives, who viewed Luhut's stance as necessary to protect Indonesia's financial stability. Muhaimin emphasized that using the APBN as a guarantee could risk significant, long-term financial strain, limiting the country's ability to invest in other critical regional projects. He asserted that the HSR project should remain a business-to-business (B2B) initiative without drawing from the APBN, relying instead on capital from state-owned enterprises. Muhaimin highlighted the importance of preventing the APBN from being tied up as collateral, as the project's financial model should ideally function independently without state budget dependencies (Republika, 2023).

The initial investment agreement for the Jakarta-Bandung High-Speed Rail project estimated the project's value at around USD 5.5 billion (BBC, 2016b). The Indonesian consortium, represented by PT. Pilar Sinergi BUMN Indonesia (PSBI), held 60% of the shares, while the Chinese consortium, led by China Railway International Co., Ltd., held the remaining 40%. PSBI, which includes several state-owned enterprises such as PT. Wijaya Karya, PT. Jasa Marga, PT. Kereta Api Indonesia, and PT. Perkebunan Nusantara VIII, was responsible for 75% of the project's financing, with the Chinese consortium covering the rest.

Approximately 75% of the total budget, or around USD 4.125 billion, was sourced through loans from the China Development Bank (CDB), with the remaining funds provided through equity. The loan from CDB was structured with a 40-year term and a 10-year grace period, carrying an interest rate between 2-3% per annum; USD loans bore a 2% interest rate, while RMB loans had a 3% rate.

Given the loan amount of USD 4.125 billion and an average interest rate of 2.5%, the estimated annual interest payment amounted to approximately USD 103.125 million.

Table 4. The Debt Structure of the Investment

Aspect	Details
Project Value	USD 5.5 billion (BBC, 2016)
Share Distribution	- Indonesian Consortium (PSBI): 60%
	- Chinese Consortium (China Railway International Co., Ltd.): 40%
PSBI Members	- PT. Wijaya Karya
	- PT. Jasa Marga
	- PT. Kereta Api Indonesia
	- PT. Perkebunan Nusantara VIII
Funding Sources	- Loans: 75% (USD 4.125 billion)
	- Equity: 25%
Loan Provider	China Development Bank (CDB)
Loan Terms	- Term: 40 years
	- Grace Period: 10 years
	- Interest Rates:
	- USD loans: 2%
	- RMB loans: 3%
Estimated Annual Interest	USD 103.125 million

Source: (BBC, 2016b).

Indonesia and China have agreed on the interest rate for a loan from the China Development Bank (CDB), amounting to $542.7 million or approximately IDR 8.41 trillion (at an exchange rate of IDR 15,500). This loan from the CDB is intended to cover the cost overrun of the Jakarta-Bandung High-Speed Rail (KCJB) project, also known as Whoosh. The total loan of $542.7 million is divided into two parts: $325.6 million (IDR 5.04 trillion) denominated in U.S. dollars with an interest rate of 3.2%, and the remaining $217 million (IDR 3.36 trillion) denominated in Renminbi (Yuan) with an interest rate of 3.1% (Rahayu and Setiawan, 2024).

The total cost overrun for the KCJB project, agreed upon by the Indonesian and Chinese governments, is $1.2 billion or IDR 18.6 trillion. This cost overrun is shared between the two parties, with 60% borne by the Indonesian consortium and 40% by the Chinese consortium.

Tabel 5. Financial Structure of the Jakarta-Bandung HSR Construction

Component	**Value (USD)**	**Value (IDR)**	**Interest Rate**
Total Loan from CDB	$542.7 million	IDR 8.41 trillion	-
- Denominated in U.S. Dollars	$325.6 million	IDR 5.04 trillion	3.20%
- Denominated in Renminbi (Yuan)	$217 million	IDR 3.36 trillion	3.10%
Total Cost Overrun	$1.2 billion	IDR 18.6 trillion	-

- Indonesian Consortium (60%)	$720 million	IDR 11.16 trillion	-
- Chinese Consortium (40%)	$480 million	IDR 7.44 trillion	-

Source: (Rahayu and Setiawan 2024).

