

Indonesia Independence Day

Bilateral ties pave the way for mutual progression

Yusron Ihza Mahendra
AMBASSADOR OF THE REPUBLIC OF
INDONESIA

The bilateral relationship between Japan and Indonesia is a long-standing and wide-ranging one. From trade to investment, disaster management to tourism, nurses and caregivers to agriculture, there is no aspect of life where cooperation between our two countries is absent. Indeed, Japan has been one of the most important development partners for Indonesia, and hundreds of millions of Indonesians across our archipelago truly value our friendship and strategic ties with Japan.

Our bilateral cooperation is based on mutual respect and has been mutually beneficial to one another. We enjoy the kind of cooperation that enables our two countries to progress together. And as Indonesia enters the 71st anniversary of its independence, Indonesia's contributions to Japan's economic progress and prosperity are also becoming even more significant than ever.

In the area of tourism, for instance, last year, for the first time ever, the number of Indonesian tourists to Japan exceeded 200,000. More than 205,000 Indonesians visited Japan last year to enjoy its rich cultural heritage, colorful lifestyle and delectable food. The number of Indonesian tourists to Japan has been growing by an average rate of 30 percent per year these last several years, and if such a trend continues, in three years, or by 2019, the number of Indonesian tourists to Japan will exceed that of Japanese visitors to Indonesia.

Another significant contribu-

tion of ours is in the field of nurses and caregivers. More than 860 Indonesians nurses and caregivers are now based in Japan, with 181 of them having passed Japanese national certification. Their service to Japanese society has contributed to Japan's response to its demographic challenges.

Indeed, through our vast and close cooperation, our two countries have been complementing and supporting each other. Our only challenge is to elevate this even further. Success stories should not make us complacent, as our international and regional surroundings continue to pose some challenges for both of us.

Economic slowdown in some major developing countries has had impacts on the economic performance of both Japan and Indonesia. Sluggish condition of global commodity prices pose another challenge for Indonesia. Maintaining a peaceful regional order is crucial for the prosperity of our two countries, and in fact for all countries in our region. And we also live in an era where mutual understanding and appreciation across nations must be forged even stronger to respond to potential extremism that may happen anywhere.

Therefore, as the Indonesian ambassador to Japan, I am truly heartened that our bilateral cooperation continues to grow stronger in the midst of such challenging circumstances.

On May 26 and 27, President Joko Widodo made a working visit to Japan upon a special invitation from Prime Minister Shinzo Abe to participate in the G-7 outreach summit in Ise-Shima, Mie Prefecture. Along with some other countries across Asia and Africa, Indonesia's participation in the meeting has enabled a meaningful dialogue between developed and developing nations on many important issues such as



Left: President Joko "Jokowi" Widodo (left) shakes hands with Prime Minister Shinzo Abe at the G7 outreach meeting in Shima, Mie Prefecture, in May; Right: A bilateral meeting at the G7 outreach meeting LAILY, OFFICE OF PRESIDENTIAL PALACE



development, infrastructure, health and women's empowerment.

In the field of trade and investment, the ties between our two countries continue to grow positively. Last year, total value of investment realization by Japanese companies in Indonesia was recorded at \$2.87 billion, 6 percent higher than the year before. During the first quarter of this year, between January and March, Japan's investment realization in Indonesia has been recorded at \$1.6 billion. This means in the first three months of this year, the value of Japanese investment has reached 55.7 percent of last year's value. If such a trend continues, we may expect Japanese investment in Indonesia to double this year.

I am an enthusiastic promoter of investment as I believe investment is a truly win-win form of relationship. No com-

pany will invest overseas if it does not bring economic benefit to the company. And likewise, the receiving country will benefit from, among others, the creation of new jobs and enhanced industrial capacity.

In addition to that, continuous growth of Japanese investment in Indonesia also reflects Japan's confidence in Indonesia's economic potentials. On our part, Indonesia continues to work hard to improve our economic and investment climate. For instance, since the end of 2014 until now, the Indonesian government has issued no less than 12 packages of new economic policies. All of these policies are aimed at improving the ease of doing business in Indonesia, including the simplification of permits and procedures, provision of more tax incentives and bureaucratic reform, as well as revising the negative list of investment to become even

more international-business-friendly.

