

European Union – Indonesia Stronger partners – stronger partnership

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Abstract

this article examines the state of play of the relations between the European Union and Indonesia. It proposes a review of the progress achieved since the publication in 2000 of the Communication from the European Commission that is aimed at strengthening the relations between Indonesia and the European Union. It underlines that both the European Union and Indonesia have become stronger players in the international and regional arena. It also finds that the EU-Indonesia relations have intensified, diversified and given new perspectives for a stronger EU-Indonesia partnership.

INTRODUCTION

Five years have already passed since the Communication from the European Commission to the Council and to the European Parliament "Developing closer relations between Indonesia and the European Union" was adopted. Approved in February 2000, this Communication underlined the significant changes undertaken since 1998 in Indonesia and their consequences for Indonesia-European Union (EU) relations.

These changes created a new situation that enabled the EU to "take a fresh and more comprehensive look at Indonesia" and its relationship with the EU. With the holding of free and fair elections leading to a democratic government, Indonesia was also seen as having "embarked on the most far-reaching change in its history post-independence". The Communication stressed, "it is now time to establish the EU as a partner of substance for

Indonesia². What has been achieved towards this objective so far? This article is aimed at offering a reflection on the progress achieved by the EU and Indonesia to enhance their partnership. Both Indonesia and the European Union have been going through fundamental changes over the past 5 years. How have these changes affected the EU-Indonesia relations? Through their respective changes, both Indonesia and the EU are becoming stronger, are establishing themselves as stronger partners (section 1). While the 2000-2005 period offered great improvements and important successes in the implementation of enhanced EU-Indonesia relations, the 2005 EU and the 2005 Indonesia are in better positions to offer each other a stronger partnership (section 2).

I. THE EUROPEAN UNION AND INDONESIA – STRONGER PARTNERS

Both the European Union and Indonesia have experienced fundamental changes over the last few years. These changes are making the EU and Indonesia stronger partners, to the benefit of both of them. At the beginning of the XXIst century, the European Union is profiling itself as a partner growing in importance and openness. Indonesia, after the crisis at the end of the nineties, is recovering and taking a position of a leading democratic partner.

The EU, a partner growing in importance and openness

In his communication defining the Commission's strategic objectives 2005-2009, President Barroso³ underlines the "huge strides forward" made by the European Union over the past few years: "the biggest enlargement ever, largely uniting the European continent into a Europe of freedom; the introduction of the Euro, consolidating a zone of financial stability; the signing of the Constitution, modernising the

rules of an enlarged Union resting uniquely on the dual legitimacy of its Member States and citizens; progressing towards a common area of Justice and Security across Europe; building up the first stages of a European Defence Policy."⁴ Are all these changes relevant at all to Indonesia, do they affect EU-Indonesia relations?

EU enlargement and third countries

The enlargement of 2004 is the biggest and most ambitious enlargement in European Union's history. The arrival of new comers – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia - raised the number of members from 15 to 25 with a total population of over 450 million⁵, and soon 27 with Romania and Bulgaria joining in 2007. This is more than the combined population of the United States and Russia. The first anniversary of this largest

enlargement shows positive emerging trends. This enlargement has already helped consolidating political and economic stability, democracy and human rights in Europe. It has shown that profound changes can be achieved in a short time: setting up a market economy, reinforcing the principle of state based on the rule of law, creating democratic institutions in line with European standards, transposing Community rules and above all feeling European without losing sight of national identities.

In third countries, some have feared a bigger EU and suggested that it might become a fortress Europe. Fears of a new fortress Europe are in fact groundless. Traditional trade relations may need to adjust. But invariably, new business opportunities arise, also for Indonesian exporters, as "niche" markets become "mainstream", and as exporters and investors explore the wide-open economic area of the EU-25. An enlarged EU remains a "soft" power, with

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its unique expertise of linking partners, competitors and even adversaries through patient negotiation as equals. It also remains the world's most open market, also to Indonesia. The ten new members added 20% to its population, yet less than 10% to the EU's gross economic product, which now reaches 30% of the world GDP. There is considerable potential and pull for strong economic growth emanating from the new countries. This shall be to the net benefit of the EU as a whole and its traditional trading partners, including Indonesia.

In addition to economic and trade increasing potentials, the last enlargement brings "enlarged" experience in democratic transition and economic reforms. Having faced transitions at home, the EU is better equipped in providing assistance to those wanting to address issues related to economic and democratic transitions. It is a strong basis for better understanding and greater openness to the world.

The EU a stronger international player?

