

CHAPTER II

DYNAMIC RELATION BETWEEN INDONESIA AND TAIWAN

Taiwan is a new country that separated from China and had claimed its independence on 10th October 1911 (Ku, 2002). However, China never admit Taiwan's independence and assumed that was still the part of China. As China still claim that Taiwan is its child, so China made One China Policy, in which for the countries which apply the policy, they could only recognize that there is only one Chinese government (BBC, 2017).

The relation of Indonesia with Taiwan is indeed affected by its politics in the domestic scope (Ku, 2002). During the colonialism of the Dutch, Indonesia had maintained a good relation with Taiwan. As the evidence, the Republic of China (ROC) government executed the Consul General Offices with the Netherland. However, the entire General Offices of ROC had withdrawn from Indonesia as Indonesia decided to recognize One China Policy of People's Republic of China (PRC).

A. The Historical Relation between Indonesia and Taiwan

One China Policy that is implemented in Indonesia has given a significant impact on Indonesia's relation between PRC and Republic of China ROC. It is because One China Policy obliges the countries that implement it to recognize there is only one Chinese government, PRC. Whilst, Taiwan is considered as a part of PRC and it is not a country. However, the countries that implement this

policy can still have the relation with Taiwan as long as it's not in form of diplomatic relations or other country to country relations.

Actually, after the official independence of Indonesia in 1950 from the Dutch, Taiwan had offered to recognize Indonesia as a sovereign state (Wang, 1990). It was also to persuade Indonesia to recognize Taiwan as a sovereign country. However, the President Sukarno at the time supported pro-Peking policy (pro-Beijing policy) that also referred to One China Policy (Chen, 2002). Hence, Indonesia's relation between Taiwan was terminated.

Then, Indonesia and China continued to a good relation. It was increased by the decision of President Sukarno to make a political alliance with Indonesian Communism Party (PKI) (Wang, 1990). The government of China was even financially and materially supported by PKI (Ku, 2002). Even though PKI could build the relation between both countries improved, PKI has an opposite ideology with Islam. As there are huge populations of Muslim in Indonesia, the growth of the PKI became the trigger of the conflict between China.

Moreover, the coup which was initiated by PKI that really affected the security in Indonesia made the relation of both countries became more strained (Ku, 2002). The coup also resulted in the assassination of six Indonesian senior Generals done by PKI. However, the coup was actually failed. Indonesians believed that China was behind the coup, and it made a bad perception towards China.

After that, the relation between China was suspended by President Suharto (Wang, 1990). It gave the space for Taiwan to rebuild the bilateral relation with

Indonesia. Due to the freeze of Indonesia's relation with China, Taiwan considered it as an opportunity to restart the relation with Indonesia. It had started by the trade relations between both countries. Then, on May 1st, 1971, the Chinese Chamber of Commerce (CCC) was built in Jakarta as well as its representative office, Indonesian Chamber of Commerce (ICC) in Taipei in the following month (Ku, 2002). This year was marked as the new era of the relation between both countries.

However, as the breakthrough of the Taiwan's economic towards South East Asian countries, the name of the CCC was replaced to Taipei Economic Trade Organization (TETO) in 1989 (Ku, 1995). ICC also was renamed as Indonesia Economic and Trade Office on January 1st, 1995. In 2015, ROC also placed its representative (TETO) in Surabaya (TETO, 2016).

B. The Scope of Relation in Economic

The bilateral relation between Taiwan and Indonesia is indeed only conducted in the economic aspect. However, it doesn't mean that the relation couldn't be developed. Even though both countries' relation is limited only in the economy, it can help develop both countries. In more than 50 years of relation, it results in many aspects of the economy; such as trade and investment, education, tourism, and agricultural relation.

The main cooperation that is conducted by both countries is trade and investment. The trade exchange between both countries has started since 1967 (Ku, 2002). At the time, there was no official relation between both countries

since the establishment of the representative office was conducted in 1971. The trade exchange was conducted through the private company that can be emphasized, it is merely a businessman to businessman relations.

