

CHAPTER 2

THE RELATION BETWEEN JAPAN AND INDONESIA IN GENERAL

World War II was a war between Germany, Japan and Italy who were members of the anti-international alliance (Axis) against Allied countries consisting of the United States, Britain, China, Australia, France and New Zealand. World War II lasted between 1939 and 1945. In Europe, the war began with Germany invading Poland on September 1, 1939. While in the Pacific, the war began with a surprise attack on the American Navy base at Pearl Harbor, Hawaii by Japan on December 8, 1941.

A. The History of Japanese Arrival in Indonesia

Japan's power over Indonesia occurred at the beginning of World War 2 when the Dutch power weakened in Indonesia. In May 1940 Germany succeeded in occupying the Netherlands, after that the Dutch decided to negotiate with Japan which aimed to secure aircraft fuel, but the negotiations were canceled because Japan had a goal to control Southeast Asia. The Japanese forces then succeeded in taking control of Indonesia in March 1942. During the Japanese period the Indonesian people suffered greatly, the Japanese government was known to be cruel to the natives. They control almost all natural wealth in Indonesia, while their main goals for Indonesia are:

- 1) Indonesia is used as a source and supplier of raw materials for the benefit of Japanese industrial and war machines.
- 2) Indonesia's position is very strategic, and the population of Indonesia widely used as a place to market Japanese industrial products.
- 3) Make Indonesia as the place to find cheap labor for the interests of Japan. The cheap labor can be

used by Japan to help Japan in the war against the Allies, the source of Japanese industrial economic income, and others.

- 4) Massive exploitation of natural resources and human resources in Indonesia.

However, Japanese power in Indonesia only lasted 3.5 years. In 1943, the Pacific war began to reverse direction. Allied troops who had always been pressured by Japanese soldiers, in 1943 they began to hit back against the Japanese. It made Japan review their attitude towards Indonesian independence. On June 16, 1943, at the 82nd session of the Japanese Parliament in Tokyo, Prime Minister General Hideki Tojo announced the opportunity for Indonesians to participate in politics and government. On July 7, 1943, Prime Minister Tojo visited Jakarta and addressed the Indonesian field regarding the promise of Indonesian independence from the Japanese government. To follow up on September 5, 1943, a "Chuo Sang-In" or Central Advisory Council was formed. Then the "Syu Sangi Kai" or Regional Advisory Council was formed for each of the provinces (Syu). The aim of Japan to give independence to Indonesia is to:

- a) Get sympathy and popularity from the people of Indonesia,
- b) Developing the wisdom of the Greater East Asia Empire,
- c) Take advantage of the situation for war purposes.

B. Japan-Indonesia Cooperation before Independence

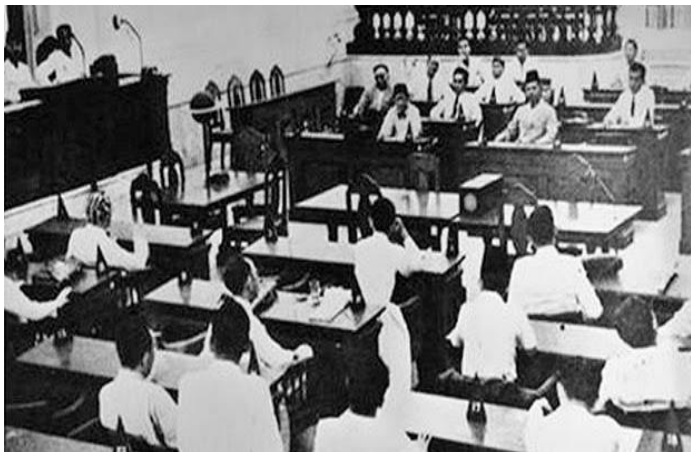
Indonesian Japanese relations had been established before Japan colonized Indonesia, since the 1930s which at that time Indonesia was still colonized by the Dutch. The cooperation is in the economic and industrial fields. Which then attract Japanese investors to invest in Indonesia such as Mitsui, Mitsubishi, and Sumitomo. The prominent businessmen are expanding their business by establishing branches in

Indonesia. The Japanese government strongly supports business expansion activities. However, political relations were first carried out in 1945.