The EU is building up its institutional set up for a stronger role in foreign affairs. The EU does not have a huge degree of competence in foreign affairs and traditionally Member States are reluctant to increase it. No one in Europe has forgotten the rift that emerged in Europe on the Iraq war, as well as EU's difficulty to come together on such an important foreign policy issue. However the institutional set up, underlined by the new Constitution⁶, is a step towards an increasing role in world's affairs for the EU. The main institutional innovation of the Constitution is the creation of the post of EU Minister of Foreign Affairs who will be responsible for the representation of the EU on the international scene. This function will merge the present tasks of the High Representative for the Common Foreign and Security Policy (currently Mr Javier

Solana) with those of the Commissioner for external Relations (currently Ms Benita Ferrero Waldner). The Minister of Foreign Affairs will chair the Council for Common and Security Policy, while being a full member of the Commission and as such in charge of the Commission's responsibilities in the field of external relations as well as of the coordination of the other aspects of the Union's external action.

The new Constitution will also lead to a significant improvement in the way trade policy operates. The Constitution makes it clear that trade policy is an exclusive competence of the Union, covering trade in goods and services and foreign direct investment. With this improved institutional set up, the EU will continue its pro-development stance in the World Trade Organisation. It will in particular continue to champion the Doha Development Agenda and do everything in its power to afford developing countries a fair opportunity to benefit from rules-

based global trade. Similarly the EU will continue to promote responsible global governance through multilateral actions, such as the Kyoto Protocol against global warming, the International Criminal Court, and a leading role for the UN in post-invasion Iraq. The EU believes that multilateralism – not unilateralism – is a key to solve global problems and it believes in a reinforced role of the United Nations. Indonesia and the EU come clearly to the same standpoint.

Indonesia, a partner growing in credibility and regional strength

Indonesia benefiting from a credibility boost

Indonesia is recovering from the economic crisis of 1997-1998. It is the first country in South East Asia in terms of population and GDP that has now reached the pre-crisis level. Most macro-economic indicators have now stabilised. Perceptions of

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Indonesia in the European public are also improving as a result of the electoral "marathon" of 2004. The 2004 elections have impressed European partners. Following an invitation from the National Election Commission of Indonesia (KPU), the EU deployed an Election Observation Mission (EU EOM) to observe the Legislative and Presidential Election. Around 230 observers were deployed to follow the entire election process in all 32 provinces, from March to October 2004. The EU EOM final report underlines the challenges of - and Indonesia's success in - organising the world's largest and most complex election ever held on a single day (legislative elections of April) and the Presidential elections, first direct elections of a President in Indonesia's history. While areas for improvement remained, "the entire electoral process was conducted largely in line with democratic standards"⁷.

Indonesia, a stronger player in the region

Indonesia's potential role in the Asian region was already underlined by the 2000 Communication: "Indonesia's stability is important to the region and it has the potential to play a major role in promoting peace, stability and democratic values in Asia."⁸ While the economic and political crisis of 1997 - 1998 may have weakened temporarily, Indonesia's exceptional position within ASEAN and Indonesia's international leverage, Indonesia is on the way to regain this position. Indonesia's central role in the Association of South-East Asian Nations (ASEAN) has been further demonstrated by the efforts made to push ASEAN to commit itself to a deeper integration process, leading to the realisation of an ASEAN Community by 2020, as envisioned in the Declaration of ASEAN Concord II. Three Plans of Action have been formulated, notably with great impetus under Indonesia's ASEAN leadership in

2003, respectively for the ASEAN Security Community, the ASEAN Economic Community and the ASEAN Socio-Cultural Community. The EU recognises the potential for Indonesia to be a strong political player in South East Asia. In terms of trade also, the European Union has since long acknowledged the potentials of EU-Indonesia trade. The EU-Indonesia relations are the most highly developed among the ASEAN countries.

The changes experienced by the European Union and Indonesia over the last few years are bringing EU and Indonesia closer, in reinforcing their shared values. Democracy and human rights, regional integration as a way of peace and stability, multilateralism, solidarity and openness to the world, are strong elements on which the EU-Indonesia partnership is built and deserves to be strengthened.

II – THE EUROPEAN UNION AND INDONESIA – TOWARDS A STRONGER RELATIONSHIP

The European Union - Indonesia relationship has three interfaces: (1) the bi-lateral, (2) regional through EU - ASEAN, and (3) supra-regional in the Asia Europe Meeting (ASEM). As Indonesia, the European Union believes in regional integration. This is why the EU has been and continues to be a supporter of ASEAN. The European Union also encourages dialogue between regions. The EU has therefore encouraged the development of the Asia Europe Meeting (ASEM).