In conclusion, the government's decision to persist with the project is underpinned by a series of multifaceted challenges that have emerged across social, environmental, technical, and financial domains. These complexities underscore the intricate circumstances surrounding the project's implementation. Socially, the project has prompted concerns regarding the displacement of communities and disruptions to local livelihoods. From an environmental perspective, there are significant apprehensions regarding its potential long-term ecological impact. Technically, the project has encountered unforeseen challenges in its execution, revealing the intricacies of managing such a large-scale initiative. Financially, escalating costs have raised questions about the sustainability and overall feasibility of the project. Collectively, these issues provide a nuanced understanding of the complex dynamics that influence the ongoing development and potential outcomes of the project.

CHAPTER 3

Decision Making Process behind the Continuation of Jakarta-Bandung High-Speed Rail Project

In this chapter, we will explore the decision-making process behind the continuation of the Jakarta-Bandung High-Speed Rail (HSR) project, focusing on the alternatives, consequences, and the rationale behind the government's choice to proceed. The project is a significant component of Indonesia's infrastructure modernization plan, aimed at improving regional connectivity and global competitiveness. The chapter will examine the various options considered by the Indonesian government before deciding to move forward with the project.

3.1 Alternatives

According to Allison's Rational Actor Model, the rational agent must consider a set of alternatives before making a decision, with each alternative clearly defined and distinguished from others. In the case of the Jakarta-Bandung High-Speed Rail (HSR) project, the government faced two primary alternatives: halting or continuing the project.

3.1.1 Halting the Project

The Indonesian government's decision to potentially halt the Jakarta-Bandung High-Speed Rail (HSR) project can be analyzed using an objective, rational decision-making framework, where costs and benefits are carefully weighed to determine whether terminating the project yields greater advantages

than continuing it. A rational actor would assess these factors based on economic, political, and strategic considerations to determine which path maximises national interest.

While halting the HSR project carries considerable costs, in terms of fiscal responsibility and reallocation of resources. Halting the Jakarta-Bandung High-Speed Rail (HSR) project presents a complex set of trade-offs, balancing immediate costs against potential long-term benefits. One key advantage of stopping the project is the opportunity to reallocate substantial funds to other critical infrastructure needs (Chayyani, 2023). These funds could be redirected towards sectors such as healthcare, education, and regional road networks, which might provide more immediate, widespread benefits, especially in areas currently underserved by infrastructure. This reallocation would allow the government to distribute resources more equitably across the country, addressing pressing social and economic challenges while also potentially yielding quicker, more tangible returns for the population.

Halting it could also avoid of further debt accumulation, particularly loans tied to the China Development Bank. The HSR project involves large-scale borrowing, and with the Indonesian consortium covering 60% of the cost overruns, the financial burden on the country has grown. Stopping the project could relieve the government from additional interest payments, reducing its dependence on foreign loans and improving fiscal stability in the long term. This move would help alleviate the country's debt burden, allowing for more sustainable economic management (Antara, 2022).

It also need to reassess the environmental and social issues that have arisen during its construction. These concerns include land acquisition disputes, community displacement, and the environmental impact of the rail's construction. By pausing the project, the government could engage in more thorough consultations with affected communities, refine its land acquisition policies, and introduce more environmentally sustainable practices in future infrastructure projects. This pause would not only improve public perception of the government's development agenda but could also lead to more socially and environmentally responsible outcomes in the long run (WALHI, 2018).

Risk mitigation of further cost overruns, which have already added an additional USD 1.2 billion to the project's total cost could be achieved by halting the project. If the project were to continue, the government might face even greater financial challenges, jeopardizing other national priorities. Stopping the project would allow for a reassessment of its strategic value and give the government a chance to focus on projects with clearer cost controls and higher returns on investment (BBC, 2023).

In conclusion, while halting the Jakarta-Bandung HSR project involves substantial financial losses and potential socio-economic impacts, including job losses, it also offers significant potential benefits. These include a redirection of funds towards urgent infrastructure needs, strengthened fiscal stability, and the opportunity to address environmental and social concerns. However, the decision is fraught with challenges, including legal, geopolitical, and public perception constraints, which limit the government's ability to act decisively.

