

# ENHANCING COOPERATION BETWEEN INDONESIA AND THE EU

Retno L.P. Marsudi

Director of West European Affairs

Department Of Foreign Affairs.

## **Abstract**

*In the last five years, the relationship between Indonesia and the European Union (EU) has shifted to a better shape. This article tries to explain how important Indonesia is to EU, and vice versa. It also wants to describe the efforts from both sides in strengthening their bilateral relationship.*

The relation between Indonesia and the European Union (EU) has shifted to a better shape in the last five years. The political reform in Indonesia and efforts to make Indonesia's economy bouncing back to recovery as well as the role played by Indonesia in the international relations had changed how the EU as well as its member countries see Indonesia and thus, they have significantly contributed to the betterment of the relations. How do Indonesia and the EU member countries foresee their future relations and what sort of efforts that should be conducted by both to strengthen their bilateral relation?

## **Indonesia for EU**

Indonesia is a country with the third biggest population in the world. It is also the country with the biggest Moslem population. For the EU, the democratization process has taken place in Indonesia since the year of 2000. This has become another point to make Indonesia an important and unique middle power in the region. Indonesia has proven to the world that democracy and Islam could live side by side in harmony. The international community highly praised the democratization process in Indonesia. *The Economist* in the year 2004 made a special coverage on this process and it

referred the democracy in Indonesia as a shining example. For Indonesian diplomacy, democracy and Islam become assets.

Efforts to make Indonesia's economy bouncing back to recovery also ignite a new hope for the EU to develop a stronger economic relation with Indonesia. After having contracted its economic development in 1997 and 1998 to minus 13%, in six years Indonesia was able to pick up the economic growth to 5.5% in 2004. The inflation rate was also able to reach one digit (less than 10%). The exchange of Indonesian currency was also relatively stable. In 2003, Indonesian Rupiah was claimed as the most stable currency in Asia. Other macro economic indicators have also shown a positive trend year by year.

Indonesia's effort to create a better governance and improve environment is also commended by the EU. The new government has shown its determination to combat corruption and illegal

logging crimes. The respect for human rights has developed in the right track though the EU member countries often remain critical to this issue. The chairmanship of Indonesia in Human Right Commission has also shown an international recognition to the achievement of Indonesia in improving its human rights record.

The role played by Indonesia in the international relations, such as the success of Indonesia in engineering the concept of ASEAN Community and role in reinvigorating the strategic partnership for Asia Africa, added the conviction that Indonesia has an important role in the region.

#### **EU for Indonesia**

The EU, with its 25 member countries (and will be expanded in the future), its population (475 million), as well as its economic capacity, has become an important entity in international relations, in particular for Indonesia.

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The EU becomes a major trading partner for Indonesia. In cooperation to boost trade, the EU is Indonesia's second most significant trading partner after Japan. In the last three years, the bilateral trade between the EU and Indonesia has increased 3 percent per year, and reached US\$14,7 billion in the year of 2003. However, this figure remains far from the expected total, and far less than the potential of the two, given the huge population of the two countries and the complimentary nature of their products. Economically speaking, EU could be considered as an alternative power for Indonesia to improve its economic relations.

Politically speaking, the EU is also considered of having played an important role in shaping the world's views on certain issues. Though in the political pillar, the member countries of EU do not hand over their "sovereignty" yet, however, in practical terms, they have shown an increasing

common position on certain important issues.

### **Efforts to Strengthen Bilateral Relation**

In the field of political relations, it is viewed that both had reached a good stage of relation. However, a good political relationship is not the ultimate aim of bilateral engagement, but rather it signifies an important tool to develop further cooperation between the two. The good political will of Indonesia and the EU, to improve their relations, will only be materialized if they can further their cooperation for the benefit of the people.

Cooperation in combating terrorism is one of the important area of cooperation and, taking into consideration the continuing existing threat of terrorism, this cooperation could be strengthened in the future. It should be noted, that the cooperation on combating terrorism is executed more with the member countries of EU rather than with the European

Commission. Efforts to address root causes of terrorism, such as through economic empowerment, education and strengthening interfaith tolerance and harmony, also attach important field of cooperation in combating terrorism. It is worthwhile to mention that in the framework of Asia European Meeting (ASEM), Indonesia and some members of EU already have a good collaboration in organizing an interfaith dialogue, to be held in Bali in July 2005. This initiative is aimed at fostering mutual understanding and mutual respect between all faiths or religions in Asia and Europe, and making recommendations to actualize interfaith harmony within the international community.

In the economic field, much should be carried out to strengthen the relation. In bilateral trade, some impediments exist, including the standardization, certification and health requirements that make it difficult for Indonesian products to enter the European market. Taking into

consideration the significant role of trade in boosting economic growth and eradicating poverty, it is high time that Indonesia and the EU spare no effort in improving bilateral trade. To boost trade relation, in development cooperation, a program related to trade support signifies an important means. However, the program represents a small percentage of the whole part of development cooperation. Therefore, this program should be improved in the future.

In cooperation to encourage EU investment, one of the top priorities of the new government is to boost foreign direct investment to Indonesia. So far, the EU has been the biggest foreign investor in Indonesia. But again, the quantity of EU foreign direct investment in Indonesia remains far less from its potential. Some of the reasons why the EU's investors have adopted a "wait and see" attitude lie in the domestic situation here. However, it is hoped that the bold intention of the new government to reform

all areas related to investment will be the first step toward encouraging investors back to Indonesia.

Education, health and environment are also important areas of cooperation. The Bilateral cooperation on those areas is well covered in the National Indicative Program since 2002, a reference Program for the EU to cooperate with Indonesia. Since 2002, the EU provides grant amounting to (averagely) US\$ 50 million for Indonesia for various areas of cooperation.

Taking into consideration of all these developments, I am sure that Indonesia and the EU could strengthen its bilateral relations in the future. There are no significant impediments that hamper efforts to materialize it. The discussion on the possibility to have a bilateral agreement and to have

a Trans Regional EU-ASEAN Trade Initiative (TREATI) -that is now taking place and will provide legal infrastructure basis for the relations- will only add to make a better relations materialised. Finally, I would like to specifically mention that one particular field that deserved prime attention from both in its future relations is effort to boost economic cooperation, taking into consideration that it benefits the people. If both fail to strengthen it, I'm afraid they will lose their "appetite" to each other.

*The article reflects the personal views of the writer, who is now the director of west European affairs at the department of foreign affairs.*