

The Relationship between Geography and Economic History in the Formation of Indonesian Development Policy

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Abstract

Geography is a science that is more focused on the interaction between humans and the environment in which they live (Hobbs, 2009). Geography places more emphasis on interactions between humans and their environment. Humans live on the surface of the earth where each area or region on the surface of the earth certainly has characteristics that differentiate one place from another. Economic geography is a subfield of human geography that studies the relationship between economic and geographical factors. This research uses qualitative methods, namely data collection methods through observation, visual analysis, literature study, and interviews (both individual and group). According to Sugiyono, qualitative research methods are based on the philosophy used to research scientific conditions (experiments) where the researcher acts as the main instrument, with qualitative data collection techniques and data analysis that places greater emphasis on meaning. The results of this research are that the relationship between economic geography aims to increase or improve human income or economy in a better or more prosperous direction, both the Indonesian economy before independence until the New Order era.

Keywords: *Geography, Economy, Development.*

INTRODUCTION

Indonesia is a developing country in the form of an archipelago. The land area is separated by vast sea waters. According to Baiquni (2014), each regional unit has various special characteristics (purity, character, specialty and uniqueness), as well as the presence of human activities and natural forces, providing opportunities between regions to connect with each other. So far, a number of differences in physical and cultural characteristics have not been optimally exploited as potential to support regional development. According to Cappelo (2009) regional development is carried out supported by economic growth through economic accumulation, technological progress, worker migration and investment flows.

Development in Indonesia is still faced with conditions of regional inequality. According to BPS (2018), the level of inequality is still growing in Indonesia, marked by a Gini index of 0.389. According to Muta'ali (2015), the economy in Indonesia experiences inequality in the regional scope, namely the Eastern Indonesia Region (KTI) and the Western Indonesian Region (KBI) as well as the island scope, namely Java Island with various other islands. One of the reasons for this inequality is inadequate infrastructure in each province.

Geography is a science that is more focused on the interaction between humans and the environment in which they live (Hobbs, 2009). From the definition that has been put forward, we can see that geography places more emphasis on the interaction between humans and their environment. Humans live on the surface of the earth where each area or region on the surface of the earth certainly has characteristics that differentiate one place from another. Economic geography is a subfield of human geography that studies the relationship between economic and geographical factors. Economic geography can be linked to economic history through the history of economic development before independence, the economic history of the old order and the economic history of the new order.

The history of the development of economic policy during the New Order in Indonesia is a journey that reflects major transformations in national development efforts. The New Order era, which began in 1966 and lasted until 1998, was marked by the strong power of the government under the leadership of President Suharto. The economic policies adopted during this period reflected the government's views on the direction of economic development, industrialization, and modernization of the

country. At the beginning of the New Order, the government's main focus was to create rapid economic growth and improve people's welfare. The economic model adopted is authoritarian and centralized, with the government having a central role in planning and implementing economic policy.

METHOD

This research uses qualitative methods, namely data collection methods through observation, visual analysis, literature study, and interviews (both individual and group). According to Sugiyono, qualitative research methods are based on philosophy used to research scientific conditions (experiments) where the researcher acts as the main instrument, with qualitative data collection techniques and data analysis that places greater emphasis on meaning (Sugiyono, 2012). Moleong explains that qualitative research aims to understand phenomena experienced by research subjects, such as behavior, perceptions, motivations and actions, holistically and descriptively in the form of words and language, in a special natural context by utilizing various natural methods (Moleong, 2018). Qualitative research emphasizes the quality and depth of available information, uses interview techniques expressed in sentences or descriptions to explain phenomena in detail by gathering as much information as possible, and prioritizes observing phenomena and examining more closely the meaning content of these phenomena.

