

# Commentary

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## Europe and Indonesia: time for stronger engagement

*Shada Islam*

Indonesia matters. As world leaders step up engagement with Asia's rising powers, the focus is not just on China and India but increasingly also on Indonesia, Southeast Asia's largest economy, most populous nation and arguably one of Asia's most exciting nations.

A modern, robust - and recent - democracy, Indonesia is a key Asian member of the G20, a leading player in the Association of Southeast Asian Nations (ASEAN) and a moderating force within the Organisation of the Islamic Conference (OIC). It is notching up impressive economic growth rates, is the driving force behind many Asian regional integration initiatives and is also strategically located: half of world trade passes by its northern maritime border, giving the country a strategic role in ensuring safe and secure international navigation.

Small wonder then that US President Barack Obama and Australian Prime Minister Julia Gillard are among leaders who have recently trod the red carpet in Jakarta, holding talks with President Susilo Bambang Yudhoyono, the former general turned much-respected democrat who was re-elected for a second term last year. Both Obama and Gillard are seeking to sign ambitious cooperation pacts aimed at enhancing ties with Indonesia, clearly seeing the country as a counter-weight to China's growing influence in the region.

Significantly, Europe got there first: the EU and Indonesia signed a ground-breaking Partnership and Cooperation Agreement (PCA) last year, marking an important first step in upgrading a hitherto under-developed relationship. The challenge now is to build a stronger, more dynamic and more strategic partnership which reflects the changing nature of both Indonesia and the EU. Policy-makers in Jakarta and Brussels are already beginning to explore ways of upgrading the 2009 cooperation accord. But officials can do just so much.

If the relationship is to take off and fulfill its potential, both sides will have to show political will and leadership. Yudhoyono and European Commission President José Manuel Barroso are believed to have built up a good personal rapport. This must be further developed and expanded into regular ministerial meetings and high-level visits. Suggestions that the EU and Indonesia hold a first-ever summit and that Indonesia be added to the list of Europe's strategic partners should be studied further although such initiatives will have to wait while the EU sorts out its overall blueprint for strategic partnerships.

The rewards of a qualitative leap forward in EU-Indonesia relations are enticing - for both sides. For Europeans, seeking to reinforce their global standing, stronger ties with Indonesia - which is not only the region's largest nation but will take over as ASEAN chair in 2011 - will give the EU a higher political profile in Southeast Asia and beyond, in the wider Asian region. This is unlikely to translate into an immediate change in Asian attitudes towards Europe, but it will help dispel a growing perception in the region that the EU has been unable and unwilling to leverage its economic power into political clout. A nod of approval from Indonesia is essential if the EU is to fulfill its ambitions of joining the East Asia Summit, following in the footsteps of the US and Russia which joined this year. Finally, closer relations with Indonesia, the world's most populous Muslim nation, would also give a much-needed fillip to the EU's standing in the Islamic world.

For Indonesia, the rewards are just as high. On the practical front, last year's PCA means enhanced cooperation with the EU in areas as diverse as trade and investments, transport, climate change - Indonesia is the third largest emitter of green house gases - human rights, immigration, tackling organised crime and combating communicable diseases. A further upgrade would expand such contacts to include cooperation in counter-terrorism (including stronger legislation on financing of terrorism), exchange of views and practices on de-radicalisation,

inter-faith questions, security and defence, especially maritime security, as well as research and development. The political fallout is arguably even more important. By signing the PCA with the EU ahead of other ASEAN members and before China and India, Indonesia has successfully spotlighted its quest for a stronger role both within the region and as a global player.

Few doubt that Indonesia needs to make faster progress in addressing issues like freedom of expression, military reform, police brutality (especially in Papua), treatment in prisons and of minorities. However, the country's transformation from dictatorship to democracy in the past decade has been remarkable. Indonesia is often held up as an example to be followed by neighbouring Burma/Myanmar, a role that Jakarta does not shun. Welcoming the recent release of Nobel Peace laureate and pro-democracy activist Aung San Suu Kyi, Indonesian Foreign Minister Marty Natalegawa reiterated the need for national reconciliation to ensure "future democratisation through dialogue and reconciliation."

Forging stronger EU-Indonesia relations may not be all plain sailing. Signature of the PCA was held up for two years as Jakarta halted the initialling process in protest at an EU ban in 2007 on all Indonesian airlines entering European airspace. The move "touched the pride of a nation" said Retno Marsudi, Indonesia's director general for European and US affairs. Europe's Aviation Security Committee lifted the restriction on most Indonesian airlines including Garuda, the national carrier, last year.

While the potential for improving EU-Indonesia trade - currently estimated at about €15 billion - is enormous, Indonesia remains undecided about signing a free trade agreement with the EU. The country's industrialists say they are still struggling to adjust to the ASEAN-China free trade pact that entered into force earlier this year. Brussels is pressing Jakarta to speed up economic reform, enforce stronger anti-corruption measures and remove import restrictions. Members of the EU-Indonesia business dialogue say that to attract more European investors, Jakarta must act urgently to improve infrastructure, investment regulations, government procurement rules and property rights.

Other bilateral issues also cause concern. Indonesia (along with Malaysia) wants the EU's new renewable energy directive to include trade incentives for biofuels derived from palm oil. European governments, for their part, are hoping that Jakarta will agree to extend beyond 2012 the mandate of "Europe House" set up in Banda Aceh to ensure rehabilitation and reconstruction in the province following the EU peace monitoring mission which ended in December 2006.

Forging a new EU-Indonesia partnership will require that both sides invest more time, effort and energy into the endeavour. Europeans need to make up their mind on engaging more strongly with the pivotal Asian country. Indonesia must also take a closer look at its economic and geo-political interests and decide whether to pay more attention to Europe.

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Relations between the EU and Indonesia will be the topic of a policy briefing with *Hassan Wirajuda*, Adviser to the Indonesian President on Thursday 25 November 2010.

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