Indonesia and prospects for closer EU ties

SUMMARY

Public opinion surveys suggest that although most Indonesians do not know much about the European Union, they generally feel positively towards it.

Looking at the principles underpinning key Indonesian government policies over the past few decades, there is much common ground between the EU and Indonesia. Some of the biggest gaps are in the field of economic policy, where the EU’s commitment to trade and investment liberalisation contrasts with Indonesia's more ambiguous stance.

There are more similarities in foreign and security policy: like the EU, Indonesia is strongly supportive of regional integration, and its efforts to build south-east Asian consensus mirror the EU's common foreign and security policy. Climate change is another area of convergence, with strong commitments from both sides to reducing greenhouse gas emissions.

Indonesia shares both the EU’s motto of 'unity in diversity' and its commitment to multiculturalism; thanks to a successful democratic transition, it has also moved closer to the EU's approach to human rights, although there are still concerns about the situation of some Indonesian minorities.

Positive Indonesian perceptions of the EU and shared values are a strong foundation for the two sides to develop closer economic and political cooperation. Indonesia is an important partner for the EU both in its own right and as a leading member of the Association of Southeast Asian Nations (ASEAN), with which the EU aims to develop a strategic partnership.

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- Priorities underpinning Indonesian domestic and foreign policies
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  - foreign and security policy
  - democracy and human rights
- Shared priorities and interests as a foundation for EU-Indonesia relations
How Indonesians see the EU

Indonesians have little awareness of the EU

Data on Indonesian perceptions of the EU are scarce — in itself a telling indication that the EU does not feature prominently in Indonesian minds. One of the few sources is an unpublished survey carried out in 2016 on behalf of the EU’s Jakarta delegation. The survey shows that 68% of Indonesians have heard of the EU, but only 34% recognise its flag, and just 9% consider themselves to be familiar or very familiar with it.

Indonesian feelings about the EU are mostly positive

Although Indonesians do not know much about the EU, most of them feel positive about it. Some 58% are in favour of EU-Indonesia cooperation, which is opposed by just 2%. Asked to list the ideas that they spontaneously associated with the EU, Indonesians listed a developed economy, unity, peace, and cutting-edge technology.

Indonesians underestimate the EU’s importance for their country

According to an earlier (2009) study, the average Indonesian only saw the EU as the sixth most-important partner for Indonesia, behind the USA, Japan, China, Singapore and Australia. However, the same study found that members of the Indonesian elite rated the EU’s importance more highly, putting it in second place.

<table>
<thead>
<tr>
<th>How much do you know about the EU? (% respondents)</th>
<th>What do you think about EU-Indonesia cooperation? (% respondents)</th>
<th>When you think of the EU, what first comes into your mind? (% respondents)</th>
<th>Which are Indonesia’s most important partners? (% respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never heard of it</td>
<td>Strongly approve</td>
<td>Advanced economy</td>
<td>General public</td>
</tr>
<tr>
<td>Only heard the name</td>
<td>Approve</td>
<td>Unity</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Somewhat familiar</td>
<td>Disapprove</td>
<td>Peace</td>
<td>Singapore</td>
</tr>
<tr>
<td>Familiar</td>
<td>Strongly disapprove</td>
<td>Cutting-edge technology</td>
<td>Australia</td>
</tr>
<tr>
<td>Very familiar</td>
<td>Don’t know/neutral</td>
<td>Positive attitude</td>
<td>EU</td>
</tr>
</tbody>
</table>

Data: Survey on public perception of EU cooperation with Indonesia and ASEAN, carried out by Kantar TNS on behalf of the EU delegation to Indonesia and Brunei (2016); (chart on Indonesia’s most important partners) The EU through the Eyes of Asia (2009).

Priorities underpinning Indonesian domestic and foreign policies

Economic policy: long-standing protectionism

Like the other south-east Asian countries belonging to the Association of Southeast Asian Nations (ASEAN), Indonesia is committed to economic integration through the ASEAN Economic Community (AEC) launched in 2007. The AEC envisages a partially EU-inspired single market and production base, lifting many of the barriers to the movement of goods, services, capital and skilled labour within the region. However, Indonesian government actions tell a different story, with protectionist barriers limiting trade and investment access (including from ASEAN countries) to its economy.