The Indonesian government also complements this effort by constructing many new infrastructure projects that will enhance our efficiency and connectivity. In March this year, the first phase of an expansion project at Jakarta's Tanjung Priok Port has been completed in the form of the "New Tanjung Priok Container Terminal 1," a project that Indonesia undertook in cooperation with Japanese partners. This new terminal has increased the capacity of Jakarta's Port up to 1.5 million twenty-foot-equivalent units, or 25 percent of the previous capacity. This project will continue with the development of Terminal 2 and Terminal 3, doubling the existing capacity of Jakarta's Tanjung Priok Port.

Infrastructure development is in fact another area of mutually beneficial cooperation that

needs to be further enhanced between our two countries. Abe's program of "high-quality infrastructure" that he announced last year fits remarkably well with Indonesia's thirst for infrastructure development. There is so much that we can do together in this field, from power plants to railways, from seaports to waste management facilities.

I therefore warmly welcome the Japanese government's recent commitment to assist Indonesia in developing a new Port of Patimban in West Java that will further enhance Indonesia's logistical capacity. Together with the Jakarta's Tanjung Priok Port, the Patimban Port will revolutionize regional and international trade flow by making Jakarta a strategic hub for international trade and industrial network.

With Indonesia's continued hard work to enhance our eco-

nommic climate, combined with the abundance of our natural resources, a young and dynamic workforce, rapidly growing middle class and strategic location, I believe that Indonesia will be able to optimize the benefits of the recently launched ASEAN Economic Community. Japan, too, needs to reap such benefits by investing in Indonesia and making Indonesia both a production base and an export base.

Finally, I also want to emphasize that no forms of bilateral cooperation will be meaningful without, to borrow from former Prime Minister Takeo Fukuda's words in 1977, a true "heart-to-heart relationship" between our two countries. And to realize a genuine heart-to-heart relationship, people-to-people contact is fundamental. In this regard, just as Japanese culture is growing in popularity across Indonesia, I would like to en-

courage our Japanese friends to get to know more about Indonesia's culture, tradition and heritage.

In May and June this year, the Indonesian embassy organized a month-and-a-half-long Indonesian Culinary Festival in Tokyo, as we believe that one of the best ways to understand Indonesia's cultural diversity is through appreciation of Indonesia's rich culinary traditions. There are so many other exciting aspects of Indonesia that the Japanese community is still unaware of. Therefore, as Indonesia already exempts visa requirements for Japanese citizens for tourism purposes, I would like to invite all our Japanese friends to come to Indonesia, where they will be warmly welcomed by their Indonesian friends and where they can experience one of the most culturally and naturally diverse countries in the world.

Congratulations

on the 71st Anniversary of Independence of the Republic of Indonesia



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HANEDA	GA875	11:45-17:15	→ JAKARTA	GA874	23:30-08:50 (*)	→ HANEDA
KANSAI	GA889 *	12:00-17:05	→ JAKARTA	GA888 *	23:15-08:15 (*)	→ KANSAI
NARITA	GA881	11:00-16:55	→ DENPASAR	GA880	00:55-08:50	→ NARITA
KANSAI	GA883	10:50-16:50	→ DENPASAR	GA882	00:40-08:30	→ KANSAI

*1 operates WED, SAT, SUN

*2 operates TUE, FRI, SAT

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Indonesia Independence Day

Toward constructive economic relations between our nations

Bambang P.S. Brodjonegoro
MINISTER OF NATIONAL
DEVELOPMENT PLANNING/HEAD OF
NATIONAL DEVELOPMENT PLANNING
AGENCY

Seventy-one years ago, on Aug. 17, 1945, Indonesian President Sukarno and Vice President Mohammad Hatta, in the name of the people of Indonesia, proclaimed the independence of Indonesia. Mandated by the 1945 Indonesian Constitution, one of the national goals of an independent and sovereign Indonesia is to participate in the establishment of a world order based on freedom, perpetual peace, and social justice. Indonesia, in endeavoring the constitutional mandate, has been building partnerships with countries around the world and is actively involved in ensuring global peace and development.

In that spirit of partnership, Indonesia and Japan in 1958 established a friendship of two nations with a view to advancing development and mutual prosperity. Since then, our two countries have continued to develop and nurture various areas of cooperation, not only between governments, but also business-to-business and people-to-people cooperation. It is built not only at the bilateral level, but Japan and Indonesia also established strong cooperation in regional and global forums.