3.1.2 Continuing the Project

Continuing the project under the existing partnership with China, as eventually decided, allowed for the leveraging of Chinese expertise and financing, albeit with challenges in managing debt and aligning the project with national interests. This route reflected a pragmatic approach, acknowledging the substantial investments already made and the geopolitical benefits of maintaining strong ties with China. One prominent executive actor in the Indonesian government who strongly advocated for continuing the Jakarta-Bandung High-Speed Rail project was Luhut Binsar Pandjaitan, the Coordinating Minister for Maritime Affairs and Investment.

Luhut has consistently supported the project, emphasizing its strategic importance for Indonesia's economic development and infrastructure modernization. In his statements, Luhut highlighted the benefits of the project in terms of job creation, boosting local industries, and improving connectivity between Jakarta and Bandung. He argued that the high-speed rail would significantly reduce travel time, foster regional economic growth, and serve as a catalyst for broader infrastructure improvements across Indonesia. Luhut also pointed out the importance of maintaining strong economic ties with China, a key partner in the project, and leveraging Chinese expertise and financing to achieve Indonesia's ambitious infrastructure goals. His advocacy for the project underscored a broader vision of integrating Indonesia more deeply into the regional and global economy through strategic infrastructure investments (Liputan6, 2020).

Continuing the Jakarta-Bandung High-Speed Rail project also allowed Indonesia to harness valuable benefits from the partnership with China, especially in gaining technological expertise and financial support, while facing some challenges in managing the debt and keeping the project aligned with national interests. This route, ultimately chosen, provided Indonesia with access to advanced high-speed rail technology and skills, as local engineers and workers collaborated with Chinese experts, boosting Indonesia's capability for future infrastructure development. The project also stimulated local industries that supply materials and services for construction, creating a ripple effect of economic activity that stretches beyond the railway itself.

Despite the considerable costs, continuing the Jakarta-Bandung High-Speed Rail (HSR) project offers several long-term benefits that align with Indonesia’s broader economic and strategic objectives. One of the most significant advantages is the enhanced connectivity between Jakarta and Bandung, reducing travel time from over three hours to just 40 minutes. This improved connectivity is expected to boost business activity between the two cities, fostering commerce, reducing transportation costs, and increasing productivity. The enhanced economic integration between these regions could stimulate local economies and contribute to broader national economic growth. By modernizing Indonesia's transportation infrastructure, the HSR project would facilitate the flow of goods and services, playing a vital role in the country’s long-term economic development (S. K. R. Indonesia, 2022).

The project is also expected to create thousands of jobs, further benefiting the national economy. During the construction phase, approximately 40,000 jobs

are projected to be generated across various sectors, including construction, engineering, and project management (Raganata and Nath, 2018). These employment opportunities will provide a substantial boost to local economies, especially in regions directly involved in the project. Additionally, once the HSR is operational, it is expected to create further long-term employment in areas such as maintenance, operations, and service provision. The HSR would offer sustainable job opportunities, contributing to the workforce and supporting economic stability in the long run (Kencana, 2023).

The HSR project is also anticipated to provide a significant boost to tourism and local businesses. The faster travel times will make it easier for both domestic and international tourists to travel between Jakarta and Bandung, potentially increasing tourism revenues. Local businesses, especially those in the hospitality and service industries, stand to benefit from increased foot traffic. The multiplier effect from higher tourism activity could bring millions of dollars in additional annual revenue, strengthening the local economy and enhancing the financial viability of the project. This, in turn, could create a positive feedback loop of economic growth driven by improved connectivity and increased tourism (Inilah, 2023).

By offering an efficient and sustainable alternative to road transport, the HSR would help alleviate road traffic congestion, contributing to improved air quality. The reduction in the number of cars on the road is expected to cut CO2 emissions by an estimated 1.5 million tons annually, which would significantly support Indonesia’s environmental sustainability goals. This environmental benefit aligns with the country's commitment to reducing its carbon footprint and

transitioning towards more sustainable forms of infrastructure development (Laksono, 2023).

