

# DEVELOPING SURAKARTA CITY THROUGH PARADIPLOMACY: THE ROLE OF UAE INVESTMENT IN REGIONAL DEVELOPMENT

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## Abstract

This qualitative study looks at Surakarta's paradiplomacy with the United Arab Emirates (UAE) and how it influences development in the region. It talks on UAE investments in the Sheikh Zayed Grand Mosque, a \$15 million infrastructure grant, and the Emirates-Indonesia Cardiology Hospital. Using Kuznetsov's (2014) paradiplomacy framework, the study looks at how these projects, which were made possible by Mayor Gibran Rakabuming Raka's visit to Abu Dhabi in 2022 and are supported by the Indonesia-UAE Comprehensive Economic Partnership Agreement (IUAE-CEPA), help the economy grow, people from different cultures get to know each other, and people get along with each other. Interviews with the head of Bapenda and local business owners on May 28, 2025, as well as document analysis and participant observation, demonstrate that the mosque brought in three million tourists in 2023, which improved MSME revenues by 30–50%. In 2023, investments also reached Rp 917.7 billion. There are issues with rules, land, and public opinion, but there are also opportunities in religious and medical tourism. The study adds to the body of work on paradiplomacy by showing how subnational agencies perform in unitary nations and making proposals for digital diplomacy, infrastructure, and community involvement. Other Indonesian city can apply the model from Surakarta to help with long-term prosperity and the country's foreign policy goals.

**Keywords:** Paradiplomacy, FDI, Surakarta, UAE.

## I. INTRODUCTION

In today's globalized world, paradiplomacy has made local governments' roles in international relations increasingly crucial. Kuznetsov (2014) says that paradiplomacy is when governments below the national level get involved in international relations to safeguard their own interests, like working together across boundaries, cultural interchange, and economic growth. This approach involves getting away from the old way of doing diplomacy, which was based on the state, and moving toward a more open model where cities and regions are active participants of global networks (Zeraoui, 2016). Paradiplomacy lets smaller groups cooperate with the goals of the national foreign policy to gain foreign investment, promote local identity, and assist the region prosper. Law No. 32/2004 on Regional Government, which was revised by Law No. 23/2014, gives Indonesian local governments the right to conduct their own affairs, including international relations (Surwandono et al., 2020). Cities can work directly with international partners through sister city programs, investment partnerships, and cultural exchanges, as long as these activities promote national goals.

Two well-known examples include Yogyakarta's educational partnership with Victoria, Australia (Adityawarman, 2020) and Semarang's paradiplomacy through events like SemBiz, which focus on investment (Hermini et al., 2018).

Surakarta, which is also called Solo, has become a model for other secondary cities who desire to do paradiplomacy. President Joko Widodo has been in charge since 2014 and was also the Mayor of Surakarta from 2005 to 2012. His son, Mayor Gibran Rakabuming Raka, has been in charge since 2021. Their goal includes both modern development initiatives and measures to safeguard the city's cultural legacy, which is based on the palace traditions and the batik industry. This is why people from other countries want to invest in Surakarta. Indonesia and the UAE signed the Comprehensive Economic Partnership Agreement (IUAE-CEPA) in 2022. It has made the bond between the two countries even stronger. It gives Surakarta a strong platform for getting investments from the UAE for projects that will make its healthcare, tourism, and infrastructure better.

Three huge investments from the UAE in Surakarta have helped the city grow a lot. UAE President Mohamed bin Zayed Al Nahyan gave \$20 million to build the Sheikh Zayed Grand Mosque, which inaugurated on November 14, 2022. Gilingan, Banjarsari, Ahmad Yani No. 128. There are native batik patterns on the mosque, which spans 8,000 square meters. It can fit as many as 10,000 people. It is a location where people of different religions may get along, and in 2023, more than three million people came to see it. On religious holidays, as many as 30,000 people can visit to the area every day. This is helpful for local companies including hotels, restaurants, and MSMEs (Times Indonesia, 2024). The UAE has also provided Surakarta a US\$15 million infrastructure donation to aid with vital city upgrades like restoring roads, bringing GOR Manahan Indoor Sports Hall back to life, cleaning up dwellings that are too dilapidated to live in, and making posyandu (community health posts) better. The work should be done by the end of 2025. This will help Surakarta's infrastructure without putting too much strain on the municipal budget (APBD). It will be open in October 2025. In Solo Techno Park, the Emirates-Indonesia Cardiology Hospital has 100 beds. The UAE government is paying for everything. In October 2023, the UAE Foreign Minister and Indonesia's Minister of Health signed a Memorandum of Understanding (MoU) that led to the construction of this hospital. Because it has the most sophisticated Cath-Lab technology, Surakarta is now the main place in the region for heart health care.

These investments were feasible when Mayor Gibran went to Abu Dhabi on December 26, 2022. Surakarta's economy has grown a lot thanks to local initiatives including tax reductions and Bapenda's work to make getting a license easier. The real amount of money that was put into the business in 2023 was Rp 917.7 billion. It was Rp 434 billion in the first three months of 2024. This was 72% of the Rp 893 billion goal for local revenue (PAD) in 2024. But there are still issues, such as people not thinking that foreign influence is bad, not having enough land, and implementing rules that apply to everyone. We need to be careful about how we deal with these issues so that paradiplomatic success can keep going. This study looks at how Surakarta-UAE paradiplomacy has changed over time, concentrating on how investments from the UAE assist the region thrive.