1. BPUPKI (Badan Penyelidik Usaha Persiapan Kemerdekaan Indonesia)

On March 1, 1945, the Japanese military under the leadership of the Military Commander, Kumaciki Harada, announced the formation of an organization, namely “Dokuritsu Junbi Cosukai” or "Badan Penyelidik Usaha Persiapan Kemerdekaan Indonesia” (BPUPKI¹). The purpose of the BPUPKI was formed to investigate essential matters relating to political economy, social, and governance needed in the effort to form an Indonesian state.

Figure 1: BPUPKI first meeting on 29 May 1945



¹ An organization formed by the Japanese government on March 1, 1945, coincided with Emperor Hirohito's birthday. This organization was formed as an effort to get support from the Indonesian people by promising that Japan would assist the Indonesian independence process. BPUPKI consisting of 62 people chaired by Dr. Kanjeng Raden Tumenggung (K.R.T.) Radjiman Wedyodiningrat with deputy chairman Ichibangase Yosio (Japanese) and Raden Pandji Soeroso.

Source: <https://www.gurusejarah.com/2016/10/sejarah-lengkap-pembentukan-bpupki-dan.html>

On August 7, 1945, BPUPKI's assignment ended and was replaced by Panitia Persiapan Kemerdekaan Indonesia (PPKI)²

2. PPKI (Perencanaan Persiapan Kemerdekaan Indonesia)

The main task of the PPKI is to complete and ratify the draft law prepared by BPUPKI, and formulate and decide on the implementation of the statement of Indonesian independence when the time has come. The Major General Yamamoto confirmed to PPKI members that, PPKI members were not only elected by Officials in the Sixteenth Army, but also by Great General Terauci himself who acted as the highest warlord in all of Southeast Asia. Because of this appointment, General Terauci has chosen three Indonesian movement leaders, namely Ir. Soekarno, Moh. Hatta, and dr. Radjiman Wediodiningrat to meet at Terauci headquarters in Dalat, South Vietnam. In a meeting in Dalat on August 12, 1945, General Terauci stated to the three figures that the Employment Government had issued a decision on granting independence to Indonesia. In short, Indonesia independence is on 17 August 1945

From the history above, we can conclude that Japan and Indonesia already have a relationship long before Indonesia's independence. Japan which initially colonized Indonesia with the intention of controlling natural resources such as forests, agricultural land, and fuel oil in Indonesia, then turned into a country that had a significant contribution to the independence

² in Japanese called "Dookuritsu Junbi Iinkai" is the committee in charge of continuing the work of the BPUPKI after BPUPKI was dissolved Japan on August 7, 1945. Besides, PPKI was also tasked to formalizing the opening or preamble and torso of the 1945 Constitution. General Terauchi inaugurated PPKI on August 9, 1945, in Ho Chi Minh City, Vietnam. Ir. Soekarno, Drs Mohammad Hatta and Dr. Radjiman Wedyodiningrat attended the inauguration.

of the Republic of Indonesia by helping to form a BPUPKI and PPKI organization. No wonder if at this time Japan calls the country Indonesia as "old brother."

C. The Relationship between Japan and Indonesia after Independence

1. President Ir. Soekarno era

Bilateral relations between Indonesia and Japan were officially carried out for the first time in 1958. The first thing that was done by both parties was to sign a peace agreement and a war whose purpose was to compensate for the consequences of the Japanese occupying Indonesia. Then, after the agreement, for the first time, Indonesia built a representative office in Japan and continued with the first general consultative placement in Japan as a first step to facilitate negotiations regarding the previous war suppression. Not only that, since 1958 Indonesia and Japan have also signed agreements and exchanged notes containing regulations on cooperation issues in the fields of trade, economy, agriculture, and forestry, increasing food production, social and cultural fields.