The establishment of the "Bilateral Strategic Partnership for Peaceful and Prosperous Future" on Nov. 28, 2006, and an economic partnership agreement (EPA) on Aug. 20, 2007 bolstered the foundation and framework of our bilateral cooperation. They were further reinforced through a joint statement "Towards Further Strengthening of the Strategic Partnership Underpinned by Sea and Democracy" by President Joko Widodo and Prime Minister Shinzo Abe, on

March 23, 2015. The principles of the strategic partnership are made real through the establishment of various cooperation programs and forums with private sector involvement.

The establishment of these forums shows the commitment of the governments of Japan and Indonesia in further strengthening bilateral cooperation. They also add to the rich history of close economic and development partnerships between the two countries. Even the development cooperation between Indonesia and Japan that was previously in the form of official development assistance, now is going beyond the bilateral government-to-government framework. We have been sharing our experiences and achievements with other less-developed and developing countries through south-south and triangular cooperation.

Currently, Indonesia is an emerging and open economy with its economic size as the 16th-largest in the world and is a member of the G20. Indonesia's economic growth for the last six years amid unfavorable external developments has proven Indonesia's economic resiliency and strength in performance, leading to positive appraisals from the international community.

Nevertheless, on the global economic front, all Asian economies are facing weak global economic growth that has become "the new normal." For us in Indonesia and some other Asian countries, this means modest growth in export markets and weaker demand and low prices for our commodities. On the Japanese side, a more pressing issue is how it can respond to this new normal by overcoming its structural rigidities, labor force challenges, and lackluster productivity performance.

We are also witnessing modest growth in international trade. In response to that, enhancing industrial capacity and strengthening participation in international production networks has become ever more important.

Attracting foreign direct investment is the key to this. For both the investing countries and the host countries, investment has become an engine of growth in the current sluggish global condition. Indonesia is thus working hard to make our country an attractive investment destination for everyone, including for Japanese investors.

Widodo is on an aggressive path to enable private sector investment by improving the environment for doing business, accelerating infrastructure investment, streamlining the regulatory environment and creating greater market access, domestically and internationally. Recently, the government of Indonesia, under a spirit of pro-investment activity, issued a series of economic stimulus packages. These packages cover a new wage formulation that provides more certainty to business owners; gas and electricity price reductions for industry; exemptions on value-added tax (VAT) for the transport equipment industry; elimination of double taxation practices in infrastructure investment; and tax discounts of between 20 to 100 percent for investment in special economic zones (SEZ), among others. Foreign investors are allowed to own property in SEZ and are able to import raw materials without VAT.

Infrastructure is the next area of challenge that at the same time presents opportunities. Improving the stock and capacity of infrastructure is a priority for Indonesia to sustain economic growth and attract broader investment inflows. Our massive need of infrastructure investment requires an innovative and creative solution. Sole reliance on governmental programs is no longer adequate and we need to accelerate private sector involvement. In the current National Medium-Term Development Plan 2015-2019, we put energy, marine, maritime, tourism and industry, as well as transportation to support connectivity as leading sectors in our development strategy. The government

plans to undertake infrastructure projects totaling \$424.5 billion. Thirty percent of investment will be covered by the government budget, while the remaining 70 percent will have to be borne by state-owned enterprises, public-private partnerships and the private sector.

Our challenge here is to package infrastructure projects as investable business opportunities and provide a secure investment market that offers reasonable long-term investment returns. On the Japanese side, participating in overseas infrastructure projects has also become increasingly important, not only to deliver economic benefits to Japanese contractors but also to project Japan's soft power in the regional and global levels. That is why Abe launched the "quality infrastructure program" last year, an initiative that has been warmly welcomed by Indonesia.

These initiatives and policies are reflections of the government's strong commitment to improving the investment climate and trade promotion, as well as an invitation for investors to participate in infrastructure development. Surely, this is a great opportunity for strengthening the Japan-Indonesia economic relationship.