Using Kuznetsov's (2014) methodology and case studies like Medellín, Colombia (Auschner et al., 2020), it looks at how Surakarta presents itself as an international actor under Joko Widodo and Gibran Rakabuming Raka. The study uses qualitative data from interviews with P1, the Bapenda Government of Surakarta, and local businesses around the Sheikh Zayed Grand Mosque on May 28, 2025. It also uses official papers and press stories as secondary sources.

The study's purpose is to find out how diplomatic efforts, like Mayor Gibran's trip to Abu Dhabi and business forums, have transformed the relationship between Surakarta and the UAE and helped the region expand through projects like the Sheikh Zayed Grand Mosque. It also wants to know how the UAE-funded projects, including as the Sheikh Zayed Grand Mosque, infrastructure grants, and the Emirates-Indonesia Cardiology Hospital, have helped Surakarta's economy and society improve. The report also looks at issues like cumbersome rules, limited land, and public opinion, as well as opportunities like religious and medical tourism and aid from the national government. The study answers three questions: how paradiplomacy can help Surakarta and the UAE work together to help the region grow, how President Joko Widodo and Mayor Gibran make it easier for paradiplomatic relations to happen with the UAE, and what problems and opportunities Surakarta has in using paradiplomacy to get UAE investment.

The study is useful for both researchers and people who work in the field. By applying Kuznetsov's (2014) approach and looking at situations like Yogyakarta (Issundari et al., 2021), it adds to what we know about paradiplomacy in poor nations, especially in Indonesia's decentralized setting. In real life, it informs Surakarta how to improve paradiplomacy by, for instance, aiding local businesses, making rules easier to comprehend, and promoting culture more. These ideas can also be used in other Indonesian towns. This study suggests that Surakarta might employ paradiplomacy to help with long-term growth. This would be helpful for the city and for Indonesia's overall foreign policy aims.

## **II. LITERATURE REVIEW**

### **Paradiplomacy Concept**

#### **Definition and Development of Paradiplomacy in International Relations**

Paradiplomacy is when smaller governments, such regional, provincial, or municipal ones, work together to get what they want on the world stage (Kuznetsov, 2014). Ivo Duchacek and Panayotis Soldatos were the first to introduce the name in the 1980s to characterize the situation in which subnational governments carry out their own diplomacy, apart from national foreign policy (Zeraoui, 2016). Paradiplomacy is a variety of things, such working together on the economy, promoting culture, and helping people from various countries get to know each other. The purpose is to affect foreign policy, make regional development better, or make local identity stronger (Mamadouh & van der Wusten, 2016).

Globalization and decentralization led to the rise of paradiplomacy. These reforms made it easier for local governments to run their own affairs, even when they had to deal with foreign countries (Utomo, 2022). Paradiplomacy evolved swiftly in Indonesia after the 1998 reforms and the passage of Law No. 32/2004 on Regional Government. This statute let local governments work with other countries and the federal government at the same time (Surwandono et al., 2020). The study by Surwandono et al. (2021) found that issues with digital infrastructure are still getting in the way of paradiplomacy in Indonesia. Local government websites, for example, don't do a good job of promoting local potential throughout the world. There are several sides to paradiplomacy, such as economic, cultural, and environmental ones. Kuznetsov (2014) says that paradiplomacy can be split into three groups: cooperative (supporting national policies), competitive (pursuing local interests that may not be in line with national interests), and harmonious (balancing local and national objectives). This theory helps us understand how paradiplomacy can help cities like Surakarta gain international investment while still following the regulations of the country.

### **The Role of Local Government in Global Diplomacy**

Local governments are crucial for diplomacy all over the world because they connect local and global needs. Lin (2018) states that cities are becoming increasingly significant in global governance, especially when it comes to climate change and sustainable development. This is happening because of transnational networks like C40 Cities and ICLEI. Kamiński's (2019) study demonstrates that cities in Southeast Asia, such as Indonesia, are joining these networks to share information about the environment and get the word out about their city.

Cultural paradiplomacy has been employed by local governments in Indonesia, like Yogyakarta, to promote their own culture by sending people to other countries and taking part in international events (Issundari et al., 2021). Surwandono et al. (2019) say that paradiplomacy in Indonesia's border provinces, such Riau and Maluku, is often only for show because the government is having trouble and doesn't have enough money. This means that paradiplomacy can only succeed if the institutions are robust and the central government adopts rules that help it.

### **Foreign Investment and Regional Development**

#### **Theories of Foreign Investment Impact on Local Development**

Foreign direct investment (FDI) is helpful for the economy of a region since it brings in money, technology, and access to markets all over the world. Dependency theory says that foreign direct investment (FDI) can help the local economy grow faster, but it can also make things unfair if it's not done right (Hameiri et al., 2019). Modernization theory, on the other hand, proposes that FDI can help regions become more competitive by helping with technology transfer and building up their human resources (Harakan et al., 2022).

