

# Japan's Development Cooperation Policy for the Republic of Indonesia

September 2017

## 1. Objectives

Indonesia is a core ASEAN country with the largest population and territory in Southeast Asia. Notably, it has the largest Muslim population in the world. It is strategically located at the Strait of Malacca vital for international maritime transports. Indonesia has been a long-standing amicable and strategic partner for Japan. The two countries have shared fundamental values such as democracy, human rights and a rules-based multifaceted trading system. As for the bilateral economic relationship Japanese companies including manufacturers have invested in Indonesia for many years. In 2016, more than 1800 Japanese companies have their bases in Indonesia. The Japan-Indonesia Economic Partnership Agreement effectuated in July 2008 has strengthened our bilateral economic ties. These close ties extend to the energy sector including development of gas fields, as Indonesia is a major source of natural resources such as natural gas and coal for Japan.

The establishment of ASEAN Community in 2015 has fostered economic integration and strengthened connectivity. In this context, Indonesia has been even more important to Japanese companies that have invested vastly in this country. In conclusion, Indonesia's economic development is beneficial not only for its own people but also for Japan aiming to grow further together with this region.

After President Joko Widodo was inaugurated in October 2014, Indonesia announced its "Medium Term National Development Plan 2015-2019" that incorporated the "Nine Priority Agendas (Nawa Cita)". This plan mainly aims to enhance international competitiveness, to develop infrastructure and to reduce regional disparities. As the only ASEAN country in the G20, Indonesia has drawn high expectations from the international community. Assisting such Indonesia development policies will contribute to its stability and growth that are essential for Asia including Japan.

## 2. Fundamental policy of Japan's ODA: **Supporting balanced economic growth and capacity building for addressing international challenges.**

For the objective of realizing Indonesian balanced growth, Japan will extend its assistances to enhance international competitiveness through, but not limited to, high-quality infrastructure development to realize social safety and justice through balanced growth and to improve Indonesian capacity to address the challenges facing

Asia and the international community.

### 3. Priority areas

#### (1) Assistance for enhancing international competitiveness

In order to realize economic growth through enhancing international competitiveness in the private sector of the increasingly globalized Indonesian economy, Japan will extend assistance to develop high-quality infrastructure in the area of, but not limited to, transportation, logistics, energy and telecommunications, to improve business and investment environments through regulatory and institutional reforms and to forge capacity building.

#### (2) Assistance for realizing social safety and justice through balanced growth

In order to realize social safety and justice in Indonesia, Japan will extend assistance not only for urban but also for rural development to improve quality of life. It will also extend assistance to improve administrative functions such as disaster management.

#### (3) Assistance for capacity building to address the challenges facing Asia and the international community

Japan will extend assistance to improve Indonesian capacity to address challenges facing Asia and international community, such as climate change, environmental conservation, maritime security, counterterrorism and combatting infectious diseases. Japan will also extend assistance to enhance Indonesian capacity as an emerging donor country.

### 4. Points to be considered <sup>1</sup>

Recognizing foreign investment is vital to Indonesia's economic growth and thus Indonesian business and investment environments such as its predictability and stability are encouraged to improve, Japan will continue to advise the Government of Indonesia to enhance them.

Furthermore, in terms of the above item 3. (3), violent extremism management is a severe challenge to be addressed not only by Indonesia but also by regional and

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<sup>1</sup> The country-focused ODA evaluation are available at the following link;  
Country Assistance Evaluation of Indonesia (2003):  
<http://www.mofa.go.jp/policy/oda/evaluation/FY2003/text-pdf/indonesia.pdf>  
Country Assistance Evaluation of Indonesia (2007):  
<http://www.mofa.go.jp/policy/oda/evaluation/FY2007/text-pdf/indonesia.pdf>

international community. Indonesia focuses on this challenge, therefore, Japan will consider the way of future cooperation.

Annex: Rolling Plan