EU/Indonesia relations: strategy

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PURPOSE : to present the key elements of a strategy for the development of closer relations between the EU and Indonesia. CONTENT : The EU's relations with Indonesia are now thirty years old and have largely been conducted within the framework of the EU-ASEAN dialogue. The East Timor issue, has, however, put a strain on the EU's relations with Indonesia and by extension with ASEAN, for some time. Now, Indonesia's renunciation of its territorial claim to East Timor has created a new situation, and the EU wishes to build a renewed and multi-faceted relationship with a democratising Indonesia. - Political dialogue: the Communication looks at Indonesia's role as a key player in the Asia Pacific Region. The change in Indonesian leadership opens new avenues for dialogue on the promotion of security such as in the South China Sea, the enhancement of the EU-ASEAN dialogue, and the promotion of concepts of democracy and human rights in the region. Indonesia's future relationship with East Timor will also be carefully scrutinised. Human rights policies need to be considered in a long-term perspective. Formal elements of a democratic government are now in place, but there is resistance from the supporters of the old structures within the bureaucracy and the army. The Communication discusses constitutional reform and the role of the armed forces, as well as good governance, and proposes ufture actions. Fundamental rights including the rights of minorities should be an essential part of ant future dialogue with Indonesia with a view to supporting a constructive approach to the problem. - Economic and trade relations: Indonesian trade remained sluggish in 1998-99, even with the stimulus of currency depreciation. The stagnation of imports is elated to the fall in investment and the weakness of the domestic supply of credits o the industrial sector. The communication discusses both multilateral trade within the WTO context and bilaterally with the EU. There is significant potential to expand trade, in both goods and services, which can be developed through a continuous focus on the opening of markets. Meanwhile, discussions should start on current market access issues between both partners with a view to stimulating two-way trade flows. Indonesia's recovery from the financial crisis has been the slowest in the region. The government needs to address the macroeconomic challenges swiftly, and in particular, the reform and recapitalising of the financial system, containing the levels f sovereign and foreign debt, and eradicating corruption and cronyism and replacing them with the rule of law. - Sustainable development: social safety net programmes, such as family planning, should be prioritised in future actions. The Union should pay particular attention to the question of poverty alleviation. A key priority will remain sustainable natural resources management, in particular with regard to forestry. It is evident that an additional effort needs to be made regarding financial resources in order to upgrade the EU's co-operation to a level consistent with Indonesia's needs.