The effect of FDI on local growth depends on things like the investment policy, the quality of institutions, and how eager people are to work. Fantoni and Avellaneda (2022) claim that specialist investment agencies and other entities that aid with international relations at the local level make it considerably easier for a city to acquire foreign direct investment (FDI). But FDI can make social tensions worse if it doesn't take local demands into consideration. This has happened in the economic connection between China and Myanmar (Hameiri et al., 2019).

### **Case Studies of Investment Relationships Between Other Cities and International Partners**

Many cities across the world have employed paradiplomacy to convince people to put money into their businesses. Between 2004 and 2019, Medellín, Colombia, transitioned from being a dangerous city to a center for innovation. This was made possible by strong paradiplomacy and city branding tactics (Auschner et al., 2020). Medellín drew in foreign investors by pushing for projects in technology and education. Policies that encouraged people to get active and goals for local growth supported this.

Semarang, Indonesia, has employed paradiplomacy to get investors interested in the city by holding the SemBiz event every year. This event promotes economic prospects and reinforces the city's identity (Hermini et al., 2018). Bintan Island, on the other hand, used informal paradiplomacy to build its tourism economy by working with foreign countries, even if the central government was making things hard for them (Karim et al., 2023). These case studies illustrate that paradiplomacy will only work if you utilize a mix of marketing strategies, helping rules, and getting people in the area involved.

### **Surakarta and UAE Context**

#### **History of Indonesia-UAE Bilateral Relations**

Since they started communicating in 1976, their connection has grown very swiftly. The UAE is now one of Indonesia's main trading and investment partners in the Middle East, with a concentration on energy, infrastructure, and tourism. In 2022, the IUAE-CEPA, or Indonesia-UAE Comprehensive Economic Partnership Agreement, was signed. It has made it easier for us to work together on the economy. The UAE will have put \$3 billion into Indonesia by 2023. Most of this money will go toward infrastructure and renewable energy projects.

The UAE has announced it wants to invest in some areas of Indonesia, such Central Java, at the level of states and provinces. This gives Surakarta and other cities the chance to work together directly through paradiplomacy. This can be helped by national policies that encourage the decentralization of international relations (Surwandono et al., 2020).

#### **Surakarta's Economic and Cultural Potential as an Investment Attraction**

Surakarta is the cultural center of Java and has a lot of cultural and economic potential that might attract investment. The creative economy, notably the batik and handicraft industry, is very significant to the local economy. Batik exports will be worth \$10 million by 2022 (Issundari et al., 2021).



Cultural tourism, such the Surakarta Palace and Klewer Market, also attracts in thousands of travelers every year. This opens up investment opportunities in the infrastructure and hospitality industries.

Like Yogyakarta has done by promoting local identity on the world stage (Issundari et al., 2021), Surakarta's cultural heritage can also be leveraged for cultural paradiplomacy. Digital tools, including a website that encourages investments, can help Surakarta become a destination where UAE firms want to invest, notably in education, tourism, and infrastructure (Surwandono et al., 2021). But to get the most out of this potential, problems like not having enough skilled personnel and too much red tape need to be fixed (Harakan et al., 2022).

This examination of the literature gives us a theoretical and empirical basis for looking at how Surakarta's paradiplomacy helped it acquire UAE investment. It does this by looking at how tiny countries get along with each other, how foreign investment changes things, and Surakarta's potential as a place to live.

### **III. RESEARCH METHODOLOGY**

This study employs a qualitative method to look at how paradiplomacy works in Surakarta's ties with the United Arab Emirates (UAE) and how it influences the region's growth. The qualitative technique is the greatest way to learn about all the social, economic, and political aspects of paradiplomacy, as well as what different stakeholders think and what affects them (Creswell & Poth, 2018).

The study answers three questions: (1) How does paradiplomacy help Surakarta and the UAE get along better so that the region can grow? (2) What does the Surakarta municipal government do to improve paradiplomatic relations with the UAE? (3) What are some of the pros and cons of employing paradiplomacy to seek investment from the UAE in Surakarta? The goal of using a single case study of Surakarta to look at its paradiplomatic actions, with Kuznetsov's (2014) framework as a guide, is to make things clear and focused.

#### **Research Design and Data Collection**

The study looks into paradiplomacy in Surakarta (commonly known as Solo) using a single-case study design (Yin, 2018). Surakarta was chosen because it has been able to get major investments from the UAE, such as the Sheikh Zayed Grand Mosque, a US\$15 million infrastructure grant, and the Emirates-Indonesia Cardiology Hospital. This design helps you really look at paradiplomacy, describing how it works and looking at its issues and opportunities.

The qualitative method is both descriptive and exploratory. The purpose is to present a full picture of how Surakarta is involved in world events and how that affects the economy and society. You can collect data in three ways: by doing semi-structured interviews, analyzing documents, or observing participants. We talked to important people in a semi-structured fashion to obtain primary data.