The successful completion of the Jakarta-Bandung HSR project would significantly enhance Indonesia’s international standing. It would showcase the country’s ability to execute large-scale infrastructure projects and improve its reputation as a capable and reliable partner in the global infrastructure market. This success could increase foreign direct investment (FDI) by 10-15%, as such projects often bolster investor confidence. Strengthening Indonesia's reputation would not only attract future investments but also deepen strategic partnerships, particularly with China. The HSR project would solidify Indonesia’s position as a key player in the global infrastructure arena, making it a more attractive destination for future international collaborations and investments (Crescenzi, 2018).

In conclusion, choosing the alternative of continuing with the high-speed rail project represents a calculated decision by Indonesia to foster economic development, deepen international cooperation, and secure long-term benefits. This alternative not only reinforces existing investments but also underscores Indonesia’s commitment to modernizing its infrastructure, improving connectivity, and strengthening its role in the global economy. While this path brings financial and logistical complexities, it remains a strategic alternative toward realizing Indonesia’s vision of a more connected and economically dynamic future.

3.2 Consequences

According to Allison's Rational Actor Model, each alternative is accompanied by a set of consequences that will unfold depending on the chosen course of action. In this model, the decision-maker must evaluate the potential outcomes associated with each alternative, which can vary based on different assumptions and expectations about how accurately the consequences will manifest. The key idea is that the rational actor will assess the consequences systematically, predicting the potential benefits and drawbacks of each option. However, this evaluation is influenced by the decision-maker's understanding and estimation of these consequences, which may not always be fully accurate or objective. In the case of the Jakarta-Bandung High-Speed Rail, the alternatives of halting or continuing the project would each come with a distinct set of consequences, and the government's decision to continue would have been influenced by the belief that the long-term benefits—such as infrastructure development and international relations—outweighed the immediate costs and risks. The model emphasizes the rationality behind such choices, where the decision-maker seeks to optimize the outcomes based on the available information and perceived future benefits.

3.2.1 Consequences of Halting the Project

Halting the HSR project would bring about several immediate and long-term costs, which must be objectively considered. These costs span financial, reputational, and socio-economic dimensions, with significant potential negative

implications for Indonesia's economy, international standing, and domestic industries.

The most immediate and tangible cost of stopping the HSR project would be the financial losses due to sunk costs. By 2021, the Indonesian government and its state-owned enterprises (SOEs) had already invested billions into the project, covering expenses in the problems of land acquisition, project construction, and project funding (Tetama, Suharno, and Tyola, 2022). Halting the project would mean forfeiting these investments without yielding any return.

The Chinese consortium, which has invested heavily in the project, would also face financial losses. China has provided substantial loans for the project through the China Development Bank (CDB), and halting the project would mean the resources and technology already committed would not generate returns.

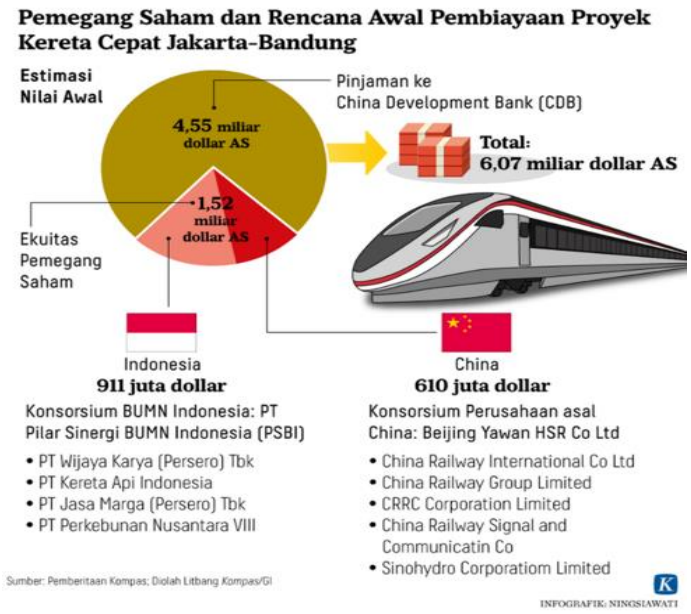
From a diplomatic and geopolitical standpoint, stopping the project could damage Indonesia's international reputation, particularly in its ability to execute large-scale infrastructure projects. As the primary financial backer, the China Development Bank also shoulders a disproportionately large share of the financial risk in this project, especially compared to other participating stakeholders. In contrast, Indonesia's financial liabilities are significantly mitigated, reflecting a more conservative risk allocation (Nath and Raganata, 2020). International investors, especially those from China, might have expressed doubts over whether the project would meet its targets, especially after the project exceeded its original budget by nearly $2 billion and faced further delays due to logistical and environmental hurdles (Yuniar, 2023).

