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# Issue 459

## Of Eagle Eye Intelligence

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## JAKARTA: Reliance on Chinese Investment May Increase Under New Leadership

**Summary:** Jakarta's new administration may rely on Chinese investment more to pursue its goal of 8% economic growth. Beijing's monopolization of nickel in Indonesia may prove problematic for Washington in the future.

**Development:** On 20 October, Prabowo Subianto swore in as the eighth president of Indonesia. Subianto's presidential promises include achieving 8% economic growth in his first term and continuing signature economic policies from the previous President Joko Widodo, including reappointing Widodo's chief economic minister Airlangga Hartarto. Widodo's presidency saw an increase of Chinese investment, and nearly doubled in growth after he appointed Hartarto halfway into his term. Chinese companies and investors control 90% of the nickel industry in Indonesia, according to the *Indonesia Business Post*. Indonesia is the world's largest nickel producer and forecasted to represent more than 70% of the global supply in the next five years. Nickel is a critical mineral in the construction of electric vehicle batteries, and demand is expected to double within the next two decades, according to *The United States Institute of Peace*. Multiple nickel mines outside of Indonesia closed, unable to compete with Jakarta's prices as Indonesian nickel flooded the market, dropping prices. Historically, Jakarta's economic growth has not exceeded 5%, and its current spending structure cannot exceed that threshold. However, there is a significant correlation between foreign investment into industrial sectors and an increase in economic growth, according to a study by the University of Split.

**Analysis:** Chinese investment in Indonesia is likely to increase as Subianto looks for a way to hit his goal of eight percent economic growth and increasing foreign investment could be one of the means he uses to pursue this goal. Subianto may attempt to garner more Chinese investment than before to surpass the annual 5% growth the previous administration experienced. This might explain Hartarto's reappointment to economic minister since the previous administration experienced the greatest increase in Chinese investment after he took office. As more nickel mines outside of Indonesia continue to close, the United States may become increasingly dependent on Indonesian nickel, which Beijing mainly controls. This could give Beijing significant international influence through its ability to manipulate the United States, and global supply chains through monopolizing nickel, especially as the demand continues to rise.

[Luke Cisneros]

## CHINA: Aggression Directed at Taiwan Will Likely Decrease Regional Stability

**Summary:** Beijing conducted military exercises around Taiwan, deploying aircraft and naval forces. These drills almost certainly serve as retaliation for Taiwanese President Lai Ching-te's speech, and the region will likely see increased tensions.

**Development:** On 14 October, Beijing deployed 125 aircraft along with ships, including its Liaoning aircraft carrier. Taipei's defense ministry confirmed that a 111 aircraft breached Taiwan's air defense identification zone (ADIZ), pushing closer to Taiwan's borders, according to CNN. Beijing described the large-scale military drills as a "resolute punishment" for Lai's comments declaring Taiwan is not subordinate to China and rejected Beijing's claim to represent the island, pledging to resist annexation, according to AP News and the *South China Morning Post*. In response, Taipei deployed warships and missile systems to monitor and counter Beijing's actions, according to NPR. Taipei officials urged an end to Chinese military provocations and emphasized the potential threat these actions pose to regional peace and stability.

**Analysis:** The timing of the drills, occurring right after Taiwan's National Day celebrations and Lai's defiant speech underscores Beijing's ongoing attempts to undermine Taipei's governance and is almost certainly to promote a narrative of Chinese supremacy. Heightened military pressure from Beijing raises concerns about potential miscalculations that may lead to conflict. Taipei will likely balance its defense strategy between deterrence and the need for diplomatic engagement with international partners. The European Union and some members of the Association of Southeast Asian Nations may oppose aggressive Taipei's defensive military actions, prioritizing regional stability and their economic ties with Beijing. They might fear that strong deterrence could escalate tensions with Beijing. In contrast, allies like Japan would probably support Taipei's defensive measures, if they remain within reasonable limits. The current trajectory suggests that Beijing will likely continue to leverage military capabilities to assert its claims over Taiwan. Taipei will also likely exhibit more resistance. Military aggression and retaliation from both sides will probably increase instability in the region.

[Matthew Keller]

## CHINA: Tensions Likely to Continue Rising After Day-Long Naval Blockade on Taiwan

**Summary:** Beijing ran a one-day military exercise forming a naval blockade around Taiwan in response to Taiwanese President Lai Ching-te's speech during National Day. Beijing will certainly continue increasing pressure on Taiwan's attempts to have its independence acknowledged.

**Development:** On 14 October, Beijing conducted a one-day military exercise of establishing a naval blockade established around Taiwan. This operation included forces from the Peoples Liberation Army Navy, Air Force, Rocket Force, and Chinese Coast Guard. Beijing sent a carrier strike group to this operation, with 34 naval vessels in total. Throughout the day they conducted 125 sorties with planes, helicopters, and drones. During this operation, Chinese ships entered close proximity to Taiwan and 74 planes entered the aircraft identification zone around Taiwan. Beijing conducted this exercise in response to the speech made by President Lai on National Day. The speech included Taiwan's assertion of independence and that Beijing can no longer control them and does not have the right to command them. Beijing stated that this exercise will show that there is no chance of Taiwanese independence and that in the future all efforts of independence have no point. After the day of exercises the fleets retreated and Beijing declared the exercise a success and that this operation was necessary for safeguarding national sovereignty and national unity. Previously, Beijing conducted a two-day military exercise around Taiwan when President Lai's inaugurations speech called on Beijing to cease military and political threats and to find peace across the Taiwanese Strait.

**Analysis:** With the aftereffects of this drill and increased activity in the South China Sea, territorial and border conflicts are likely to arise between Beijing and Taiwan. Beijing used this exercise as a deterrence for Taiwanese independence and will likely continue using this method in the future or go to even more extremes. Beijing wants to demonstrate and expand its naval capacity, and this event was likely the first step in increased naval operations around the Pacific. Beijing also expressed interest in a navy capable of global power projection and this drill was likely a test to see how capable a carrier strike group is at operating alone and completing a mission.

[Brooks Yarlott]

## About GSIS

Embry-Riddle Aeronautical University's (ERAU) Bachelor of Science in Global Security & Intelligence Studies (GSIS) degree program at our Prescott Campus blends both academic and professional studies to equip students with the knowledge and skills necessary to become future leaders in intelligence, security, and law enforcement. The program provides students with a sound foundation in the liberal arts, including international relations, foreign languages and cultures, international law, foreign policy, political and military history, and other essential topics.

## About EE

Eagle Eye Intelligence (EE) is an intelligence and research organization led by the students of the GSIS program at ERAU in Prescott, Arizona.

Dr. Philip E. Jones founded EE and Embry-Riddle's GSIS program in 2002, following a career with the Central Intelligence Agency and consulting work in international development and global security. Currently, Professor Dale R. Avery, a former career intelligence analyst, serves as EE's faculty advisor.

EE strives to provide actionable intelligence and analysis to its customers during the academic year. We are driven by a number of goals – continuous development, nonpartisanship, interdisciplinary studies, global awareness, and professionalism.

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Sebastien Bragg, a Senior in the GSIS program, currently serves as EE's Editor in Chief. For questions or comments, contact the team at [editorsee@gmail.com](mailto:editorsee@gmail.com) or Professor Avery at 928.777.4708. If you use material from this publication, you should attribute: Eagle Eye Intelligence Edition 459, a publication created by students at Embry-Riddle Aeronautical University in Prescott, Arizona.



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