RESULTS AND DISCUSSION

Understanding geography

According to Ferdinand Von Richthofen in Suharyono and Moch. Amien (1994:13), geography is a science that studies the symptoms and properties of the earth's surface and its inhabitants arranged according to their location, and explains well about the presence of symptoms and characteristics of the earth's surface and its inhabitants arranged according to their location, and explains well about their existence. these symptoms and characteristics together and about the interrelationship between these symptoms and characteristics. Geography experts in the Seminar and Workshop on

Improving the Quality of Geography Teaching in Semarang in 1988, formulated that geography is a science that studies the similarities and differences of geosphere phenomena from an environmental or regional perspective in a spatial context (Suharyono and Moch Amien, 1994: 15). From several definitions of geography, it can be emphasized that the object of geographical study is none other than the geosphere, namely the earth's surface which is essentially part of the earth consisting of the atmosphere (air layer), lithosphere (rock layer, earth's crust), hydrosphere (water layer), and the biosphere (layer of life). The geosphere or earth's surface is viewed from a regional or environmental perspective which shows similarities and differences. These similarities and differences cannot be separated from the spatial relations of the geographical elements that form them (Nursid Sumaatmadja, 2001:11).

History of the Indonesian economy before independence

Before Indonesian independence, the Indonesian economy was still heavily influenced by Dutch colonial policies. During that time, the Indonesian economy focused more on developing the plantation sector, especially coffee, tobacco, sugar cane, rubber and palm oil which were cultivated by the Dutch (Safitri, 2017). The economic system during the colonial period was based on trade monopolies held by Dutch companies, such as the Vereenigde Oostindische Compagnie (VOC) and Koninklijke Paketvaart-Maatschappij (KPM). Apart from that, the tax system was also the main source of revenue for the colonial government, with high tax levies on farmers and laborers. The following are some of the periods before Indonesian independence, including:

1. Kingdom time

The history of the Indonesian economy during the kingdom period lasted for hundreds of years and was greatly influenced by trade activities between countries (Mahfudzoh, 2018). Several large kingdoms such as Sriwijaya, Majapahit and Mataram controlled strategic international trade routes in the Southeast Asia region and developed their economies through trade activities.

Sriwijaya, for example, was known as a trade center and major port in Southeast Asia in the 7th to 13th centuries. This kingdom controlled the entire spice trade route from India to China, and made huge profits from this trading activity. Majapahit in the 14th to 16th centuries was a strong and prosperous kingdom in Indonesia. Majapahit's economy is supported by an advanced agricultural sector, especially in the production of rice, sugar and cotton. Apart from that, this kingdom also developed an active trade sector, especially trading in gold, silver and other agricultural products (Jamil & Santosa, 2017).

During the Mataram kingdom (16th to 18th centuries), the Indonesian economy developed through the trade and agricultural sectors controlled by the nobles (Safitri, 2017). The agricultural sector, especially rice production, remains the main sector in the economy at this time. International trade also remained an important activity during the kingdom, especially in the trade of spices, timber, ivory, gold and silver. Apart from that, during this period there was also the development of the crafts sector and household industries, such as cloth and silver making, which were controlled by village communities (Zulkarnain, 2016). Even though the Indonesian economy during the kingdom era was highly dependent on the agricultural sector and international trade, at the same time, the kingdoms in Indonesia had developed a complex and advanced economic system in managing natural wealth and agricultural products. The influence of economic history during the kingdom's era can still be seen in Indonesia's economic life today.

2. Portuguese colonial period

Portuguese colonization in Indonesia began in the 16th century, especially in the Maluku region which was rich in spices such as cloves and nutmeg (Safitri, 2017). This exploitation of natural resources later became the basis of the Portuguese economy in Indonesia at that time. The Portuguese opened trade with the local population and established ports in Maluku and other areas

in Indonesia. They took over control of the spice trade and exported it to Europe. (Affairs, 2013) The Portuguese also began growing spice plants commercially, thus increasing production and exports. Apart from the spice trade,

The Portuguese also developed agriculture, animal husbandry and fisheries in the areas they controlled. They introduced new crops such as corn, beans, and cassava, and brought livestock from Europe such as cattle, horses, and pigs. However, the Portuguese economy in Indonesia during the colonial period did not develop rapidly. This was caused by several factors such as limited technology and capital, as well as competition with other European nations such as the Netherlands, England and Spain. The Portuguese finally lost their dominance in Indonesia at the beginning of the 19th century and were replaced by other European nations (Mahfudzoh, 2018).

