

# EUROPEAN UNION INTEGRATION PROCESS: A *LESSON LEARNED FOR ASEAN*

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## Abstract

*The paper first highlights the historical background of Indonesian foreign policy, the current “down-to-earth and pro-people diplomacy”, as well as Indonesian foreign policy for the period of 2015-2019. Secondly, it will briefly describe the current and future global and regional situation that could become challenges and opportunities for Indonesia ahead. Third, it will also explain the current development of the European Union relations with Indonesia and ASEAN. Finally, the paper will conclude a lesson learned from European Union integration process for ASEAN.*

**Keywords:** *Indonesian Foreign Policy, Integration Process, Economic Diplomacy, ASEAN, European Union.*

## I. INTRODUCTION

The implementation of Indonesia’s foreign policy has two main aspects, namely: to support the achievement of national interest and as an effort to contribute to the benefit of the international community. The 2015-2019 Strategic Plan of the Ministry of Foreign Affairs concludes it as the “Realization of Diplomatic Charisma to Strengthen National Identity as a Maritime State for the Interest of the People” and diplomacy will be implemented in accordance to the constitutional mandate and objectives of *Nawa Cita*.<sup>1</sup> Several agenda priorities of *Nawa Cita* include : to improve the quality of human life and the people of Indonesia; to improve people’s productivity and competitiveness in the international market so that Indonesian can move forward and rise together with Asian nations; to realize economic independence by boosting the

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<sup>1</sup>[...], “Rencana Strategis 2015-2019 Kementerian Luar Negeri Republik Indonesia”, available at: [http://www.kemlu.go.id/Documents/RENSTRA\\_PK\\_LKJ/RENSTRA%20KEMENLU%2020152019%20FINAL%20DONE%20SK%20MENLU%20pdf%20version.pdf](http://www.kemlu.go.id/Documents/RENSTRA_PK_LKJ/RENSTRA%20KEMENLU%2020152019%20FINAL%20DONE%20SK%20MENLU%20pdf%20version.pdf), accessed on 6 April 2015.

strategic sectors of the domestic economy; to revolutionize the character of the nation, to strengthen the diversity as well as to solidify the social restoration in Indonesia.<sup>2</sup>

In achieving this objective, the Ministry of Foreign Affairs under the principles of free and active foreign policy, in running diplomacy bears the spirit of “**Diplomacy for the People, Down-to-Earth Diplomacy**” in the sense the performance of the Ministry of Foreign Affairs will not be at a distance from the people and the benefits can be perceived directly by the people.<sup>3</sup> The principle *Free* means to be free in determining attitudes and views on international issues while the principle *Active* is construed that our foreign policy shall continue to actively fight for world peace, to **ACTIVELY** fight for freedom and independence, to **ACTIVELY** fight for world order and to **ACTIVELY** take part to create social justice in the world. In the 2015-2019 period, Indonesia’s diplomacy will highlight its character as a maritime country. Indonesia’s diplomacy will be connected with the interests of the people (diplomacy for the people), Indonesia’s diplomacy will be down-to-earth, and Indonesia’s diplomacy will be practiced firmly and with dignity.

One of the priorities of the main directions in Indonesia’s foreign policy is **to strengthen maritime diplomacy**, inter alia through : *First*, by fighting for the interests of Indonesia as the axis of the maritime world in the world and increasing diplomatic efforts in realizing the framework of maritime cooperation that supports the realization of maritime connectivity and to prioritize Indonesia’s identity as a maritime country. *Second*, another direction of our foreign policy is the promotion of Indonesia’s role and influence as a **middle power** in the international forum. At the international level, Indonesia is seen to have an increasingly important position and role. As an illustration, Indonesia is a member of the G-20 and based on its economic strength (measured by its 2014 Gross Domestic Product / GDP), Indonesia is the largest economy in Southeast Asia and the 16<sup>th</sup> largest economy of the world.<sup>4</sup>

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<sup>2</sup> See *Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2015-2019*, Buku I Agenda Pembangunan Nasional, The Ministry of National Development Planning, Jakarta, 2015.

<sup>3</sup> Minister of Foreign Affairs Retno L.P. Marsudi at the *Pernyataan Pers Tahunan Menteri Luar Negeri RI*, Jakarta, 7 January 2015.