The bilateral trade and investment flow between Japan and Indonesia shows positive growth particularly since the establishment of EPA in 2007. Japan remains as one of the Indonesia's three largest trade partners and Japan's contribution is among the top five of foreign direct investment in Indonesia. When the two governments established an EPA in 2007, the total value of bilateral trade was \$30.16 billion. The amount increased to \$40.13 billion in 2014 (BPS Data). Meanwhile, Japan's foreign direct investment (FDI) in Indonesia in 2007 (from January to December) was \$615.28 million covering 111 projects. Furthermore, Japan's FDI from January 2015 to March 2016 increased to \$3.8 billion covering 2,285 projects (BKPM data). Notwithstanding almost ef-



Minister of Tourism Arief Yahya (center) visits the new Terminal 3 Ultimate of Soekarno-Hatta International Airport in Jakarta in July before it officially started operations on Aug. 9. MINISTRY OF TOURISM



Jakarta, the bustling capital of Indonesia DENIEK G. SUKARYA



Tanah Lot, Bali EFENDY BONG

fectively 10 years since the EPA was signed, Japan and Indonesia have identified issues to be jointly addressed to ensure the mutual benefit for both countries in achieving the final goals of our EPA. Capacity building, market access for agriculture commodities and movement of people are some of the economic partnership issues that need to be addressed in due course.

Despite all the progress, both countries are also facing demographic challenges. While North Asia, especially Japan, faces the challenge of an aging population, we in Indonesia and much of Southeast Asia face the opportunities — and challenges — of a young population. We need to create jobs for our growing labor force and ensure social inclusion and participation of youth that is so critical to avoid the instabil-

ity that we have seen in some other regions over the past few years. We also need to further maximize the benefit of the so-called "demographic dividend" by upgrading the skills of our young labor force. In a way, Indonesia's current demographic condition may present an answer to the Japanese one.

I believe with the commitment of our leaders and the existence of bilateral economic cooperation forums, we have the essential capital to address challenges in our bilateral economic relations, as well in promoting the interests of both countries. The advancement of economic relations between the two countries has resulted in a real contribution to the prosperity of Indonesia and Japan that have been nourished through 58 years of partnership.

Supporting exchange in a variety of areas

Yasuo Fukuda
PRESIDENT, JAPAN INDONESIA ASSOCIATION, INC.

Seventy-one years have passed since the Republic of Indonesia declared independence on Aug. 17, 1945. On this auspicious occasion, I'd like to extend my warmest congratulations to President Joko "Jokowi" Widodo and the people of Indonesia on behalf of the Japan Indonesia Association (JAPINDA).



Overcoming various difficulties in the 71 years under the banner of the Pancasila national policy, Indonesia has established a strong presence as a major nation in the world; ranking as third in population size and boasting the fifth-largest economy in Asia, as well as being a member of the G-20. These are the fruits of persistent effort by the Indonesian people under leadership of discerning leaders, to which I'd like to pay my respect from the bottom of my heart. Currently under leadership of Jokowi, the country has been steadily implementing policies with a sense of speed based on economic policies to realize the "maritime nation initiative."

The Japan-Indonesia relationship has further enhanced the closeness in both public and private exchanges. Jokowi and Prime Minister Shinzo Abe held talks during the summit of the Association of Southeast Asian Nations in November in Kuala Lumpur and in the outreach meeting of the G7 Ise-Shima summit in May. They agreed to further strengthen cooperative ties for the development of high-quality infrastructure in Indonesia and to respect international law in maritime issues. Furthermore, I contributed my humble efforts to the development of bilateral economic relations when I visited Indonesia at the end of July with representatives of leading Japanese firms. We had the honor of meeting Jokowi and Vice President Muhammad Jusuf Kalla and exchanged views with economic ministers and organizations.

During the visit to Indonesia, I was honored to attend a ceremony commemorating the 30th anniversary of Darma Persada University and I'm determined to further provide help not only in the political and economic fields, but also in the areas of culture, education and personal exchange.

Indonesia boasts 870,000 learners of Japanese language, of whom 95 percent are high school students, leading the world in the number of such learners at the secondary education level. Meanwhile, Indonesian tourists to Japan increased by nearly 30 percent in 2015 from the previous year, reaching 205,000 visitors. We can say people-to-people exchange has increasingly become active.

In terms of promoting bonds between Japan and Indonesia, I believe such enhanced public and private exchanges are most important above all things that would further solidify bilateral equal partnership.

JAPINDA is in a position in the private sector to work as a bridge to foster friendship and goodwill. We are determined to continue supporting exchange initiatives in various fields. In conclusion, I'd like to express my expectations for the prosperity and development of the Republic of Indonesia and sincerely extend my best wishes for the happiness of its people.



Saman Dance BAMBANG W.

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