As Suharto became the president in 1968, the foreign policy also was changed. In the era of Suharto, the economy became the main strategy in order to enhance the economic development in Indonesia. President Suharto also set the priority to the economy rather than politics to his strategy (Ku, 2002). It had the same time with the enhancement of Taiwan's economy. It made Indonesia's trade exchange with Taiwan increased. In 1970, the amount of trade was US\$44.41 million, while in 1979 it raised until US\$821.05 million (Ku, 2002).

The increasing of the trade exchange between countries continues to increase in 1990 reached 2,167.40 in a total of the exports and imports. It can be seen in the table below that in 1990 – 2000 generally the export and import between both countries increased. Taiwan's export to Indonesia once decreased in a large amount in 1998 due to the financial crisis in Indonesia.

Table 2.1 Taiwan's Trade with Indonesia 1990 - 2000

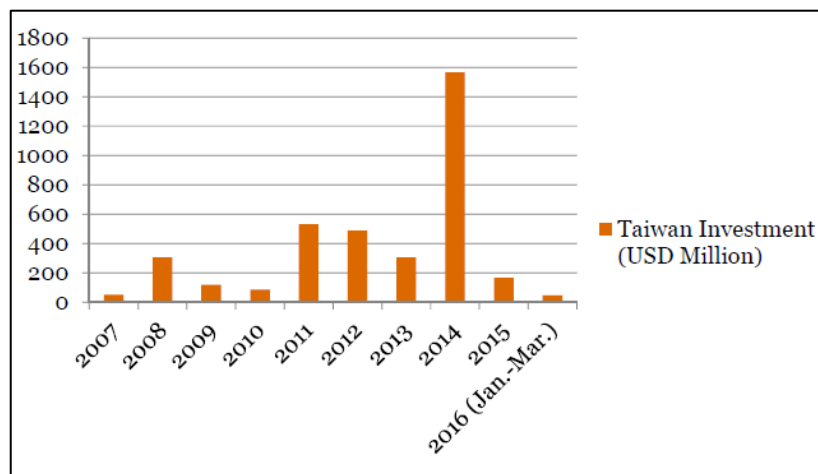
Unit: US\$ million				
Year	Imports	Exports	Total	Balance
1990	921.59	1,245.81	2,167.40	324.22
1991	1,234.33	1,207.20	2,441.53	-27.13
1992	1,407.27	1,214.75	2,622.02	-192.52
1993	1,624.04	1,284.55	2,908.59	-339.49
1994	2,114.39	1,433.03	3,547.42	-681.35
1995	2,150.43	1,868.88	4,019.30	-281.55
1996	1,884.48	1,955.43	3,839.82	70.85
1997	2,184.71	2,134.32	4,319.03	-50.39
1998	2,101.09	1,048.91	3,150.00	-1,052.18
1999	2,291.35	1,298.61	3,589.97	-992.74
2000	3,015.02	1,734.01	4,749.03	-1,281.01

Source: Indonesia's relation with China and Taiwan: from politics to economics (taken from Bureau of Statistics, Department of Finance, Monthly Imports and Exports (Taipei: Bureau of Statistics, Department various issues)) (2002).

By 2011, Indonesia’s trade exchange with Taiwan reached US\$11.2 billion, increased 17. 61%, as well as the export that increased 24,77% in total export of US\$6.78% (The President Post, 2002). It was following by the coffee export to Taiwan that became a high demand as the increasing number of café business (Ernis & Sonia, 2015).

In 1990, Indonesia received the largest amount of Investment from Taiwan among Southeast Asian countries (Ku, 2002). The total amount of Taiwan’s investment to Indonesia reached US\$ 2,317.4 million. It continued to rise until the 2000s. As seen on the chart below that Taiwan's investment increased rapidly in 2014; however, it decreased drastically as well as in the 2015 and continued to down in 2016.

Graph 2.1 Taiwan’s investment in Indonesia



Source: Direct Foreign Investment in Indonesia by Peter Su (taken from Investment Coordinating Board (BKPM)) (2016).

In the perspective of Taiwan, investing to Indonesia could give benefits as Indonesia represents 40% of ASEAN populations (Su, 2016). ASEAN is

considered as the third largest market in Asia after India and China, so it is a good opportunity for Taiwan to invest in Indonesia.