On 9 July 2003, the European Commission adopted a Communication on a new partnership with South East Asia, setting out a comprehensive strategy for future relations with the region⁹. This communication proposes the revitalization of the EU's relations with ASEAN and other countries in South East Asia. In 2004, the EU also approved the Asia Regional Strategy Paper,

which provides a framework for programmes covering more than one Asian country. These multi-country programmes are intended to supplement bilateral programmes in areas, where they are more effective than bilateral programmes¹⁰.

Since 1999, the EC has also more than doubled its bilateral cooperation with the Indonesian government. From around €20 million in 1999, the EC has now an average of around €50 million per year set aside for cooperation in a variety of sectors – economic cooperation, education, health, and justice reform, natural resources management. The EC Co-operation is set out in a Country Strategy paper for the five-year period from 2002 to 2006¹¹. A new Country Strategy Paper is under preparation, defining areas of an increased collaboration for the period 2007 to 2013.

Be it at the regional, supra-regional or bilateral level, EU-Indonesia cooperation has

increased and diversified, responding to shared concerns. The EU-Indonesia partnership is getting stronger and closer to European and Indonesian people. The EU-Indonesia cooperation tools are being adapted, including through a bilateral EU-Indonesia partnership and cooperation agreement.

A – An increased and more diversified cooperation

Over the past years however and through the three interfaces of EU-Indonesia relations, it can be noted that EU-Indonesia cooperation has grown in trade and economic matters. The EU-Indonesia cooperation in development matters has increased as well as diversified tends to switch from more “traditional” development cooperation to a more diversified cooperation reflecting national and international challenges.

A growing EU – Indonesia trade and economic cooperation

Trade relations between Indonesia and the EU are among the most important of all South East Asian countries. Over the last five years, the EU is Indonesia's second largest trading partner (after Japan) and is the main destination for Indonesia's exports of manufactures goods (oil and gas excluded). Since the 1997-98 economic crisis, Indonesia has benefited from an annual € 6 billion surplus in its exchanges with the EU. The EU has also traditionally shown a strong interest in investing in Indonesia. While the economic and monetary crisis has an adverse impact on overall Foreign Direct Investment, European investment flows kept coming, although at a smaller scale.

The EU-Indonesia cooperation in trade and economic matters has been reinforced through a general increase of programmes at the regional level, as well as the introduction of a strong bilateral

component in regional programmes.

The Trans Regional EU-ASEAN Trade Initiative – TREATI - is a key tool to enhance trade and investment through region-to-region dialogue. Through this initiative, priority areas for cooperation between the EU and ASEAN are closely linked to ASEAN's own drive for economic integration. They now comprise sanitary and phytosanitary standards in agrofood and fisheries products, forestry and wood based products, industrial product standards and technical barriers to trade as well as trade facilitation and cooperation on investment. Traditionally "reserved" for the regional interface – through ASEAN – EU cooperation - cooperation in trade matters has also developed recently at the bilateral level.

In the bilateral EU-Indonesia cooperation programme, three main programmes, totalling €18 million in grants, have supported economic cooperation between

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the EU and Indonesia in various sectors. Its general objective is twofold: improving the investment climate, and assisting Indonesian companies to compete on the large European market. The European Commission has prepared a Trade related technical Assistance programme and a programme in Customs reform. The Small Projects Facility (SPF) has also so far supported 30 projects, up to €4.1 million in the field of EU-Indonesia economic cooperation. These projects include technical assistance for the Indonesian business community willing to export to European markets; activities strengthening small and medium enterprises, promotion of Indonesian potentials in the field of tourism, scientific cooperation with universities and ministries for research and technology in the field of fisheries and agriculture.

Finally, the establishment of EuroCham, the European Business Chamber of Commerce in Indonesia in May 2004, with the support of the European

Commission, gives European companies operating in Indonesia a distinctly European voice and is a strong asset for developing trade and investment between the EU and Indonesia.

An increased and diversified development cooperation with concrete results

The bilateral cooperation has diversified over the years and already shown concrete results. While the main focus of past development cooperation EC-Indonesia was natural resources management, the cooperation has diversified to programmes also aiming at supporting democracy and peace as well as good governance and the rule of law in various sectors.