**Table 1: Showed demographic details of the six participants interviewed to ensure transparency and substantiate the data collection process**

Participant ID	Role / Organization	Gender	Date of Interview
P1	Bapenda Government of Surakarta	Male	May 28, 2025
P2	Merchant (Soto Vendor)	Male	May 28, 2025
P3	Merchant (Solo Iced Tea Vendor)	Female	May 28, 2025
P4	Merchant (Souvenirs Store Owner)	Male	May 28, 2025

More interviews with enterprises near the Sheikh Zayed Grand Mosque highlighted how UAE investments had impacted the economy, for example, by making it more competitive and improving people's incomes. The interviews lasted between 45 and 60 minutes and used open-ended questions to offer the interviewers some latitude while yet sticking to the research questions. With their permission, they were recorded and written down (Kvale & Brinkmann, 2015). We looked at secondary sources such municipal investment records (for example, Rp 917.7 billion in 2023 and Rp 434 billion in Q1 2024), Bapenda's revenue statistics (72% of the 2024 PAD target of Rp 893 billion), and MoUs, including the one for the cardiology facility in October 2023. The media, including Times Indonesia (2024), and scholarly works, like Kuznetsov (2014) and Surwandono et al. (2020), contributed to set the stage and give a theoretical framework. In May 2025, people who were there saw economic activity, parking concerns, and infrastructural improvements around the Sheikh Zayed Grand Mosque. The information from the interviews was added to the field notes. Using three separate approaches to check the information makes the study's results stronger (Denzin & Lincoln, 2017).

The study uses purposive sampling to pick people who know a lot about Surakarta's paradiplomacy (Patton, 2015). The government chose P1 because he was in charge of investment and revenue policies, which gave them a point of view. We picked local businesses P2, P3, and P4 because they were close to the Sheikh Zayed Grand Mosque and knew how it affected their businesses firsthand. They own small businesses. We picked news articles and documents that had something to do with UAE projects and paradiplomacy.

#### IV. RESULTS

This chapter goes into a lot of detail about the results of the qualitative study that looked at Surakarta's paradiplomacy with the United Arab Emirates (UAE) and what those results mean for the region's growth. The study answers three questions: (1) How does paradiplomacy help Surakarta and the UAE work together to help the region grow? (2) What does the government of Surakarta do to improve paradiplomatic relations with the UAE? (3) What issues and opportunities does Surakarta face when trying to use paradiplomacy to get investment from the UAE? We got the information by talking to P1, Bapenda Government of Surakarta, and local merchants near the Sheikh Zayed Grand Mosque (P2, P3, and P4) in a semi-structured way on May 28, 2025.

## Strengthening Surakarta-UAE Relations Through Paradiplomacy

Surakarta's paradiplomacy has made its ties with the UAE much stronger, which has helped the economy, culture, and society in the region. The Sheikh Zayed Grand Mosque was opened on November 14, 2022, and it cost \$20 million to build. It was a gift from UAE President Mohamed bin Zayed Al Nahyan. Ahmad Yani, Gilingan, and Banjarsari are the most important parts of this partnership. P1, Bapenda Government of Surakarta, talked about how it would have many effects:

The Sheikh Zayed Grand Mosque is the most well-known landmark. President MBZ gave it to the country as a gift that was worth about \$20 million. It started on November 14, 2022. The Abu Dhabi replica mosque is more than just a symbol; it also brings in religious tourists. During the busiest times of the year, more than 30,000 people visit the mosque every day. This helps the hotel, food, and small business sectors around Sheikh Zayed Grand Mosque.

According to municipal reports and Times Indonesia (2024), the mosque had more than three million visitors in 2023, with the most people coming on religious holidays, when 30,000 people came each day. This was good for businesses near the Sheikh Zayed Grand Mosque. Business owners in the area agreed that things were getting better. P2, a soto vendor, said that sales had gone up a lot:

*"It's not the same at all, Mas Rizal. Yes, it was good in Pasar Gede, but not as busy as it is here. My soto can sell up to 100 portions a day now, especially on Saturdays and Sundays or during Ramadan. It used to be 50 to 60 servings at most. "Yes, my income has gone up, maybe by 40–50%." (P2, May 28, 2025)*

P3, who sells Solo iced tea, said that her daily sales had also doubled:

*"I also went up, Mas Rizal." I used to sell 20 to 30 glasses a day. Now, I can sell 50 to 60 glasses here, especially in the afternoon and evening. Last Ramadan, I could sell as many as 80 cups a day. "Alhamdulillah, this mosque has brought us blessings." (P3, May 28, 2025)*

P4, who owns a souvenir shop, made his business bigger by adding Muslim goods from the UAE. This helped it grow a lot:

*"This mosque makes the connection with the UAE very real for me as a trader. The Sheikh Zayed Mosque was a gift from the UAE government. Not only in Indonesia, but also around the world, it has made Solo more well-known. A lot of people want things like perfume and prayer beads from the UAE, so I bring them in as well. "Since the mosque opened, this relationship has helped my business grow by 30–40%." (P4, May 28, 2025)*