<sup>4</sup> [...], “World Development Indicators 2015”, available at: <http://data.worldbank.org/>

In addition, Indonesia has natural wealth and advantage in the form of demographic bonus that, if managed and utilized properly, can boost our national economic growth in the future. Indonesia also has assets such as being a democratic country with the largest Muslim population of the world and mega-cultural diversity. These strength and assets can be great assets for Indonesia to play an influence on the implementation of diplomacy in the international society and shall be fully utilized for the national interest. So far, Indonesia has been actively participating in enhancing its role in various regional and international organizations, such as the UN, G-20, the OIC, ASEAN, APEC, ARF, FEALAC, MIKTA, and D-8.

Other priorities will be **enhancement of economic diplomacy** by strengthening economic diplomacy at the bilateral, regional, and global forums to sustain the independence of the national economy and promotion of quality of service and **protection for Indonesian citizens and legal entities abroad** and empowerment of Indonesian diaspora by, among other things, strengthening the institutional system of protection for Indonesian citizens and legal entities at home and abroad with due observance to the aspects of prevention, early detection and immediate response. As shown by the concentric circle approach (see Figure 1), we can see that ASEAN will continue to be the cornerstone of Indonesian foreign policy and the Ministry of Foreign Affairs has determined its policy direction **to strengthen Indonesia's leadership** in ASEAN by fighting for the initiatives of Indonesia in ASEAN and ASEAN-related forums to realize a safe, stable, and prosperous region, in line with the objectives and targets of the three pillars of the ASEAN community to and encourage cohesiveness and centrality of ASEAN internally and externally, as well as to be actively involved in the settlement of regional and international issues.<sup>5</sup>

One of the pillars of ASEAN is the 2015 ASEAN Economic Community (AEC) that will be effective in late 2015. With the 2015 AEC, ASEAN will become a single market and a single unit of production

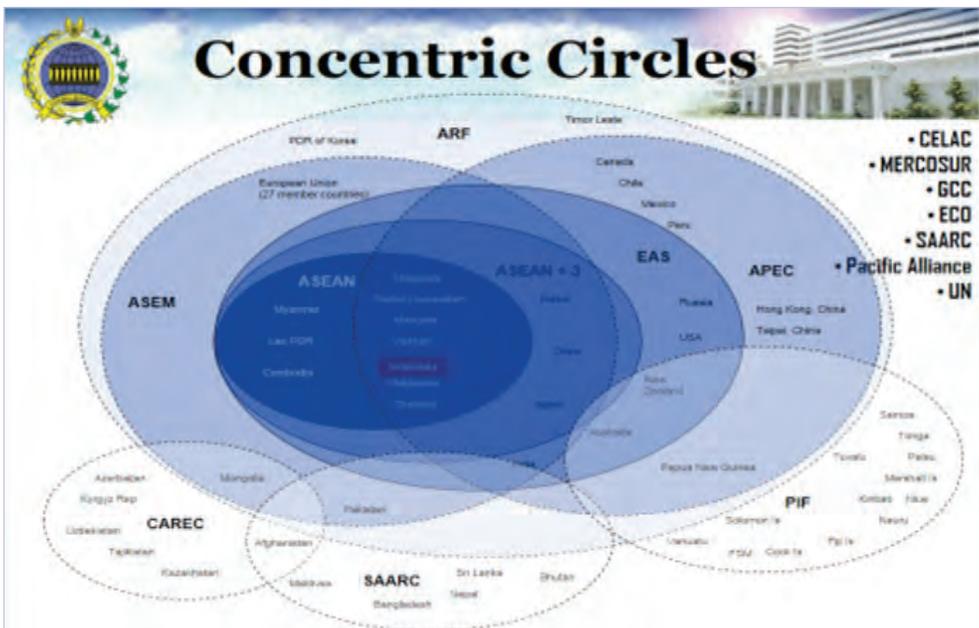
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[data-catalog/world-development-indicators](#), accessed on September 2015.