The purpose of exchanging notes by both parties is to provide a stronger foundation for cooperation in various fields. The relationship that has happened since the past has made relations between the two countries more complex and stable. The proof is that after the two countries exchanged notes, there have been many agreements, for example: First, "Treaty of Amity and commerce" signed on July 1, 1961, in Tokyo. The following understandings which have been reached between the two governments during the negotiation of the treaty:

1. Japan's government takes note of the strong desire of the government of the Republic of Indonesia to increase exports to Japan, both in volume and variety, to more expanded and flourishing levels. It is a mutual desire, and expectation of both governments that trade between two countries will be maintained and

expanded at the highest possible level on a mutuality beneficial basis,

2. Both governments are of the view that closer cooperation is necessary to promote and expand trade between the two countries in line with a general increase in their trade,
3. Recognizing the importance attached by the governments of the Republic of Indonesia to the exports her of the primary products, especially smallholders rubber and bauxite to Japan, both governments agree to consult each other immediately in order to explore possible ways and means to increase the export of these products to Japan,
4. Both governments agree to exchange economic mission for exploring the possibility of increasing exports of Indonesian products to Japan, and finding effective ways for implementing those possibilities,
5. In considering the obstacles and uncertainties in international commodity trade which confront primary exporting countries and the effects(Cambridge University Press, 1963).

Second, the "agreement on relations of friendliness and commerce" was signed on January 23, 1962, in Tokyo. Third, "cooperation in the field of science and technology" was signed on 12 January 1981. Fourth, "double tax avoidance agreement" signed on 3 March 1982 in Tokyo. Mainly, the third and fourth cooperation was carried out in the era of President Soeharto.

2. President Soeharto era

In the Soeharto era, Japan made massive investments and did not hesitate to provide various financial assistance to Indonesia, because President Soeharto focused on economic development which had experienced a downturn in Soekarno's time and opened up the broadest foreign investment that would enter Indonesia in the hope that it could stabilize Indonesia's economic conditions and also support free trade. Regarding

Japanese investment, in the IGGI (Intergovernmental Group on Indonesia³) forum in May 1973, Japan committed to disburse loans of US \$ 180 million. This value is higher than the US capital loan of only US \$ 150 million. Japan's interest in investing in Indonesia was due to the abundance of raw materials and cheap labor, which made Japan brave more capital than America(Tempo, 2014). Entering the second semester of 1973, total Japanese investment in Indonesia reached the US \$ 467.7 million for 119 projects. A very significant increase, this proves that there is strong Japanese interest in Indonesia with a total investment of Japan in 1973 reaching 147 projects with a value of US \$ 611.5(Tahiro, 2003). Large capital inflows from Japan has raised its polemic in Indonesia. The climax on the 15th of January 1974 massive demonstrations by students rejected the arrival of the Japanese Prime Minister Kakuei Tanaka, who is visiting Jakarta, this causes the Suharto era rule a little tarnished. The event is better known as "MALARI" or "Malapetaka 15 Januari". Student demonstrations were initially carried out as a protest against the growing flow of foreign capital into Indonesia. Japan is considered to blackmail the Indonesian economy and make Indonesian industry stopped.

³“is an international group founded in 1967, initiated by the United States to coordinate multilateral aid funds to Indonesia. IGGI held its first meeting on February 20, 1967, in Amsterdam. Sri Sultan Hamengkubuwono IX represented Indonesia. From 1967 to 1974, IGGI held two meetings each year, but since 1975, meetings have only been held once a year because of Indonesia's improving economic development. IGGI's initial assistance was in the preparation of Indonesia's five-year plan, Repelita I (1969-1973) and funding of 60% of it”.

Figure 2: Headline of Indonesian Student newspaper regarding the disaster of January 15, 1974.