Kuznetsov's (2014) economic cooperation dimension says that paradiplomacy brings together subnational actors into global networks. These effects on the economy at the grassroots level are similar to that. For instance, Semarang's SemBiz program holds annual expos to encourage trade and investment (Hermini et al., 2018). The mosque's cultural significance, which mixes Javanese batik patterns with UAE building styles, makes people feel like they belong, just like Yogyakarta's cultural paradiplomacy does to



spread local heritage around the world (Issundari et al., 2021). P3 talked about how it would help people:

*"Yes, the atmosphere has become more religious for me, besides that." A lot of people come to the mosque to pray, read the Quran, or just sit in the courtyard. It feels better and cooler. "Breaking the fast together and sharing takjil, especially during Ramadan, makes the community here stronger." (P3, May 28, 2025)*

The US\$15 million grant for infrastructure in the UAE will help the area grow even more. Widajat explained in detail how it was used:

*"The UAE gave out \$15 million. Most of the money has gone to fixing up roads in the neighborhood, bringing the Manahan Indoor Sports Hall back to life, and fixing up houses. The goal is to finish by the end of 2025. The money is classified as capital expenditure so that it doesn't add to the APBD's burden."*

In May 2025, participant observation showed that the infrastructure had improved, with cleaner streets and better lighting around the mosque. This backs up merchants' claims of a "tidier environment." This fits with modernization theory, which says that foreign direct investment (FDI) leads to urban development (Harakan et al., 2022). The Emirates-Indonesia Cardiology Hospital, which has 100 beds and is located in Solo Techno Park, makes Surakarta a center for health care. Widajat went into more detail:

*"This is the UAE's first health project in Central Java, and it has 100 beds with the newest Cath-Lab technology." The UAE Foreign Minister and the Indonesian Minister of Health signed the MoU in October 2023. The Emirate paid for everything. We have given Solo Techno Park two hectares of land. (P1, May 28, 2025)*

Surwandono et al. (2020) say that this cooperative paradiplomacy, which was made official by the IUAE-CEPA (2022), helps national priorities. In terms of money, Surakarta's investments reached Rp 917.7 billion in 2023 and Rp 434 billion in the first quarter of 2024. By April, they had reached 72% of the 2024 PAD target of Rp 893 billion. P4 stressed Surakarta's high profile around the world:

*"Solo used to be known as a city of culture, but now it's also a city of religion. That attracts tourists, and tourists bring money." (P4, May 28, 2025)*

This is similar to Kuznetsov's (2014) presence dimension, where subnational actors create international actorhood, like how Medellín changed through strategic investments (Auschner et al., 2020). But dependency theory warns that there could be unfairness if FDI favors the interests of the elite (Hameiri et al., 2019). Surakarta mitigates this through inclusive projects like posyandu upgrades, ensuring grassroots benefits, unlike China-Myanmar relations, where uncoordinated investments exacerbated conflicts (Hameiri et al., 2019).

### **Facilitation of Paradiplomatic Relations by Surakarta City Government**

The Surakarta city government has shown that it can effectively promote paradiplomatic relations with the UAE by using strategic leadership, institutional innovation, and

stakeholder engagement. Mayor Gibran Rakabuming Raka's trip to Abu Dhabi on December 26, 2022, was an important step in diplomacy. Widajat said:

*"First, the Mayor went to Abu Dhabi on December 26, 2022, to get more grants and invite investors in the health and technology sectors." (P1, May 28, 2025)*

This kind of personal diplomacy is like what the mayor of Chişinău is doing to get closer to the EU (Cantir, 2021). It fits with Kuznetsov's (2014) capability dimension. The visit got promises for the cardiology hospital and infrastructure grants, which were based on the IUAE-CEPA framework (Surwandono et al., 2020). Bapenda has made it easier for businesses to invest. Widajat went into detail:

*"Second, we changed the rules for taxes in our area. We started the PBB-P2 program in 2023, for instance. It rewards strategic projects and doesn't charge fines. Third, we have helped our employees learn more by giving them technical help with tax audits from the DGT. This is to make sure that local taxes stay high when people are given incentives."*

Fantoni and Avellaneda (2022) found that paradiplomacy is better when there are pro-international structures. These steps show that. Surwandono et al. (2020) said that working with BKPM helped with regulatory overlaps, which was a problem. Giving the hospital two hectares in Solo Techno Park is an example of proactive help. Getting local stakeholders involved was also very important. P4 praised the government's work:

*"Mas, I see that the city government is very busy. After this mosque was built, they often advertise Solo as a place for religious tourists to visit. There are events like the night market near the mosque that help businesses like mine make money. I've also heard that they teach traders how to sell things online so that our products can be sold around the world."*

P2 and P3 talked about trader coordination meetings, but they wanted them to be better organized:

*"Make the parking lot bigger. If at all possible, there should be a separate lot for tourist buses so they don't get in the way of traffic. Then, the government could set up stalls for vendors so that they don't have to go all over the place."*

*"Yes, I agree with P2. It would be better if there was a small market just for vendors"*

These efforts are like Lodzkie's EU-China cooperation, which is driven by stakeholders (Kamiński, 2019). Digital diplomacy, on the other hand, is still a work in progress. Surwandono et al. (2021) said that Surakarta's website isn't set up to attract global investors, which is what they said in their criticism:

*"If we want to compete on a global scale, we need to improve our digital presence." (P1, May 28, 2025)*

This is not the same as Barcelona's strong digital platforms for science diplomacy (Roig et al., 2020). The "Investment Friendly Solo" vision for Surakarta is similar to Kuznetsov's (2014) opportunity dimension. It is based on decentralization under Law No. 23/2014. Paradiplomacy works in Surakarta because the government has the resources it needs.