Trade in goods: non-tariff barriers are a serious problem

Barriers to trade in goods abound. A 2016 report mentions Indonesia as the fifth worst offender in the world in terms of discriminating against foreign commercial interests. In line with this protectionist stance, Jakarta raised tariffs on a wide variety of imports in July 2015. While tariffs are still relatively low, persistent non-tariff barriers are a more serious obstruction: these include onerous import procedures, such as inspections and restrictive licences for some categories of goods.
Indonesia is resisting labour migration

As part of efforts to build an Economic Community, ASEAN countries have agreed on measures to facilitate the migration of skilled labour, including mutual recognition of professional qualifications in fields such as medicine and engineering. However, Indonesia, one of the main sources of labour migration within south-east Asia, has resisted opening up its own labour markets to workers from other countries. Countering the effect of ASEAN-level labour migration facilitation are numerous restrictions: foreign workers must be able to speak Indonesian, their employers must be able to prove that no local workers are able to fill the post, and work permits have to be renewed every year. Such measures resulted in the number of registered foreign workers falling by a third between 2011 and 2016.

Mixed messages on protectionism under the current government

Elected in 2014, President Joko Widodo (popularly known as Jokowi) embarked on a reform programme to revive economic growth. Among other things, this involved opening up economic sectors to foreign investment; in May 2016, he revised Indonesia’s negative investment list specifying the economic sectors in which foreign investment is restricted or prohibited. While the new list has opened up sectors such as e-commerce and advertising to investment, restrictions have remained in many others or have been imposed on previously unrestricted ones, such as distribution.

On trade, Jokowi acknowledged in January 2016 that Indonesia needed trade liberalisation to keep up with competitors such as Vietnam, and in April 2017, Finance Minister Sri Mulyani Indrawati denounced a global trend towards protectionism. However, earlier, in November 2014, Jokowi had also warned that Indonesia must defend its national interests against unfair trade. Pre-existing protectionist measures have not been lifted, and in July 2016 his government added a new restriction on imports: smartphones and similar devices must be at least 30% Indonesian-made.

Environmental protection: well-intentioned policies, but poor implementation

Indonesia’s economic development has come at a heavy environmental price – especially for the country’s forests, which, according to one study, are disappearing faster than anywhere else in the world. Forest fires are one of the main causes, many of them started deliberately to clear land, both by small farmers and by agribusinesses. In 2015, an area nearly the size of Belgium burned down. Not only do fires destroy biodiversity, they have also made Indonesia one of the biggest greenhouse gas emitters in the world, and periodically cause a thick blanket of choking smoke (‘haze’) across south-east Asia. Again in 2015, as many as 100 000 may have died from haze-related respiratory disorders (however, Indonesia contests this figure).

Rapid deforestation does not reflect a lack of political will. Indonesian governments have pursued sound environmental policies over the years; for example, Jokowi’s predecessor, Susilo Bambang Yudhoyono, signed a moratorium on forest clearing in 2011, since extended by President Jokowi. Under Jokowi, legal action has been taken against companies blamed for forest fires.
However, policies are not easy to implement. The 2011 land-clearing moratorium was followed by record levels of deforestation in 2012, and the worst-ever forest fires in 2015. There were fewer fires in 2016 due to wetter weather, but a long dry spell in future could lead to widespread haze again.

There are many reasons for poor implementation. In a country where poverty remains widespread, it is difficult for the government to clamp down on the palm oil sector — often blamed for land clearing — as it generates as many as 16 million jobs. Regional autonomy can stand in the way of implementing central government decisions. Indonesia also often lacks enforcement capacity, a major challenge in a huge country spread out over thousands of islands. For many Indonesians, the environment is a low priority; in a 2013 survey, just 26% saw its deterioration as a very serious issue, compared to 61% for corruption and 47% for price increases.

**Foreign and security policy: striving for multilateralism**

*Regional integration as an answer to security challenges*

The decades following World War II were a period of regional tensions for Indonesia, among them the 1963-1966 Konfrontasi (an undeclared war with neighbouring Malaysia) and disputes with Indonesia’s former colonial overlord, the Netherlands, from which it annexed Papua in 1961. Like the six countries that founded the European Communities in the 1950s, Indonesia saw regional integration as a means of ensuring regional stability and reconciling former adversaries. Accordingly, in 1967 it became a founding member of ASEAN.