Taiwan is considered as the top 10 investors in Indonesia. The data from Investment Coordinating Board (BKPM) shows that the amount of Taiwan's investment in Indonesia is approximate US\$118.45 in 2016 (Sundaryani & Wirayani, 2016). It comes in many kinds of investment; such as furniture industry, textile industry, footwear industry, metal and non-metal industry, and more (TETO, 2016). Besides, Taiwan also sent the technicians to Indonesia to help the industry.

There are several companies of Taiwan that run their business in Indonesia; such as ASUS, ACER, CTBC Bank Indonesia, Uni President, and so forth. Those companies also succeed in promoting their products in Indonesia. As the evidence, there are a lot of loyal customers who use the companies' products or services.

In 1990, Taiwan established Jakarta-Taipei School and Surabaya-Taipei International School that was initially formed to fulfill the needs of businessman's children in Indonesia (Kabinawa, 2013). Then, the Chinese decent of Indonesia also get their education there. The Chinese descents of Indonesia also have the opportunity of the scholarship to Taiwan. Nowadays, there are also many Universities in Indonesia that also provide the exchange program and scholarship to Taiwan.

There are several scholarships provide by the government of Taiwan. "Taiwan Scholarship" is the program in the education to invite Indonesian

students to choose Taiwan as their destination to take their degree. There is also "Mandarin Scholarship" for Indonesians who want to learn the Chinese language in Taiwan (TETO, 2016). There is also ESIT, the scholarship of Acehese government with Taiwan to send Acehese to get their master and doctoral degree in Taiwan (Jing, 2016). In 2010 – 2015, it has sent approximately 150 students to get their degree in Taiwan.

In 2015, the number of Indonesian students in Taiwan reached around 4.394 persons (Jing, 2016). According to Professor Samuel C. Y. Ku, the students are the invisible agent of people-to-people relations between Indonesia and Taiwan. However, Taiwanese puts a little interest to continue their study to Indonesia. Taiwanese still hasn't put their interest to Southeast Asian countries, including Indonesia. Their destinations of study are Europe or the United States.

The same problem went to the tourism as there are not many Taiwanese who come to visit Indonesia. The only attraction for Taiwanese is Bali island; although there are a lot of choices of tourism destinations in Indonesia. Around 70% of Taiwanese tourist destination is going to Bali. However, Indonesian tourists who came to Taiwan increase (Heriyanto, 2016). Even though it increases, a number of Indonesian tourists to Taiwan were still fewer than Taiwanese who came to Indonesia, which was only 177.743 in 2015 (Jing, 2016).

However, Indonesia is expecting Taiwanese tourists to reach the number of 250.000 (Antara News, 2016). Up until 2015, there were approximately 211.000 Taiwanese who came to Indonesia every year. Arief Fadillah, the head of Indonesian Economic and Trade Office said that Indonesia's ambition to boost

Taiwanese tourists is because it impacts to the flow of market in Taiwan that is decreasing as Taiwanese are less interested in visiting Indonesia as their tourist destination.

The government has given a solution to increase Taiwanese tourists to come to Indonesia by providing Free Visa entry to Taiwanese. The program was published in October 2015 that hopefully could attract Taiwanese to come to Indonesia. It was also supported by the cooperation in the aviation

Since 1976, there also has been an agricultural mission from Taiwan as the fact that Indonesia is an agricultural country (Jing, 2016). The mission is to provide the agricultural equipment to help the farmers. Indonesia and Taiwan signed the agricultural and technical cooperation agreement in November 1976 (Ku, 2002). By the agreement, Taiwanese government then sent the Agricultural Technical Mission (ATM) to improve methods of cultivation and pest control of crops, livestock, and fisheries system in Indonesia. The first ATM was sent to East Java, and the other following areas; such as Yogyakarta and Central Java (Ku, 2002).

The latest project completed is the “One Village, One Product Agribusiness Project” in Bali that successfully increased the orange and asparagus production (Jing, 2016). This program was executed from 2010 – 2015 by Taiwan International Cooperation and Development Fund (ICFD) that spent around US\$100 million. This project was helping the Balinese farmer and could increase their income.

The agricultural projects from Taiwan indeed helped the farming in Indonesia. It can be said that it has improved the agricultural system and boosted the productions of farming. Besides, the skills of the farmers improved as well. On the other side, Taiwan also benefited by getting a good impression in Indonesia (Jing, 2016).