Given that the project is a key component of China's Belt and Road Initiative (BRI), its discontinuation could strain bilateral relations between the two countries, making future cooperation on infrastructure projects more difficult. This reputational damage could ripple beyond China, diminishing Indonesia's appeal to other international investors, potentially leading to a reduction in foreign direct investment (FDI) in the future. Additionally, it could weaken Indonesia's position as a key player in regional infrastructure development initiatives (Crescenzi, 2018). Indonesia may also encounter contractual penalties for violating agreements with its international partners, including the Chinese consortium and contractors. According to Crescenzi's theories on reputational impact in international relations, such breaches could not only result in significant legal and financial repercussions but also exacerbate the reputational damage. These penalties, along with the already substantial sunk costs, could lead to further losses, intensifying concerns among international investors about the predictability and reliability of Indonesia as a partner in large-scale projects. This could harm the credibility of Chinese firms participating in international infrastructure development, particularly in Southeast Asia. Furthermore, the project's failure might reduce China's influence in Indonesia, weakening the broader geopolitical and economic ties between the two countries.

State-owned enterprises (SOEs) involved in the project, such as PT. Kereta Cepat Indonesia-China (KCIC) and its partners, would likely suffer significant financial setbacks. Many of these enterprises have taken on considerable debt to fund their share of the project. Terminating the project would not only result in the loss of these investments but could also lead to legal disputes, fines, and liabilities

stemming from broken contracts with construction partners, companies and international partners. If this project were halted, not only would direct financial losses occur, but there would also be broader economic impacts, such as debts to the China Development Bank amounting to Rp 6.9 trillion and the potential loss of expected revenue from the high-speed rail operation. President Director of PT. Wijaya Karya (Persero) Tbk, Agung Budi Waskito, stated that his company is bearing an equity injection cost of Rp 6.1 trillion. The company is under significant pressure because PT. Pilar Sinergi BUMN Indonesia (PSBI), a subsidiary of PT. Kereta Api Indonesia (KAI), holds a 60 percent majority stake in PT. Kereta Cepat Indonesia China (KCIC). PT. Wijaya Karya owns 38 percent of PSBI's shares (Widyastuti, 2024). The government would need to consider long-term losses related to infrastructure investments and the impact on the credibility of future large-scale projects.

Figure 2. The Shareholders and Financing Plan



Source: (Gianie, 2021).

Economically, thousands of jobs would be lost if the project were halted, affecting not only direct employees but also those in industries tied to construction and materials supply chains. This would have a ripple effect on economic growth, particularly in the regions reliant on the HSR project for development and employment (Indonesia and KCIC, 2019).

In conclusion, halting the Jakarta-Bandung High-Speed Rail project would likely lead to significant financial losses, strained diplomatic relations with China, and damage Indonesia's international reputation, while also causing job losses and economic stagnation in affected regions. However, it could also allow for the reallocation of resources to urgent national priorities and prevent further debt accumulation. Therefore, the government must carefully weigh these trade-offs and align its decision with Indonesia's broader development strategy, fiscal priorities, and diplomatic commitments. A comprehensive approach that includes renegotiating terms, minimizing losses, and ensuring stakeholder engagement would be essential to achieving an outcome that maximizes national interest while adhering to legal and geopolitical obligations.