Source: <http://bunghilmu.com/2017/05/05/gerakan-mahasiswa-terdahsyat-kini-yang-hilang-1/>

Relations between Indonesia and Japan increasingly improved into the 1980s. The problems of investment, trade, technology transfer and financial assistance to Indonesia were some examples of widespread issues in the 1980s. Economic issues are still a significant issue, although security issues have also begun to become a common concern. Japan is the largest foreign investor in this decade. “Recorded 24.8% of foreign investment in Indonesia is Japan’s investment”(Bahri, 2004, p. 42). It causes Indonesia to become important in the eyes of Japan.

Moreover, the Japan-Indonesia trade balance shows a deficit for Japan. In 1989, Japan's exports to Indonesia were only 3.3 billion US dollars. “That number is certainly less than Japanese imports from Indonesia which reached 11 billion US dollars” (Bahri, 2004, p. 42). “Despite the deficit, Japan still needs and imports raw materials from Indonesia to run its production”(Bahri, 2004, pp. 39-44). Therefore, Japan is

concerned about regional security in Indonesia. It is to protect Japan's investments in Indonesia. However, both "Indonesia and Japan sometimes still have different perceptions about this security issue"(Bahri, 2004, pp. 39-44). Free funding for construction activities provided by Japan, has made Japan become the country with the most significant financial contribution to Indonesia. One of the Japanese organizations that provided these funds was Official Development Assistance (ODA). Indonesia is the country that absorbs the most funds from ODA. Japan's ODA assistance has contributed significantly through the development of human resources, socio-economic infrastructure development. For example, when the economic crisis hit Asia since August 1997. Indonesia was trying to get out of the crisis in the form of special loans, an extension of payment obligations, government strategy support, and others.

3. President Megawati Soekarno Putri era

During the era of President Megawati Soekarno Putri, Japan offered a proposal to establish a Free Trade Agreement (FTA). Japanese Prime Minister Junichiro Koizumi then offer FTA establishment and led to follow-up economic cooperation between Indonesia Japan Partnership Agreement (IJEPA⁴). "IJEPA" cooperation is closely related to Japan's cooperation with ASEAN⁵, Japan has easy and profitable trade access to southeast Asia because it embraces ASEAN. Japanese products are easier to enter Indonesia due to market liberalization in Indonesia. Then, in March 2003 Japan provided grant assistance of funds amounting to 93 million yen (around 837 thousand USD or Rp. 7.08 billion) to support Indonesia's hard work in implementing decentralization. Diplomatic notes regarding this were signed on March 14, 2003, between Y.M. Father. Yutaka Iimura, Japanese

⁴ The IJEPA collaboration is based on three things, which are: Liberalization (Market Access Opening), Facilitation (easy Market Access) and Cooperation (Cooperation for Capacity Building).

⁵ It is an organization or association of states which is in Southeast Asia.

Ambassador to Indonesia, and Y.M. Mr. Makarim Wibisono, Director General of Asia Pacific and Africa, Ministry of Foreign Affairs, in Jakarta. This project is part of the "Program to Support the Economic Policy of the Republic of Indonesia (supporting program using a dialogue method for key issues) in the implementation of Indonesia's economic reforms", which has been carried out based on agreements reached at the summit between Japan and Indonesia in September 2001 (Bantuan Hibah Jepang Kepada RI Senilai 93 juta Yen (guna mendukung pelaksanaan desentralisasi di Indonesia), 2003). President Megawati Soekarno Putri also signed a cooperation agreement in the tourism sector. This agreement was carried out to increase tourists visiting Indonesia and Japan. The cooperation between Indonesia and Japan in the tourism sector also involves organizations engaged in the tourism sector to reduce obstacles and difficulties in tourism. To support tourism cooperation, the Japanese travel agency "Japan Association of Travel Agents"⁶ (JATA) has sent its mission twice to Bali considering that there was a bombing in 2002 to ensure the safety and safety of tourists