In Aceh, on the other hand, it doesn't work because the government doesn't have enough resources (Novialdi & Rasanjani, 2020). This is like Bintan's informal networks (Karim et al., 2023).

### Challenges and Opportunities in Utilizing Paradiplomacy

When it comes to getting UAE investment through paradiplomacy, Surakarta has a lot of problems and opportunities. Widajat talked about three main issues:

*"There are three. First, we need to make sure that the rules for taxes and state-owned land are the same for both the central and regional governments. We can keep working with BKPM this way. Second, the prices of land go up because there isn't much productive land in the core city. Third, some people's ideas about "foreign influence" need to be changed through public discussion, especially since the regional elections are coming up"*

Problems with regulatory harmonization are like Indonesia's administrative paradiplomacy structure (Surwandono et al., 2020). Like Bintan's tourism problems (Karim et al., 2023), land shortages drive up costs and make projects harder. People need to talk about what they think about "foreign influence," just like the people of Medellín did (Auschner et al., 2020). Merchants said there were problems with how things worked. P2 and P3 said there weren't enough places to park:

"The hardest part is finding a place to park. Customers sometimes want to come in but don't know where to park, so they don't buy anything."

"Sometimes my motorcycle customers have trouble finding a place." (P3, May 28, 2025)

It's harder to find space when there are more vendors competing with each other:

"And now there are a lot more soto stalls around here, maybe four or five." "Yes, I have to make my soto different." (P2, May 28, 2025)

"Yes, it's the same for me: competition from drink vendors. A lot of people sell bottled drinks, iced tea, and iced oranges these days."

These match what Harakan et al. (2022) found about having few resources. There are a lot of options. Widajat talked about how tourism and infrastructure can help:

*"The Sheikh Zayed Mosque and Cardiology Hospital are examples of religious and medical tourism that add to PAD's diversity. Our goal for PAD in 2024 is IDR 893 billion, and by April we had reached 72% of that goal. This is because tourism to mosques has helped the hotel and lodging industry grow."*

Grants for infrastructure help businesses compete by funding eco-friendly transportation projects, such as Dubai's smart-city projects (Bruns, 2017). P4 suggested cultural exports:

*"Solo has batik, crafts, and other unique things. If the city government can work together with a store in Dubai or Abu Dhabi to sell Solo souvenirs, they will do well."*

P3 and P2 talked about organized vendor spaces and events that happen on a regular basis:

*"Maybe the mosque could have regular events, like a bazaar or a big recitation, to get more people to come." (P3, May 28, 2025)*

These fit with Cilacap's plans for sister cities (Yamin & Utami, 2016). Yunnan's projects (Song & Liu, 2019) show that the IUAE-CEPA and decentralization policies make it easier for people to work together. Widajat said that Surakarta's creative economy could be used for vocational training. But dependency theory says that this isn't fair (Hameiri et al., 2019), so the community needs to stay involved. Surakarta's paradiplomacy has changed how it interacts with the UAE. The Sheikh Zayed Grand Mosque, infrastructure grants, and the Emirates-Indonesia Cardiology Hospital have all helped the area grow. These projects have helped the economy grow, made Surakarta a cultural center, and brought people together, making it a popular place for religious and medical tourists. The city government, led by Mayor Gibran and supported by Bapenda's new policies, shows that the city has strong institutional skills. However, it needs to work on its digital diplomacy. There are issues with rules, land, and public opinion, but there are also opportunities in tourism, infrastructure, and cultural exports because of national decentralization and IUAE-CEPA frameworks.

The results are based on Kuznetsov's (2014) framework, which shows how local leadership, institutional capacity, and national alignment work together in unitary states. This is different from federal systems like Canada or Germany. Surakarta's paradiplomacy is like Medellín's strategic investments and Semarang's focus on the economy, but it is behind in digital infrastructure, unlike Łódź or Barcelona (Kamiński, 2019; Roig et al., 2020). Surakarta should focus on improving digital platforms (Surwandono et al., 2021), setting up structured vendor spaces, teaching traders how to speak the language, and keeping the public conversation going in order to get the most out of paradiplomatic benefits. These ideas help Indonesia reach its bigger foreign policy goals by giving Indonesian secondary cities a way to deal with decentralization and global engagement that can be used in other places.