3. Japanese colonial period

The Japanese population in Indonesia occurred in 1942-1945, which ended with the proclamation of Indonesian independence (Amelia, 2020). The period of Japanese occupation was a determinant of the Indonesian nation's journey towards independence. The arrival of Japan to Indonesia also indicated that the rule of the Dutch East Indies had ended. At first, the arrival of the Japanese population in Indonesia received a good welcome from the Indonesian people because they considered Indonesia as an older brother who would help the Indonesian people to be free from being colonized by other nations. However, this only happened for a few months, after which Japan began to show its cruelty by confiscating natural resources, carrying out oppression, and also extorting energy from the Indonesian people.

During its occupation, Japan implemented a war economic system, because at that time Japan was facing allies so economic policy was diverted to meet war interests (Aderoben & Septiansi, 2022). With the implementation of this war economic system, it resulted in the confiscation of

plantations, factories, banks and others, causing the Indonesian people at that time to experience poverty, food production decreased and famine also occurred (Adji, 2020). Therefore, the people chose to become Romusha (a forced labor system during Japanese rule) while the work carried out was building infrastructure, coastal fortifications, foxholes and ammunition factories.

History of the Indonesian economy during the old order

During the old order, Indonesia's economy was still very bad. This is because Indonesia is still not free from Dutch colonial rule. Even though Indonesia proclaimed its independence on 17 August 1945, war between the Netherlands and Indonesia was still going on in the 1940s (Fahrika & Zulkifli, 2020). The Old Order period occurred in 1945-1968, at that time the reign of Ir. Sukarno, who was the first president of Indonesia and a figure who fought for independence. During the old order, Indonesia adhered to a liberal economic system and a command economic system. Soekarno also implemented several economic policies consisting of:

1. The Dutch-owned De Javasche Bank was nationalized to become Bank Indonesia.
2. Efforts related to the dignity of many people are safeguarded.
3. Attempting to eliminate Dutch control in export-import trade activities.
4. And other policies made so that the Indonesian economy can progress.

Even though Soekarno had issued several policies, these policies did not work properly due to several reasons, including:

- a. The political situation is propaganda and sabotage.
- b. Soekarno's cabinet experienced ups and downs so that it was unable to carry out policies as well as possible. This is because there is a struggle between politics.
- c. The bourgeois base is weak, while it is considered capable of becoming a force in the economy and is considered capable of encouraging industrialization.

Another cause of the poor economy during the old order was the destroyed physical and non-

physical economic infrastructure, due to the wars that occurred in the previous era, and macroeconomic management during the regime was very poor. During the old order, the Indonesian economy experienced growth at an average rate of 7% per year during the 1950s. Then it experienced a very drastic decline to 1.9%, resulting in stagflation in 1965-1966. Where at that time, Indonesia's GDP was only around 0.5% and 0.6%. The efforts made by the Indonesian government for economic difficulties during the old order were in July 1946, the Minister of Finance, Ir. Surachman, with the approval of BP-KNIP, carried out a national loan program, trying to break through the Dutch blockade in Sumatra with the aim of Singapore and Malaysia, in obtaining an agreement to overcome economic problems at the time the Economic Conference was held in February 1946 (Fahrika & Zulkifli, 2020).

History of the Indonesian economy during the New Order

Indonesia's economic history is shaped by its strategic geographical location, located at the intersection of the world's oceans and continents. The emergence of international trade relations through foreign trade partners plays an important role in the economic development of this country. India, China, Arab countries and Europe are involved in the spice trade which is the main commodity (Islamia, Raikhan, Faizy, Majid, & Ridwan, 2023). Before independence, the Indonesian economy was heavily influenced by Dutch colonialism. The economic system during the colonial period was based on trade monopolies held by Dutch companies, such as Vereenigde Oostindische Compagnie (VOC) and Koninklijke Paketvaart-Maatschappij (KPM). In addition, the tax system became the main source of revenue for the colonial government with high tax levies on farmers and laborers (Leirissa, Ohorella, & Tangkilisan, 1996).

The Indonesian economy during the New Order government, which covered the period from 1966 to 1998, began after President Soekarno was replaced by General Soeharto in the "30 September Movement" or G30S/PKI in 1965. At the beginning of the New Order government, Indonesia experienced economic

conditions which were difficult due to high inflation, political instability, and tensions between ethnicities and religions. With the release of SUPERSEMAR on March 11, 1966, which marked the beginning of the New Order, Suharto began to implement policies that were different from those of his predecessors.