3.2.1 Consequences of Continuing the Project

In the context of Indonesia's broader development objectives, continuing the Jakarta-Bandung High-Speed Rail (HSR) project poses both significant financial risks and potential long-term economic benefits. Using Graham T. Allison's Rational Actor Model, which emphasizes decision-making based on a calculated, objective assessment of costs and benefits, this analysis explores

whether the strategic advantages of completing the HSR project outweigh the financial and operational risks.

From a rational actor perspective, the financial and operational burdens associated with continuing the HSR project are substantial and must be carefully assessed. The project's total estimated cost is USD 5.5 billion, with 75% (USD 4.125 billion) financed through loans from the China Development Bank (CDB). The loan has a 40-year term, with a 10-year grace period, and an average interest rate of 2.5%. This means Indonesia will face an estimated annual interest payment of USD 103.125 million, which will accumulate over the long repayment period. Additionally, the project has experienced cost overruns of USD 1.2 billion, further increasing the financial burden on both the Indonesian (60%) and Chinese (40%) consortia. To manage these overruns, a supplementary loan of USD 542.7 million has been negotiated, compounding Indonesia's debt obligations. These escalating financial commitments pose a significant risk to the nation's fiscal stability and will require prudent financial management (Gianie, 2021).

Beyond the initial capital investment, the HSR project will generate ongoing operational and maintenance costs. These include expenses for staffing, infrastructure upkeep, technology upgrades, and safety measures, all of which are essential to ensuring the long-term viability of the project. Over time, these recurring costs can accumulate, potentially straining the project's financial sustainability. The government must account for these costs in its long-term budget planning to avoid further financial strain (Kamalina, 2023).

The significant financial outlay required for the HSR project may divert funds from other critical infrastructure initiatives such as healthcare, education, or regional road development (Idris, 2023a). These sectors could provide broader, more immediate socio-economic benefits to the population, especially in underserved areas. By allocating such a large portion of the national budget to the HSR, Indonesia may delay or reduce investment in other essential sectors, impacting the overall balance of public investment and potentially slowing national development in key areas.

If the Indonesian government continues with the Jakarta-Bandung High-Speed Rail (HSR) project, the financial implications could escalate further. The project, initially estimated at USD 5.5 billion, has already experienced significant cost overruns, pushing the total cost to USD 7.5 billion. Continuing the project means that Indonesia will not only face the burden of repaying the original loan from the China Development Bank, which covers 75% of the cost, but will also need to manage additional loans to cover the overruns, such as the supplementary USD 542.7 million loan. These financial commitments could increase the country's debt load, strain public finances, and reduce the government’s ability to invest in other critical sectors. Moreover, the long repayment period, high interest costs, and potential for further delays may compound these financial challenges. The government will need to exercise careful financial management to mitigate the risk of long-term fiscal instability, while also ensuring the project's completion to avoid further damage to its international standing (Crescenzi, 2018).

Continuing the project also carries legal and contractual risks. Failure to meet project milestones could trigger penalties or legal disputes with contractors,

partners, or the Chinese consortium, imposing additional financial liabilities on Indonesia's state-owned enterprises (SOEs). These liabilities would further complicate the project's financial landscape and strain its stability, making the project more difficult to sustain in the long run (Gianie, 2021).

In summary, the financial, operational, and reputational costs of continuing the HSR project are significant and the government must manage these risks carefully, particularly in relation to fiscal sustainability, to avoid jeopardizing broader national development goals.

In conclusion, continuing the Jakarta-Bandung High-Speed Rail project presents both significant challenges and promising long-term benefits. The financial and operational burdens must be carefully managed to avoid jeopardizing Indonesia's fiscal health and broader development priorities. However, if these challenges are mitigated, the HSR project can become a major driver of economic growth, environmental sustainability, and enhanced international standing. The decision to proceed must align with the nation's overall strategic goals, fiscal capacity, and geopolitical priorities, balancing the costs and constraints to maximize long-term national benefit.

3.4 Rationalization of the Chosen Policy

According to Allison's Rational Actor Model, rational choice involves selecting the alternative whose consequences align most closely with the decision maker's goals and objectives. The agents making the decision, operating within a framework of rationality, evaluate the potential outcomes of each available alternative and choose the one that maximizes benefits or minimizes costs, as

defined by their 'payoff function.' This decision-making process aims to optimize the outcomes based on the values and priorities assigned to various consequences.