**ASEAN – the cornerstone of Indonesian foreign and security policy**

In the EU, regional integration led to the development of a common foreign and security policy over time. For Indonesia, this was a goal of ASEAN from the very start, with former Foreign Minister, Adam Malik, describing the organisation in the 1970s as the cornerstone of his country's foreign policy. In line with this, Jakarta has pushed for the notion of 'ASEAN centrality' in the region's security architecture.

ASEAN centrality is to be developed through its [Political-Security Community](#), one of the three pillars of ASEAN integration launched in 2007, alongside the above-mentioned Economic Community as well as a Socio-Cultural Community. Although Indonesia's commitment to regional economic integration is ambiguous, it is a strong supporter of cooperation on foreign and security policy. For example, it proposed an [ASEAN peacekeeping force](#) as well as a stronger role for the organisation in fighting terrorism, through an [ASEAN Convention on Counter-Terrorism](#) and an [ASEAN treaty](#) to facilitate the extradition of terrorists (however, the joint peacekeeping force and the extradition treaty had to be abandoned due to resistance from other member states).

**Indonesia is a natural leader of ASEAN**

As the largest and most powerful member state of ASEAN and the country that hosts its secretariat, Indonesia is a natural leader in the organisation. For example, in 2011 former Indonesian Foreign Minister, Marty Natalegawa, mediated between Thailand and Cambodia following border clashes. Indonesia has also led efforts to build ASEAN consensus on the South China Sea: in July 2012, it was again Foreign Minister Natalegawa whose shuttle diplomacy finally produced an (admittedly rather weak) ASEAN position after Cambodia vetoed a joint statement at an ASEAN foreign ministers' meeting, on the grounds that it was too critical of China.
**Non-alignment — a second underlying principle of Indonesian foreign policy**

During the Cold War, Indonesia was a founding member and leader of the Non-Aligned Movement. Its policy of staying out of geopolitical alliances has continued since then, with the country instead cultivating 'a million friends and zero enemies', as former President Yudhoyono put it.

Non-alignment ties in with Indonesia's leadership role within ASEAN, helping it to mediate between ASEAN members which are China allies (such as Cambodia), and those which are not.

**Obstacles to Indonesia's pursuit of ASEAN centrality**

Despite Indonesian support for ASEAN centrality, ASEAN is still far from united on foreign policy and security issues. Unlike the EU, it remains loosely integrated, with decisions based on consensus and primacy of national sovereignty. The South China Sea issue is particularly divisive, with a deep rift between China allies and claimant states such as Vietnam (Indonesia itself, despite having territorial waters inside the 'nine-dash line' encompassing the areas claimed by Beijing, denies being in dispute with China). The lack of consensus is reflected in ASEAN's April 2017 weak summit statement, which merely takes 'note of concerns ... over recent developments in the area', without naming China.

**Under President Jokowi, a shift away from multilateralism and non-alignment?**

Since 2014, statements by senior government officials have prompted suggestions that Jokowi's government may be turning away from ASEAN. For example, foreign policy advisor, Rizal Sukma, declared in December 2014 that ASEAN had become one among several cornerstones of the country's foreign policy, instead of the main one.

Observers also see Indonesia moving away from the 'million friends' approach of Jokowi's predecessor, Yudhoyono, prioritising relations with strategic partners, while sacrificing others in defence of national interests. Evidence for such changes include Jokowi's 2014 order to sink foreign vessels caught fishing illegally in Indonesian waters, which upset ASEAN partners such as Vietnam, and the 2015 execution of two Australians, which led to a diplomatic rift with Canberra.

On the whole, the change has not been as significant as initially expected. Indonesia continues to prioritise ASEAN unity, for example in the continuing negotiations on a South China Sea code of conduct, an issue for which Jokowi has emphasised the importance of a 'common stand'. Under Jokowi, Indonesia has advocated regional responses to the Rohingya migration crisis and the threat of ISIL/Da'esh. After tensions in 2015, relations with Australia have normalised, and there are no signs of Indonesia developing new strategic alliances.