Since 1991, the European Commission has contributed some € 200 million to natural resources management. Indonesia is, after Brazil, guardian of the world's largest remaining tropical forests. Indonesian

forests harbour an irreplaceable treasure of bio-diversity and it is a collective responsibility to preserve this treasure. Important programmes in the field of natural resources management included support to the Leuser ecosystem¹², as well as support to stop and prevent illegal logging, support to water management. A new initiative, the Forest and Law Enforcement Governance and Trade (FLEGT), is taking into account the linkages between natural resources management and trade.

Assisting with reducing poverty and tackling the crisis in the delivery of social services, post 1997-1998, is also an objective of EC-Indonesia cooperation. The focus of is therefore on re-establishing basic health services and education in the poorest provinces of Indonesia.

The success of Indonesia's transition to democracy is important for the region as a whole. Good governance, accountability of the executive

and an independent and clean judiciary are a key to any democracy. The EC- Indonesia cooperation has therefore built on programmes aiming at improving governance and the rule of law in Indonesia. The European Commission provides an important contribution to the Partnership for Governance Reform, which is aimed at supporting civil society and government efforts to promote and implement good governance in Indonesia. The support to the 2004 electoral process has been also provided in assisting, through the UNDP, the Indonesian National Election Commission (KPU) and PANWAS with training of election observers and polling stations workers. Finally, the EC support to Indonesia's efforts in improving its justice system includes a programme for the professional upgrading of judges. It will be implemented by the Supreme Court under its "Blue Print for Judicial Reform".

The prevention and peaceful resolution of conflicts is critical for

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a country as diverse as Indonesia. The European Commission has provided support in the field of conflict resolution (notably support to the monitoring of the Cessation of Hostilities Agreement in Aceh in 2003 and to the renewed negotiations) and in the field of counter-terrorism and anti-money laundering (technical assistance to the Indonesian Financial Intelligence Unit and, following its legal establishment, support to the Jakarta Center for Law Enforcement, JCLEC). The European Commission also developed a program supporting the reconstruction and rehabilitation and resettlement of Internally Displaced Persons (IDPs) and former refugees, notably in West Timor, in Maluku and North Maluku and Central Sulawesi.

B – Reinforcing EU-Indonesia cooperation tools

The cooperation between the EU and Indonesia has increased and diversified, its tools are being

reinforced and adapted to an enhanced relationship.

Increasing dialogue with civil society

Civil society plays a key role in strengthening the roots of democracy. In addition to its cooperation with the government, the EC is also increasing its dialogue with the Indonesian civil society. Two facilities managed directly by the Delegation of the European Commission in Jakarta have been designed to strengthen EC relations with Indonesian civil society in the fields of economic cooperation and democracy and human rights. On economic cooperation, the Small Project Facility (SPF) supports activities proposed by national and local government institutions as well as civil society organizations, such as business associations, NGOs, universities. On democracy and human rights, the European Initiative for Democracy and Human Rights (EIDHR) Micro-Projects facility currently provides

support to 18 local NGOs and universities (totaling €1.8 million) for projects in the fields of conflict prevention and resolution, strengthening ethics and professionalism in the Indonesian media and strengthening democracy and transparency at the local level.

Finally, universities are the future of the nations. Exchanges between European and Indonesian young people, students and academics are a key to mutual understanding and to strengthening EU-Indonesia

relations. The EC is enhancing its support to university exchanges between European and Indonesian universities through its regional Asia Link and worldwide Erasmus Mundus programmes¹³.

Towards a new cooperation agreement

So far, there is no bilateral cooperation agreement between the EU and Indonesia. EU-Indonesia relations are officially based on the EU-ASEAN agreement of 1980. The new

Box 1 – Beyond formal agreements, the solidarity between peoples

The scale of the tsunami disaster has sparked massive sympathy and solidarity around the world. Europeans have been a leading part of that international response. The assistance from the European Union (EU) – its Member States and the European Commission (EC) – to affected countries reaches € 1.5 billion. Interestingly, private donations from Europeans, now estimated at €2.5 billion, even surpassed this public aid. Beyond formal international agreements, solidarity between peoples counts. It is our collective responsibility to ensure that the assistance is delivered efficiently. For Indonesia only and until May 2005, the European Commission has already disbursed around €34 million in humanitarian assistance, in particular for food distribution and provision of safe water and sanitation, emergency health care and shelters. For the reconstruction effort, the European Commission supports the Government of Indonesia Multi-Donor Trust Fund (MDTF), with a contribution of € 200 million, to repair and reinforce infrastructures and restart the livelihoods. As first single contributor and co-chair of the MDTF, the EU will make all efforts to ensure that the aid translates into concrete actions for the benefit of the people affected by the disaster.