The Indonesian government has implemented key regulations to support and accelerate the Jakarta-Bandung High-Speed Rail (HSR) project, beginning with Presidential Regulation (Perpres) No. 107 of 2015 (G. Indonesia, 2016), which initiated the project under a consortium of state-owned enterprises. This regulation was later revised by Perpres No. 93 of 2021 (G. Indonesia 2021, 93) to strengthen the consortium and establish a dedicated committee, led by the Coordinating Minister for Maritime Affairs and Investment, to oversee the project's progress and ensure timely completion. Recently, the Ministry of Finance issued Regulation (PMK) No. 89 of 2023 (G. Indonesia, 2023) to manage potential cost overruns, providing a structured framework for government guarantees to secure the project's financial stability. These regulations illustrate Indonesia's commitment to ensuring the successful completion of this strategic infrastructure project.

The decision by the Indonesian government to continue the Jakarta-Bandung High-Speed Rail (HSR) project, despite substantial obstacles, can be seen as a rational policy choice aimed at maximizing national benefits in various dimensions, political, economic, and geopolitical. This choice is rooted in careful consideration of both the short- and long-term impacts of the project, and the formulation of policy responses designed to mitigate risks and ensure the project's success.

3.4.1 Economic Rationale

The government’s focus on enhancing infrastructure through the Jakarta-Bandung High-Speed Rail project demonstrates a strategic approach to foster national economic growth. The infrastructure improvements are expected to provide critical support for regional economic activities, including trade, tourism, and investment, by reducing travel time and making the region more accessible.

The benefit is that the reduction in travel time from three hours to just 40 minutes will enhance transportation efficiency, stimulate regional economic development, and make the region more competitive. Additionally, by alleviating traffic congestion, the project will increase business productivity and attract investments. Furthermore, the introduction of state guarantees (Penyertaan Modal Negara) through Presidential Regulation No. 93 of 2021 ensures the project’s financial stability, minimizing risks and securing private sector engagement (Allison and Zelikow, 1999).

3.4.2 Political Rationale

Politically, the continuation of the Jakarta-Bandung High-Speed Rail project aligns with the government’s infrastructure development agenda, which is a cornerstone of President Joko Widodo’s administration. The project supports national goals of improving connectivity, reducing regional disparities, and fostering overall economic growth.

The benefit is that the project strengthens political legitimacy by showcasing the government's ability to manage large-scale infrastructure

initiatives. This reassures both domestic and international stakeholders, reinforcing Indonesia’s commitment to long-term development. Additionally, the regulatory revisions made in 2021 ensure better financial oversight and coordination, which further supports the political stability and credibility of the government in executing such complex projects.

3.4.3 Geopolitical and Strategic Rationale

From a geopolitical perspective, the Jakarta-Bandung High-Speed Rail project plays a significant role in Indonesia's relationship with China, positioning it as a key initiative within China's Belt and Road Initiative (BRI). By continuing the project, Indonesia strengthens its economic and political ties with China, gaining access to critical financial resources and advanced technology in infrastructure development.

The benefit from the chosen policy is that Indonesia receives substantial investments and expertise from China, particularly in high-speed rail technology and construction, which will enhance the capabilities of Indonesia’s domestic industries. Furthermore, the collaboration ensures that Indonesia maintains its position as a strategic partner in Southeast Asia. The project also helps Indonesia balance its geopolitical interests, as the country can maintain good relations with other powers such as Japan and the United States, preventing over-dependence on any single foreign partner.

The continuation of the Jakarta-Bandung High-Speed Rail (HSR) project presents both significant financial risks and long-term strategic benefits. The project entails substantial costs, including debt accumulation and operational expenses,

which could strain Indonesia's fiscal stability. Legal, reputational, and opportunity costs also pose risks to the government's broader development priorities. However, the potential benefits—such as enhanced connectivity, economic growth, job creation, and environmental sustainability—make the project a strategic investment. Furthermore, Indonesia’s collaboration with China through the Belt and Road Initiative strengthens geopolitical ties and boosts foreign investment, positioning the country as a key player in Southeast Asia’s infrastructure development.