**Democracy and human rights: Indonesia as a regional champion**

*Indonesia as a democratic, multicultural society*

Indonesia's successful democratic transition since the downfall of dictator Suharto in 1998 has brought it closer to many of the values defended by the EU. Considered by Freedom House NGO to be the freest country in south-east Asia, it has a multi-party political system with a genuine alternation of power, devolution of political power to local and regional levels, and a vibrant civil society. In terms of press freedom, Indonesia comes only 124th out of 180 in the Reporters Without Borders Press Freedom Index, among other things due to restrictions on journalists in restive Papua; nevertheless, this is still the best score in the region.
Indonesia is also known as a successful multicultural society, characterised by religious, ethnic and linguistic diversity. The majority practice a moderate form of Islam, peacefully co-existing with Christians and other minorities. Like the EU, the country has ‘unity in diversity’ as its motto.

Despite a generally positive picture, there are limitations on human rights in Indonesia

Indonesian minority rights face many challenges. The democratic transition in the early 2000s was accompanied by a surge in intercommunal violence, with thousands killed in clashes across the country. Such violence has mostly subsided, but there are still sporadic outbursts: for example, in 2016, rioters set fire to Buddhist temples in Sumatra, one year after the destruction of several churches in Aceh. Formerly repressed Islamist movements, in particular the hard-line Islamic Defenders Front, have become increasingly active, attacking minorities, such as Christians and non-Sunni Muslims, and spreading intolerance. The group, which has around 200 000 members and allegedly received covert police funding in the past, played a prominent role in campaigning against former Jakarta Governor Basuki Tjahaja Purnama, popularly known as Ahok, after he made allegedly blasphemous remarks.

The two-year sentence for blasphemy handed down to Ahok in May 2017 illustrates the problems faced by Indonesian Christians and Chinese, both of whom Ahok represents. Even more worrying is the situation of minorities that are not officially recognised and do not therefore enjoy legal protection, such as the Shia and Ahmadi Muslims; in 2011, three of the latter were bludgeoned to death in a horrific mob attack. In January 2016, thousands of followers of the Gafatar sect lost their homes, again after a mob attack.

Sexual minorities are also at high risk of persecution. In the northern Sumatran province of Aceh, where gay sex is punishable under Sharia law, two men were caned in May 2017. Although homosexuality is not illegal in the rest of the country, in the same month 141 men were arrested following a police raid on a gay club; several now face charges under anti-pornography laws. Over 90% of Indonesians disapprove of homosexuality, and in 2016 Presidential spokesperson, Johan Budi, declared that 'there is no room in Indonesia for ... the LGBT movement'. Jokowi has denounced discrimination against gays and other minorities, but he has not acted to defend them.

Indonesia as a promoter of human rights in south-east Asia

Indonesia's relatively good human rights record (compared to its south-east Asian neighbours) has encouraged it to push for a stronger role for ASEAN in this field. For example, Indonesia insisted that the 2007 ASEAN Charter mention the organisation's commitment to democracy, human rights and fundamental freedoms, and backed the creation of an ASEAN intergovernmental commission on human rights in 2009.

Indonesia also played an active part in Myanmar/Burma's democratic transition. In 2007, former President Yudhoyono sent retired General Agus Widjojo to persuade the country's junta to embark on reforms. This support continued under the 2011-2016 presidency of Thein Sein. In 2008, the Indonesian government set up an Institute for Peace and Democracy to share its experience of democratic reforms with Myanmar/Burma and other countries.

Indonesia's democracy and human rights support remains low key

While enshrining respect for human rights, the 2007 ASEAN Charter also establishes the principle of 'non-interference in the internal affairs of ASEAN Member States'. This principle limits Indonesia's capacity to act as a vocal champion of human rights and
democracy. For example, even though brutal military crackdowns in Myanmar/Burma have left hundreds of thousands of Muslim Rohingya homeless, and triggered public outrage in Jakarta and other Asian capitals, Indonesia’s response has been muted; while Jakarta has offered humanitarian aid for refugees and sent Foreign Minister Retno Marsudi for talks in Myanmar/Burma, there has been no public criticism of State Counsellor Aung San Suu Kyi’s handling of the crisis.

**Shared priorities and interests as a foundation for EU-Indonesia relations**

As mentioned above, Indonesians generally feel favourable towards the EU, even if they do not know much about it. Despite differences, the EU and Indonesia have common priorities in many areas. These two factors are a strong foundation for closer ties.