C. The Tidal in Indonesia-Taiwan Economic Cooperation

The ebb and flow relation of Indonesia and Taiwan mainly happened in the early establishment of both relation. The change of the bilateral status and which is also limited to the economy mark the history and became the turning point of the Indonesia and Taiwan relation until now. However, there are several ups and downs in the relation by 2000s.

After the ROC Consul General Offices in 1950 were shut down as the result of One China Policy that was applied by Indonesia, the relation between Indonesia and Taiwan could only be limited in the economy. By that, Taiwan started to apply economic diplomacy in order to cooperate with other countries which did not have the diplomatic relation with Taiwan (Paramitaningrum & Herlijanto, 2016).

However, it was not easy to restart the relation between both countries. In the 1960s, there were the anti-Chinese riots in Indonesia. Even though there was the connection between Chinese in Indonesia and Taiwan, without the official relation with Indonesia, Taiwan couldn't interact with Indonesia's government to protect the local Chinese. Moreover, there be said that Taiwan helped the

rebellions in some regions It made the relation between both countries become more strained at the time (Ku, 2002).

It might be clear that apparently, the relation between both countries in the 1950s to 1960s was difficult, but both countries could still conduct the trade exchange in the 1967 (Ku, 2002). This trade exchange finally could reduce the tense relation as well as the frozen relation between China and Indonesia that could give the opportunity for Taiwan to re-establish its relation with Indonesia. Moreover, after President Suharto succeeded President Sukarno and changed the strategy to be more economical, there were more chances for Taiwan to begin the trade exchange with Indonesia.

The official economic relation of Taiwan and Indonesia was restarted in 1971, by the establishment of Chinese Chamber of Commerce that placed their office in Jakarta (Ku, 2002). This year was the turning point of the economic ties between both countries. The data proved that there was the increasing of the trade exchange in 1970 - 1979 (Ku, 2002). However, Taiwan's investment hadn't become the main point at the time.

The agricultural program that was initiated by Taiwan also made the relation between both countries become one step ahead. It was because the aspect of the relation was widened, not only by the trade and investment. It benefited Indonesia since it could improve the skills and could promote Indonesia as an agrarian country. The Agricultural Technical Mission from Taiwan that was sent to some regions in Indonesia was the proof of the relation that is getting better.

Following by the year 1980s, the relation was getting better. Indonesia already received the high amount of Taiwan's investment.

However, in 1982, there was the fall of Indonesia's economy as well as the decreasing prices of oil and gas in the world market (Ku, 2002). As the country depends on a lot of gas and oil, the decreasing prices of it indeed gave a big impact towards Indonesia's economy. It also affected to the relation with Taiwan that resulted in the decreasing number of Taiwan's investment to Indonesia from US\$35.9 billion to US\$28.8 billion (Ku, 2002).

As well as by 1997 and 1998, the financial crisis that happened in several Southeast Asian countries including Indonesia, Taiwan's investment in Indonesia declined significantly around US\$3,254 million. It was the huge amount of the declining of Taiwan's investment. Many Taiwanese businessmen also felt the impact of the financial crisis (Jing, 2016).

In 1994, Taiwan initiated a new strategy, named Southward (Go South) policy. As Southward policy became the new strategy of Taiwan in facing Southeast Asian countries, the name of the representative office of Taiwan in several countries was changed. By way of example, the Chinese Chamber of Commerce in Jakarta was renamed as Taipei Economic Trade Organization (TETO) (Ku, 1995).

The Southward policy became the realization of its urge of a higher international status of Taiwan (Ku, 1995). It was also becoming the "more structured" program of Taiwan with Southeast Asian countries in which it had the significant role in the Asian economy and to reduce its dependence on China

(Paramitaningrum & Herlijanto, 2016). By the southward policy, Taiwan could increase their investment, economic aid, technical cooperation, as well as expanding trade (Ku, 1995).

The Southward policy continued to success in 2002 and there were the increasing numbers of Taiwanese businessmen that invested to Indonesia (Paramitaningrum & Herlijanto, 2016). Up until Taiwan became one of the fifth largest investor in Southeast Asia in 2002. It marked that the Southward policy worked well.