4. President Susilo Bambang Yudhoyono era (SBY)

In president SBY era Japan helped Indonesia when the massive earthquake and tsunami from the Indian Ocean struck the island of Sumatra in December 2004, Japan provided reconstruction and rehabilitation funds for disaster victims total 640 million US dollars (Sejarah Bantuan ODA Jepang di Indonesia, 2008). Then in 2004, the Indonesian and Japanese trade ministers agreed on the Joint Study Group as the

⁶ JATA An association, sanctioned by the Commissioner of the Japan Tourism Agency based on the Travel Agency Law, the Japan Association of Travel Agents (JATA) seeks to improve the quality of services provided to travelers to and from Japan. It contributes to the development of the travel and tourism industry through a variety of activities including disseminating information, encouraging cooperation among members, and promoting the development of businesses and legislation that will benefit the membership and the industry at large.

beginning of Indonesia-Japan economic partnership activities. Then on 2007 the Indonesian president Mr. Susilo Bambang Yudhoyono and Japanese prime minister Abe Shinzo finally agreed to sign the final negotiations on "IJEPA." The signing of the Indonesia-Japan Partnership Agreement (IJEPA) in August 2007, marked a new era that strengthened bilateral relations between the two countries. Not only in reaching an agreement on the regulation of labor mobilization of the two countries, but the scope of cooperation extends to this agreement. It includes collaboration in technology. Judgments about the transfer of technology from Japan to Indonesia are linked to the culture, traditions and social values that are lightly shared by the two countries.

In 2008 it was the year of Indonesian-Japanese friendship because in that year the two countries celebrated "50 years of Indonesia-Japan cooperation". This commemoration began in November 2007 since the visit of President Susilo Bambang Yudhoyono and Ani Yudhoyono to Japan. On that occasion, President SBY and Prime Minister Abe Shinzo signed a joint statement between Indonesia and Japan, namely Strategic Partnerships Towards a Peaceful and Prosperous Future. The two Presidents also argued that 2008 was a good year to strengthen relations between the two countries that had been running for 50 years. During the visit also discussed the matter of relations in the future for the next 50 years.

Then in 2008, there were also activities in the fields of education, culture, and economics. The activity was carried out with the aim of expanding exchanges between the people of the two countries and deepening the understanding between generations. The Indonesia-Japan trade value from January to August 2011 was USD 35.1 billion, an increase of 29% from the same period in 2010. The total value of Indonesia-Japan trade in 2010 and 2009 was USD 42.7 billion and USD 28.4 billion. For Japan, Indonesia is still the primary source of energy supply, which are gas and coal for other natural resources industries such as tin and nickel. Besides that, until March 2011 the value of non-oil exports reached USD 47

million, this being Indonesia's largest non-oil export compared to other countries, for example, Indonesia only exports non-oil and gas to the United States at 40.2 million USD and to China only 34.4 million USD (DIREKTORAT PERDAGANGAN, 2011). Below is the table of NON-MIGAS export data from 2008 to 2011:

Table 1: Non-Oil and Gas Export Value

COUNTRY OF EXPORT DESTINATION	EXPORT NON-OIL AND GAS VALUE (MILLION USD)				
	2008	2009	2010	JAN-MAR 2010	JAN-MAR 2011
JAPAN	13.795,3	11.981,6	16.496,5	3.683,0	4.381,3
UNITED STATES OF AMERICA	12,531,1	10.461,7	13.326,5	2.996,1	3.924,2
SINGAPORE	10.116,0	7.944,9	9.553,6	2.281,1	2.689,5
CHINA	7.787,2	8.906,3	14.080,9	3.088,1	3.647,1

Source: BPS (Diolah Dit. PIKEI – Bappenas)