**Economic cooperation**

In 2016 the EU was Indonesia's fourth-largest trading partner behind China, Japan and Singapore, accounting for around 9% of total trade. As an investor, it was also in fourth place, behind the same three countries, once again representing about 9% of the global total. Relative to the size of its economy, Indonesia only trades one eighth as much with the EU as Vietnam does, which suggests there is potential for further development.

*An EU-Indonesia free-trade agreement could run into protectionist tendencies*

Standing in the way of such potential are differences in EU and Indonesian approaches: the EU is pursuing an ambitious programme to liberalise global trade, while Indonesia's stance is more ambiguous, as mentioned above. In July 2016, the two sides started talks on a comprehensive economic partnership agreement. However, Jakarta worries that the EU's proposal to cut tariffs by 95% would hurt domestic industry.

Aviation is another area where liberalisation could run into difficulties; the EU and ASEAN began talks on a region-to-region Open Skies agreement in October 2016, but as already highlighted, Indonesia is one of several ASEAN countries already showing reluctance to open up their airspace.

**Political cooperation**

*Many shared values, but some frictions*

The EU and Indonesia agree on the importance of regional integration, multilateralism, democracy and multiculturalism. However, there are also many differences between the two sides, not least on human rights. The European Parliament has been a particularly outspoken critic of Indonesia; in January and June 2017 it adopted two resolutions on human rights in the country. Among other things, these resolutions referred to persecution of the LBGTI community, gender inequality, continuing use of capital punishment, repression of Papuan separatism, violence against religious minorities, and blasphemy charges against former Jakarta Governor, Ahok.

Indonesia, which mostly prefers a lower-key approach when raising its own human-rights concerns with other countries, responded to a draft of the June 2017 resolution with an unpublished letter to the European Parliament, in which it defended its human rights record. The letter criticised the resolution for its one-sided emphasis on problems, without reflecting the country's many achievements in the field, and argued that it would have been better to raise the European Parliament's concerns at meetings between the two sides rather than in a public statement.

Despite such frictions, there is also constructive cooperation on human rights, for example through EU development aid, which among other things supports Indonesian civil society and gender equality (for example through grants to women entrepreneurs).
Climate change: cooperation on sustainable forestry, but disagreement over palm oil

On climate change, there is a similar pattern of broad agreement, with frictions over specific issues. Like the EU, Indonesia supports the Paris Agreement on climate change, under which it has committed to a 29% cut in its greenhouse gas emissions by 2030. The EU and Indonesia cooperate closely on sustainable forestry, for example through EU-funded projects. In 2014, Indonesia became the first Asian country to ratify a Voluntary Partnership Agreement intended to combat illegal logging, under which Indonesia ensures that all the timber it exports to the EU meets stringent licensing requirements, in return for streamlined import procedures from the EU.

However, palm oil is a bone of contention. For the EU, palm oil is one of the main factors contributing to deforestation and greenhouse gas emissions; for Indonesia, it is a vitally important export (US$19 billion in 2016). In an April 2017 resolution, the European Parliament called for more sustainable palm oil production, including through a new certification scheme. The Indonesian government responded with a statement denying that palm oil plantations are the main cause of deforestation, and warning that the proposed certification scheme could result in unnecessary trade barriers.

Indonesia can help the EU to boost its influence in Asia

The EU has many reasons to seek closer political cooperation with Indonesia. As the world’s largest Muslim country and a mostly successful model of tolerant Islam, Indonesia could be a key partner in the EU’s efforts to reach out to the Muslim world.

Indonesia is important not only in its own right, but also as a leading member of ASEAN. Recognising the growing importance of south-east Asia, in June 2015 EU foreign ministers agreed on the idea of upgrading EU-ASEAN relations to a strategic partnership. One of the goals of such a partnership would be for the EU to join the East Asia Summit (EAS); led by ASEAN, the EAS is an annual meeting of leaders from ASEAN and other Asia-Pacific countries, seen as one of the region’s most important platforms for regional discussions on security and other issues. For several years, the EU has been pushing for an invitation to the summit, as a reflection of its desire to be recognised as a key player in Asia. However, ASEAN countries have not yet reached consensus on this. Another long-term EU goal is to establish an EU-ASEAN region-to-region free-trade agreement; the EU also hopes to align its positions with ASEAN on matters such as climate change. It goes without saying that none of these goals can be achieved without the support of Indonesia, as the largest ASEAN member state.

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