However, in the same year, Taiwanese President, Chen Shui-Bian was claimed to make use of ASEAN leaders for his own political interest (Jing, 2016). It made the relation between Taiwan and ASEAN was deteriorated. At the same time, ASEAN was focusing its relation with mainland China until it became the main trading partner for some countries in Southeast Asia. China started to expand its trading partner by having some agreements with ASEAN. The relation with Taiwan was still poor.

While in Indonesia, Chen was touted to have “vacation diplomacy” as the vice president, Annette Lu, went to Bali for “holiday” after her rejection to visit Jakarta (Jing, 2016). In Bali, she expected to meet Indonesian officials despite the fact that Indonesia was applying One China Policy. Lu believed that China couldn’t interfere her visit to Indonesia as it was only a vacation and that is human’s right. However, her vacation with a covert mission made Indonesian once again clearly asserted that Indonesia was supporting One China Policy (Jing, 2016). It indeed created the rift between Indonesia-Taiwan relation.

In 2009 after several years due to the deterioration, by the arrival of Andrew Hsia as the new head of TETO, Taiwan and Indonesia started to restore the relation (Hung, 2009). By 2009, the relation were improved as the trade and investment were also conducted. Andrew Hsia also visited Bali for the conference that discusses the trading exchange between both countries that reached total value US\$3.95 billion. Taiwan's investment also reached US\$13.94 billion in December 2008 and it was expected to provide huge jobs in Indonesia.

In recent years, the relation between Indonesia and Taiwan could still be conducted; although it only relied on the economic aspect. While in 2012, the study about Economic Cooperation Arrangement (ECA) was considered as a step to go forward for the relation. Taiwan had succeeded its ECA with Singapore and Indonesia was expected to succeed as well (Kabinawa, 2015). ECA was believed as the more structured and solution to the relation between Taiwan and Indonesia. It is because, by the limitation by One China Policy, Taiwan could only have people-to-people diplomacy with Indonesia.

Although there are not many obstacles in the recent years, Indonesia still has to consider about One China Policy that is applied. Moreover, after the coup by PKI that has affected the relation between Indonesia and Mainland China, Indonesia should reconsider more in taking the steps forward with Taiwan. Good governance is needed in dealing with Indonesia-Taiwan relation (Jawa Post, 2016).

It is equitable that China always notices the movements between Indonesia and Taiwan because Indonesia is upholding One China Policy. Moreover, in 1994,

Lee Teng-hui, president of Taiwan at the time visited Bali and met Suharto (Jawa Post, 2016). That incident made China protested Indonesia and asked Indonesia to refuse Southward Policy by Taiwan.

The similar act happened in August 2002, when Annette Lu did the “vacation diplomacy” to Bali that caused mainland China in tension again. Then in the same year in December, Chen Shui-bian planned to visit Jakarta, Yogyakarta, and Bali (Jing, 2016). However, his visit was not allowed by Hassan Wirajuda, so Chen canceled his visit. As if Indonesia allowed Chen Shui-bian visit, it was considered by China as the disobedience of One China Policy.

The denial of Chen’s visit to Indonesia was reasonable since there was indeed no diplomatic relation between both countries. The act of Taiwanese government was considered as an offensive diplomatic because Taiwan didn’t pay attention toward One China Policy that was applied by Indonesia (Jing, 2016). As Indonesia officially only recognizes one Chinese government, Indonesia should be consistent that with Taiwan there is no government to government negotiation.

Indeed, the incidents created a tension towards Indonesia’s relation with Taiwan. As there was only people to people relation, the incident didn’t affect the economic aspect significantly (Paramitaningrum & Herlijanto, 2016). The investments and economic trades were still maintained well; although there were some Taiwanese elites asked the investors to cancel or postpone the investments to Indonesia.

The relation between Indonesia and Taiwan somehow was tricky. It was because Indonesia should adhere that there should be no interference from

government in conducting the relation between Indonesia. The cooperation between both countries should only be conducted through TETO as the official institution.

However, since the politics do not involve to the relation, the domestic politics condition in Indonesia doesn't affect the relation between Taiwan. Unlike China which has the diplomatic relation with Indonesia, the domestic politics in each country may affect the policy that is issued. So, it can be said that the relation between Taiwan and Indonesia was more stable than with China; although Indonesia should adhere One China Policy.