<sup>5</sup> [...], "Rencana Strategis 2015 – 2019 Kementerian Luar Negeri Republik Indonesia", available at: [http://www.kemlu.go.id/Documents/RENSTRA\\_PK\\_LKJ/RENSTRA%20KEMENLU%2020152019%20FINAL%20DONE%20SK%20MENLU%20pdf%20version.pdf](http://www.kemlu.go.id/Documents/RENSTRA_PK_LKJ/RENSTRA%20KEMENLU%2020152019%20FINAL%20DONE%20SK%20MENLU%20pdf%20version.pdf).

resulting in free flow of goods, services, investment, capital and skilled labors between ASEAN members. This is an opportunity as well as a challenge that needs to be addressed by Indonesia in a careful and integrated manner. Indonesia needs to be ready in all areas as a whole, both at the central and at the regional level. Some efforts that need to be done include: to disseminate and educate the public about the opportunities of the 2015 AEC, to continue to boost the competitiveness of the national economy, as well as to improve the quality and quantity of human resources (HR) that will be valuable assets for Indonesia to achieve success in the 2015 AEC for the benefit of national development.

Figure 1: The Concentric Circle of the Indonesian Foreign Policy



Source : Ministry of Foreign Affairs of the Republic of Indonesia, 2015 <sup>6</sup>

<sup>6</sup> See the Strategic plan of the Ministry of Foreign Affairs 2015-2019.

## II. DEVELOPMENT OF THE GLOBAL AND REGIONAL SITUATION

Within the last few years, the dynamic development of the global situation is characterized by a wide range of challenges and threats that are multidimensional and complex in nature. Geopolitical and geoeconomic development at global and regional levels is a challenge that must be faced and addressed by Indonesia. The global development will keep being a challenge and an opportunity for the Indonesian economy in several years to come. The Ministry of National Development Planning (2015) in the 2015-2019 RPJMN broadly describes the potential challenges and opportunities in the future, among other things,<sup>7</sup> :

*First, the current global economic recovery is expected to be slow due to the continued challenges and global uncertainty* as the economic recovery process of the United States (US) has been slow and the economic growth in Europe is expected to remain weak and vulnerable, due to, among other things the ongoing Greek economic crisis. Meanwhile, China's economic growth is expected to slow down and the step of devaluation of the yuan taken by China to boost its economy in mid 2015 will trigger geopolitical and geoeconomic competition between the US and China. It is inevitable that China is a new great country with high economic growth, great population and great military power. Furthermore, China has expanded its influence in, among other things, Africa and Latin America by marketing its products and doing cultural approaches using, among other things, its language. China's influence on the international community has now been intensified and is expected to remain strong in the foreseeable future.

*Second, the development of global geopolitical constellation* can be a challenge and an opportunity for Indonesia. In America and Europe, for example, **the US-Russian geopolitical rivalry**<sup>8</sup> in the recent past can actually be utilized for Indonesian benefit. Due to the embargo imposed by the US and Western Europe on Russia, the Russian government has taken steps to re-orient its foreign policy with the *Look East*

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<sup>7</sup> *Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2015-2019*, The Ministry of National Development Planning, Jakarta, 2015.

<sup>8</sup> Ivan Krastev and Mark Leonard, "Europe's Shattered Dream of Order : How Putin is Disrupting the Atlantic Alliance", *Foreign Affairs*, vol. 94, no. 3, 2015.

Policy, which gives a greater attention to the Asia Pacific region as one way out to face its geopolitical rivalry.<sup>9</sup> The changes in Russia's foreign policy orientation can be an opportunity for Indonesia to increase diplomatic cooperation between Indonesia and Russia.

*Third*, there has been a **phenomenon of economic cooperation shift towards plurilateral and mega block** that can be a challenge and an opportunity for the Indonesian economy. According to the Ministry of National Development Planning, the phenomenon of plurilateral cooperation is known to be able to reduce the complexities (noodle bowl syndrome) due to the massive number of bilateral agreements.<sup>10</sup> A paradigm shift in the architecture of the global economic cooperation will not stop at plurilateral level, because at this time there has been a growing desire of economies to build a constellation of broader economic cooperation. The three agreements of economic cooperation which are in the process of negotiations to be three Mega Trading Blocks are : **TPP (Trans Pacific Partnership), which now consists of 13 countries in Asia and the Pacific,**<sup>11</sup> **TTIP (Trans Atlantic Trade and Investment Partnership) which consisting of US and the European Union (European Union), and RCEP (Regional Comprehensive Economic Partnership),** which consists of the 10 ASEAN countries and ASEAN's six partner countries.