## V. CONCLUSIONS AND RECOMMENDATIONS

The study looked at how paradiplomacy makes Surakarta and the UAE get along better, how the city government helps these interactions happen, and the pros and cons of using paradiplomacy to get UAE investment. The study is based on Kuznetsov's (2014) framework and uses a lot of qualitative data from semi-structured interviews with P1, the Bapenda Government of Surakarta, and local merchants near the Sheikh Zayed Grand Mosque on May 28, 2025. It also looks at documents and watches people. The chapter uses Surakarta as an example of a secondary city in a developing area with a decentralized government. It gives policymakers, stakeholders, and researchers strategic advice on how to make sure that Surakarta's paradiplomatic efforts lead to inclusive, sustainable growth by combining theoretical ideas, real-world evidence, and practical implications.

Surakarta's paradiplomacy with the UAE has had a huge effect on the city's economy, culture, and society by getting involved with other countries in a smart way. The Sheikh Zayed Grand Mosque, which cost \$20 million and was built by UAE President Mohamed bin Zayed Al Nahyan, opened in November 2022. It is the most important part of this partnership. According to Times Indonesia (2024), the mosque is not only beautiful, but it is also a big tourist draw. In 2023, it had more than three million visitors and up to 30,000 visitors a day on religious holidays. This influx has helped local businesses, with stores like P2, P3, and P4 seeing their sales rise by 30% to 50% because there is more demand for soto, iced tea, and Muslim goods from the UAE. The \$15 million infrastructure grant made the city more livable without putting a strain on the local budget. It was used to fix roads, update housing, upgrade posyandus, and bring the GOR Manahan Indoor Sports Hall back to life. This fits with the modernization theory's idea that foreign direct investment (FDI) is a key factor in building infrastructure (Harakan et al., 2022). The new Emirates-Indonesia Cardiology Hospital, which will have 100 beds and open in October 2025, will make Surakarta a regional healthcare hub by using cutting-edge Cath-Lab technology to bring in medical tourists and create jobs. These projects, which are based on the Indonesia-UAE Comprehensive Economic Partnership Agreement (IUAE-CEPA) of 2022, have helped the economy grow. Investments hit Rp 917.7 billion in 2023 and Rp 434 billion in the first quarter of 2024. This is 72% of the 2024 PAD goal of Rp 893 billion.

The mosque's use of Javanese batik patterns and UAE architectural elements together shows a shared identity, encourages cultural exchange, and fits in with Yogyakarta's global cultural diplomacy (Issundari et al., 2021). Community events like collective iftar during Ramadan bring people together and make them feel like they belong. This is similar to what Maksum (2022) found about identity-driven harmony at the grassroots level. These results show Kuznetsov's (2014) presence dimension and show that Surakarta is becoming a global player that can project its identity and interests around the world. Mayor Gibran Rakabuming Raka and the Surakarta city government have done a great job of making this paradiplomacy happen by using strategic diplomacy, changing how things are done in government, and getting people involved. Gibran's visit to Abu Dhabi on December 26, 2022, brought in important investments. This is an example of Kuznetsov's (2014) capability dimension of subnational leadership. Bapenda made it easier to invest by introducing PBB-P2 tax breaks and a licensing program without fines in 2023. This is similar to how Medellín became an innovation hub (Auschner et al., 2020). Working with the Investment Coordinating Board (BKPM) helped to cut down on regulatory overlaps, which is a big problem in Indonesia's paradiplomacy system (Surwandono et al., 2020). Micro, small, and medium-sized businesses (MSMEs) got help from things like night markets and online sales training, but digital diplomacy is still a big problem. Surwandono et al. (2021) say that Surakarta's website doesn't have the global optimization it needs to compete internationally.

Surakarta has done well in paradiplomacy, but it still has a lot of problems that make it less successful. Because of different central and regional rules on tax holidays and land ownership, regulatory harmonization is still out of reach. This means that BKPM needs to keep working together, which is a problem with Indonesia's government (Surwandono et



al., 2020). Prices have gone up because there isn't enough land in the center of the city. This makes it harder to work out deals on projects like the cardiology hospital, which is also bad for Bintan's tourism growth (Karim et al., 2023). There is a social risk that people will be afraid of "foreign influence," especially during politically charged regional elections. To keep community support, there needs to be proactive dialogue, as shown by Medellín's citizen engagement strategies (Auschner et al., 2020). At the local level, merchants have trouble finding parking and have to deal with more competition. Harakan et al. (2022) found that capital and language barriers also make it harder for them to enter the market. There are a lot of chances, though. For example, there are religious and medical tourism clusters, lower infrastructure costs, and the chance to sell culture, like batik, to markets in the UAE. With the help of IUAE-CEPA and Law No. 23/2014, these will lead to growth over time.

This study, in theory, adds to Kuznetsov's (2014) paradiplomacy framework by showing how local leadership, institutional capacity, and national alignment work together in unitary states, which are not the same as federal systems like Canada or Germany. Song and Liu (2019) asked for non-Western views on paradiplomacy, and this shows how important secondary cities are in global networks. It supports modernization theory's claim that foreign direct investment (FDI) drives economic growth and infrastructure development (Harakan et al., 2022). It also agrees with dependency theory's warning that ignoring local needs could lead to inequalities (Hameiri et al., 2019). Surakarta's experience shows how cultural assets, strategic investments, and decentralized governance can bring together local and national interests in a way that helps Indonesia reach its larger foreign policy and sustainable development goals.