At the end of 2013 Indonesia-Japan cooperation in all areas had been developed. At the end of the era of President Susilo Bambang Yudhoyono, Indonesia and Japan agreed on cooperation in the fields of trade, investment, infrastructure development, so that they could grow together with the agreement at the ministerial level to further encourage cooperation in the Metropolitan Priority Area⁷ (MPA) in

⁷ MPA is one of the cooperation programs between the Government of Indonesia and the Government of Japan to develop the area around Jabodetabek into an integrated area, so as to create harmony between the community and the environment. This collaboration is marked by the Memorandum of Cooperation (MoC) signed by the

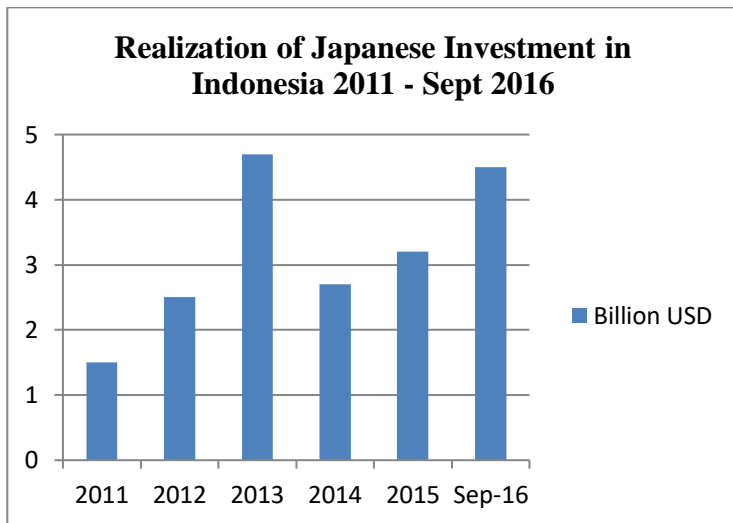
Jabodetabek. Bilateral trade with Japan increased positive trend in the last 5 years (2008-2013) recorded an average growth of more than 11%, while the value of total trade from January to August has reached 31.24 billion USD.

5. The Beginning of President Joko Widodo era

Our seventh President Mr. Joko Widodo replace President Susilo Bambang Yudhoyono. Jokowi in March 2015 visited Japan to strengthen cooperation between the two countries in the economic sector. Together with 1000 Japanese businesspeople, Jokowi attended a business forum located in Japan. At the meeting, Japan saw Indonesia as having good economic growth and a growing middle class so that Japan was keen to invest in Indonesia. Indonesia also considered as an ASEAN leader who plays a significant role in regional stability and prosperity with Indonesia's population and GDP which reaches 40% of ASEAN's population and GDP. During the visit, "Indonesia emphasized Japan's position as a strategic partner so that Indonesia was ready to open opportunities for broader and progressive cooperation"(Donna, 2015). As proof of cooperation in the trade sector in the 2015 period, Indonesia's-Japanese trade volume was recorded at the US \$ 31.27 billion, with an export value of US \$ 18.01 billion and imports of US \$ 13.26 billion. Total Japanese tourists amounted to 486,687 people per year in 2014. Here are the data of Japanese investment in Indonesia 2011-September 2016:

Coordinating Minister for Economic Affairs of the Republic of Indonesia, Minister of Foreign Affairs of the Republic of Indonesia, Minister of Bappenas RI and Minister of Foreign Affairs of Japan, METI Deputy Minister of Japan, Minister of MLIT Japan, in Bali on 10 December 2010.

Diagram 1: Following data on Japanese investment realization in Indonesia from 2011 to September 2016



Source:

<https://databoks.katadata.co.id/datapublish/2017/01/16/jepang-investor-utama-di-indonesia>

The realization of Japanese investment in Indonesia has always been in the top three. Even in 2013, the Sakura State became the biggest investor, beating Singapore, which was the first subscription. While in 2015, investment was in the third position with a realization value of US \$ 9.8 or around Rp 40 trillion.