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Commission Strategy for Southeast Asia has therefore offered the possibility to sign bilateral agreements to interested countries. In November 2004, the Council gave directives to the Commission to initiate negotiations for bilateral Partnership and Co-operation Agreements with countries in South East Asia, including Indonesia. Such agreements are aimed at establishing a relationship based upon a modern policy agenda, with an appropriate institutional framework and enabling a policy dialogue on a wider range of issues. Indonesia and the European Union have agreed to start negotiations of such an agreement. This is another sign showing that the European Union and Indonesia are ready for a stronger partnership.

Concluding Remarks

Commentators often underline that EU visibility in Indonesia is still lacking behind. The proposed

bilateral Partnership and Cooperation agreement between the EU and Indonesia shall give a better framework to enhance cooperation and EU visibility in Indonesia as well as Indonesia's visibility in Europe. However as underlined by Mr Gunayardi in the Asia Europe Journal recently¹⁴, and as an Indonesian proverb says: "*Tak kenal, maka tak sayang*", meaning "Lack of acquaintance brings no affection", good visibility is imperative to sustain and improve the EU-Indonesia relationship. Visibility is not only about printing booklets and posters, attempting to explain the complex institutional set up of the European Union. Visibility is about bringing people together, it is about sharing experiences and views – for a better mutual understanding. *Europe month* 2005, a series of cultural events, a European food festival and seminars organised by the Delegation of the European Commission and embassies of the European Union Member

States, are about increasing visibility and understanding on the European Union, as a true partner of Indonesia. Indonesia and the European Union have a lot to share; both are culturally rich and diverse. "Unity in diversity" in the motto of one, "United in diversity" is the motto of the other. As underlined by the Jakarta Post Chief Editor Endy Bayuni, during one of the *Europe Month* seminars, organised in Jakarta on 10 May 2005, the subtlety behind the language might reveal an interesting difference in resemblance or resemblance in difference. A subtlety teasing and encouraging our mutual understanding!

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ENDNOTES

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¹ European Commission, Communication from the Commission to the Council and to the European Parliament "Developing closer relations between Indonesia and the European Union", COM (2000) 50 final, p.4.

² Idem, p.4.

³ José Manuel Barroso is President of the European Commission since October 2004.

⁴ *Europe: a Partnership for European Renewal. Prosperity, Solidarity and Security*, Communication from the President in agreement with Vice-President Wallström, January, COM (2005) 12 final.

⁵ More countries are candidate countries: Bulgaria and Romania are expected to join the European Union in 2007. Turkey is one of the EU's oldest trading partners with an association agreement dating from 1963, which now includes a customs union. In December 2004, the EU decided in favour of starting the membership negotiations with Turkey. The EU accepted Croatia as a candidate in June 2004. The former Yugoslav Republic (FYR) of Macedonia submitted an application in March 2004.

⁶ At their meeting on 18 June 2004, Heads of State or Government of the EU gave their agreement to the texts of the Constitution for Europe. The Treaty establishing a Constitution for Europe was signed on 29 October in Rome. The Constitution will enter then into force only after ratification by Member States, by National Parliaments or by referendum.

⁷ European Union Election Observation Mission to Indonesia 2004, Final report, http://europa.eu.int/comm/external_relations/human_rights/eu_election_ass_observ/indonesia/index.htm.

⁸ European Commission, COM (2000) 50 final, p.4.

⁹ Communication from the Commission: A new Partnership with South East Asia, Brussels, 9 July 2003, COM (2003) 399 final.

¹⁰ The policy agenda focuses on six strategic priorities: (1) supporting regional stability and the fight against terrorism; (2) promoting human rights, democratic principles and good governance; (3) mainstreaming justice and home affairs issues; (4) injecting a new dynamism into regional trade and investment relations; (5) continuing to support the development of less prosperous countries; (6) and intensifying dialogue and co-operation in specific policy areas.

¹¹ Indonesia Country Strategy Paper 2000-2006, http://www.delidn.cec.eu.int/en/references/references_2.htm

¹² The EC supported the preservation of the Leuser National Park through a 7 year programme of €35 million.

¹³ Asia Link: www.europa.eu.int/comm/europeaid/projects/asia-link/index_en.htm;

Erasmus Mundus: www.europa.eu.int/comm/education/programmes/mundus/index_en.html

¹⁴ Gunaryadi, "European Union visibility in Indonesia", *Asia Europe Journal* (2005) 3, p.49.