In conclusion, the Jakarta-Bandung HSR project is a rational policy choice that offers significant long-term rewards, but it requires careful financial and operational management. By strategically balancing the costs with the potential benefits, the government can ensure that the project contributes to national economic development, strengthens Indonesia's international standing, and meets the country’s infrastructure goals without jeopardizing fiscal health or delaying investment in other critical sectors.

CHAPTER 4

CONCLUSION

4.1 Conclusion

In assessing the Indonesian government's decision to continue the Jakarta-Bandung High-Speed Rail (HSR) project, a comprehensive analysis through Graham T. Allison's Rational Actor Model highlights the rationality of this choice within the broader goals of President Jokowi’s administration: accelerating infrastructure development and enhancing global competitiveness. The decision-making process was marked by a systematic evaluation of alternatives, halting or continuing the project, alongside a careful analysis of the consequences associated with each option. This thorough approach underscores the administration's commitment to ensuring that the chosen policy was grounded in rationality and aligned with its strategic objectives.

The decision reflects a unified governmental stance, demonstrating cohesion in pursuing national priorities despite substantial challenges. While the alternative of halting the project could have avoided escalating debt and operational risks, it would have undermined the potential benefits of enhanced regional connectivity, reduced travel times, job creation, and economic stimulation. Moreover, abandoning the project would have harmed Indonesia's international relations and reputation, particularly with China, a key partner in the project. It would have also constrained future foreign investment by signaling an inability to complete major infrastructure initiatives, thereby jeopardizing Indonesia's broader economic and development goals. By opting to continue, the government rationalized the policy based on its alignment with broader development goals,

geopolitical significance in fostering partnerships with China, and long-term economic prospects. This rational approach, supported by financial safeguards and risk management strategies, solidifies Indonesia's position as a key player in global infrastructure while advancing its national development agenda.

4.2 Recommendation

To ensure the successful continuation of the Jakarta-Bandung High-Speed Rail (HSR) project, it is essential that the Indonesian government emphasizes strategic measures that align with its development objectives and rational decision-making framework. Strengthened financial oversight, enhanced stakeholder engagement, proactive risk mitigation, environmental sustainability, strategic partnerships, and comprehensive monitoring are pivotal to achieving the project's goals while minimizing potential drawbacks.

A dedicated financial oversight committee, comprised of experts in finance, engineering, and public policy, can enforce transparency, accountability, and budgetary discipline. Diversifying funding sources, including public-private partnerships and international development grants, will reduce reliance on state funds. Additionally, negotiating favorable terms with institutions like the China Development Bank—such as lower interest rates or extended repayment periods—will alleviate fiscal pressures. These efforts reflect rational evaluation of financial consequences and alternatives to ensure fiscal sustainability.

Stakeholder engagement remains critical for fostering public support and minimizing resistance. The government should adopt a structured plan involving

local communities through forums, social media, and advisory panels. This participatory approach allows affected communities to voice concerns and benefit from the project, particularly regarding land use, job opportunities, and environmental impacts. Similarly, implementing a robust risk management framework, incorporating tools like SWOT analysis and risk matrices, will identify and mitigate potential financial, operational, and environmental risks.

To address environmental concerns, an Environmental Management Plan (EMP) should prioritize eco-friendly technologies and materials, ensuring sustainability throughout construction and operations. Simultaneously, a Monitoring and Evaluation (M&E) framework will allow continuous assessment of progress using qualitative and quantitative indicators. Strategic partnerships and knowledge-sharing with countries experienced in high-speed rail development will further enable Indonesia to adopt global best practices, foster innovation, and solidify its position in the regional infrastructure landscape.

By adopting these measures, the government reinforces its unified commitment to advancing the HSR project through a rational, structured, and consequence-driven approach. These strategies not only align with President Jokowi's broader goals of enhancing infrastructure and global competitiveness but also maximize long-term economic, social, and environmental benefits, ensuring the project's alignment with Indonesia's national development priorities.

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