## **Suggestions**

There are a number of strategic ideas for the city government, national policymakers, local stakeholders, and researchers to keep and build on Surakarta's paradiplomatic success. The city government of Surakarta needs to improve its digital diplomacy. Surwandono et al. (2021) say that the city can't get as much investment from around the world because it doesn't have a strong digital presence. If Surakarta had a multilingual, easy-to-use website that was optimized for visitors from other countries and showed off its investment opportunities, cultural assets, and tourism potential, it would be more well-known around the world. Barcelona's ecosystem-driven digital strategy (Roig et al., 2020) gave us the idea to combine e-commerce platforms to sell batik and crafts in the UAE. This could lead to new ways to make money. If Indonesia's e-government projects are going to work, they need to work with the Ministry of Communication and Informatics. It's just as important to fix problems with the infrastructure around the Sheikh Zayed Grand Mosque. Vendors are worried about not having enough parking spaces and having to compete with other vendors. There needs to be a dedicated vendor plaza with organized stalls, like the one in Cilacap's sister city (Yamin & Utami, 2016), as well as a multi-story parking garage for tourist buses and motorcycles to solve these problems. These could be paid for with money from public-private partnerships or grants from the UAE, which would keep the local budget safe.

Getting involved in your community is important to fight people's ideas about "foreign influence," especially when politics are touchy. It would be clear what the benefits of UAE investments are, such as creating jobs and bringing in tourists, if public forums and town halls were set up as permanent institutions, like they are in Medellín (Auschner et al., 2020). Getting religious and community leaders to talk about how the mosque promotes religious moderation could help with dependency theory's worries about social inequality and clear up any wrong information (Hameiri et al., 2019). It's also important to have programs that help businesses in the area grow. If merchants could get English and Arabic language training from local universities or UAE cultural centers, it would be easier for them to talk to tourists and suppliers. Microfinance programs, in partnership with Bapenda and banks, could offer MSMEs low-interest loans to help them grow. They could reach global markets better with more digital marketing, which fits with Yogyakarta's plans to export its culture (Issundari et al., 2021). Surakarta should hold cultural festivals in Abu Dhabi every year that feature batik, gamelan, and food specialties to strengthen cultural ties. They should also open a trade office in the UAE to help exports, and they can do this with IUAE-CEPA. Sister-city agreements with UAE cities like Sharjah could help with job and school exchanges, which would help the cardiology hospital learn more.

National policymakers' top goal is to make it easier to harmonize regulationsssf regulations. According to Surwandono et al. (2020), the government has a harder time because there are overlapping central and regional policies on tax holidays and land ownership. The Ministry of Home Affairs and BKPM should work together to make a single FDI framework that makes rules for incentives and land use clear. A paradiplomacy task force based on Brazil's municipal networks could do this (Fantoni & Avellaneda, 2022). Surwandono et al. (2021) say that if the government put money into digital infrastructure, cities would be able to compete with each other on a global scale. Adding Surakarta to Indonesia's Smart City program, like Dubai did (Bruns, 2017), and giving grants and technical help to paradiplomacy-focused websites would help the country improve its digital skills. The IUAE-CEPA is a great way for governments at the subnational level to work together. The central government should set up a decentralized investment portal where cities can pitch projects directly to UAE investors. This is similar to Lodzkie's EU-China platform (Kamiński, 2019). This would help Surakarta's economy become more diverse.

Local businesses, universities, and hospitals should work together to make religious and medical tourism packages that include the mosque and the cardiology hospital. More money could come into MSMEs if Surakarta worked with UAE travel agencies to promote itself as a spiritual and healthcare travel destination. Universities could prepare people for the job market by teaching them how to work in hospitality and healthcare. Community groups should work with the city government to make sure that local needs like affordable housing and access to healthcare are met. This is what Surabaya's environmental diplomacy (Wardhani & Dugis, 2020) does, and it lowers the risk of dependency (Hameiri et al., 2019).

Long-term studies from 2026 to 2030 should look at the cardiology hospital's long-term effects on the economy and society, focusing on job creation and differences in healthcare access. Comparative studies with ASEAN cities like Penang or Cebu could make Kuznetsov's (2014) framework for developing contexts better and answer Wu's (2020) call for more research on ASEAN. It would be in line with dependency theory (Hameiri et al., 2019) to look into how paradiplomacy affects gender and social equity to make sure that policies are fair to everyone. Indonesia could make scalable models for subnational digital diplomacy that use AI and e-commerce, like Barcelona did (Roig et al., 2020).

Surakarta's paradiplomacy with the UAE shows how smaller cities can use decentralization and global partnerships to help their economies grow over time. Surakarta has changed how the world sees it and helped Indonesia's foreign policy by turning UAE investments into capital in the areas of culture, economy, and society. We need to come up with new rules and get everyone involved in solving problems with rules, infrastructure, and society if we want to keep this success going. Surakarta's journey shows how powerful subnational agency can be in building a connected, prosperous future. Other Indonesian cities should look to Surakarta as a model.

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