According to Setia, this change of government had different political dynamics, with Suharto placing more emphasis on national resilience as a response to the economic crisis and various rebellions that hit Indonesia during the Old Order (Setia, 2023). Indonesia's economic development during the Soeharto administration was carried out with a focus on domestic political stability, defense and security. Developing relations with Western countries allows Indonesia to implement free and active politics. Western countries, including entrepreneurs, foreign investors and banks, play an important role in building Indonesia's national resilience. In international political relations, Indonesia has established good cooperation with Western countries, especially the United States, which helps in building national resilience.

This relationship improved when President Soeharto launched a new policy, namely the Foreign Investment Law (PMA) of 1967, which allowed domestic and foreign entrepreneurs to establish companies in Indonesia. The PMA Law was created to drive a market-oriented economy, considering that the Indonesian economy previously depended on oil export revenues. In its implementation in the field of economic development, the Soeharto government implemented economic policies with the concept of the Development Trilogy consisting of: (1) Equitable development; (2) Economic growth; and (3) National stability. In practice, national stability is used to control Indonesia's economic growth by attracting foreign investors. As a result of this economic growth, prosperity began to spread widely as a result of just the government.

The New Order government also tried to improve the economic system by implementing economic stabilization and rehabilitation programs. Before the development plan through Repelita begins, the government must first restore economic, social and political stability as well as economic rehabilitation in the country.

The target of this policy is to reduce the inflation rate, reduce the government's financial deficit, and revive production activities, including exports, which experienced stagnation during the Old Order. This government effort was supplemented by the gradual preparation of a five-year development plan (Repelita) with clear targets, which was highly appreciated by Western countries (Ronaldo et al., 2014).

Economic growth in Indonesia during the New Order era was influenced by many factors from various sectors, including the financial system and monetary policy implemented in Indonesia. Maintaining financial system stability and appropriate monetary policy are dimensions of national stability which are an integral part and target of national development. Financial System Stability (SKK) is a condition that allows the national financial system to function effectively and efficiently and is able to withstand internal and external vulnerabilities, so that the allocation of funding sources can contribute to the growth and stability of the national economy (Nugroho et al., 2020).

Information strategies are also critical to the success of migration programs. During the New Order government, for example, population poverty became one of the indicators for assessing national development. In 1976, the number of poor people in Indonesia was around 54.2 million people or 40.08 percent of the total population. Data for 1996 showed a decrease in the number of poor people to 22.5 million people or only 11.34 percent of the total population. The Indonesian economy grew by an average of 5 percent per year, with Repelita II growing by 7.5 percent, Repelita III growing by 6.5 percent, Repelita IV growing by 5 percent, and Repelita V growing by 5 percent. These developments, especially migration information policies, have had an important impact due to the success of national development programs (Islamia et al., 2023). However, various New Order government policies often imposed new requirements regarding the implementation of Pancasila democracy. However, the democracy implemented is not real democracy, but technical democracy. Political life during the New Order era was very sad because of the government's

pressure and power play on the opposition or critical thinkers.

CONCLUSION

Indonesia's economic history is influenced by its strategic geographical location, stretching from the early 20th century to the present. This country's economic development is influenced by international trade, especially with India, China, Arabia and European countries. During the New Order era (1966-1998), the country's economic system was characterized by poor economic conditions, political instability, and tensions between ethnicities and religions. President General Soeharto's government implemented the "Supersemar" policy which focused on national development. This policy aims to overcome various problems, such as poverty, inequality and conflict, as well as ensuring the stability and prosperity of the Indonesian population. The government implemented the "Foreign Capital" policy in 1967, which aimed to control economic growth and attract foreign investment. This policy was implemented to increase economic stability, social and political stability, as well as domestic economic rehabilitation. During this period, the economic development strategy was based on the Development Trilogy which included equitable development, economic growth and national stability. This policy succeeded in attracting foreign investors and supporting infrastructure development and industrialization, although it also raised several challenges such as social inequality and corruption. Overall, Indonesia's economic history was shaped by its strategic geographic location, efforts to achieve political stability, and economic policies implemented during the New Order era. The New Order government attempted to improve economic conditions through various development programs, which, despite facing various challenges, succeeded in providing a foundation for sustainable economic growth. Economic policies during this period have had a significant impact on the development of the Indonesian economy and formed the basis for future economic policies.

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