*Fourth*, **increasing non-tariff barriers in export destination countries.** As a result of the economic crisis and the global crisis, many countries are now imposing protectionist policies, one of which by securing domestic market through the efforts of imposing trade barriers in the form of Non-Tariff Measures (NTMs) and Non-Tariff Barriers (NTBs). Judging from the number of NTMs, the countries that impose

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<sup>9</sup> Scott W. Harold, "Is the Pivot Doomed? The Resilience of America's Strategic Re-balance", *The Washington Quarterly*, vol. 37, no. 4, 2015.

<sup>10</sup> *Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2015-2019*, The Ministry of National Development Planning, Jakarta, 2015.

<sup>11</sup> See Jeffrey J. Schott, Barbara Kotschwar, and Julia Muir. *Understanding the Trans-Pacific Partnership*. Peterson Institute for International Economics, Washington, D.C., 2013, p. 62-63. *Trans-Pacific Partnership* is a stronger magnet for Asia-Pacific economic integration and give more impetus to efforts aimed at broadening the regional affair into a new multilateral trade initiative.

NTMs tend to be developed countries like the European Union, Russia and emerging countries such as India.

**Fourth, commodity prices in general are expected to decline, but prices of manufactured products are in a rising trend.** The World Bank estimates that energy commodity price index will drop from 123.2 base points in 2015 to 121.9 base points in 2019. On the other hand, the price index of manufactured products is expected to increase from 109 base points in 2015 and to 115.4 base points in 2019.<sup>12</sup> This is certainly an important reason for Indonesia to immediately shift its structure of the economy and exports, from commodity-based or primary sector-based to manufacturing-based economy. In the 2015-2019 RPJMN, the Government of Indonesia is targeted to increase the share of manufacturing exports to be 65 percent and growth in non-oil exports is expected to grow by an average of 11.6 percent per year.<sup>13</sup>

### **III. DEVELOPMENTS OF RELATIONS OF INDONESIA AND ASEAN WITH THE EUROPEAN UNION**

#### **A. RECENT DEVELOPMENT OF THE EUROPEAN UNION**

The European Union is experiencing a process of political transition in institutions primarily in the second half of 2014, namely: (1) the election of Jean-Claude Juncker as the President of the European Commission which carries out its executive function; (2) The appointment of Donald Tusk, Polish Prime Minister, as the President of the European Council; and (3) the appointment of the Italian Foreign Minister Federica Mogherini as the High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission (European Union HRVP) to replace Catherine Ashton of the United Kingdom. In the first semester of 2015, the Presidency of the European Union was assumed by Latvia for the period of 1 January to 30 June 2015 with the work program priorities<sup>14</sup> as follows :

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<sup>12</sup> [...], "World Development Indicators 2015", available at: <http://data.worldbank.org/data-catalog/world-development-indicators>.

<sup>13</sup> [...], "Rencana Induk Pembangunan Industri Nasional 2015-2035", available at: [www.kemenperin.go.id/ripiin](http://www.kemenperin.go.id/ripiin).

<sup>14</sup> [...], "Priorities of the Latvian Presidency: Three main priorities - Competitive

1. *Competitive Europe*: to focus on improving competitiveness through better policies and regulations, investment promotion and strengthening of the single market;
2. *Digital Europe*: development of digital single market to increase employment, promoted security and digital data protection, and development of the telecommunications market;
3. *Engaged Europe*: promotion of cooperation with European Union partner countries.

In the second semester of 2015, the Presidency of the European Union was assumed by Luxembourg for the period of 1 July to 31 December 2015 with the strategic agenda theme “A Union for the Citizens” and adopted an open approach by: *listening to the citizens, supporting businesses, and cooperating with partners and institutions in order to act in the interests of Europe*. For the work program priorities<sup>15</sup> are as follows :

1. Stimulating investment to boost growth and employment;
2. Deepening the European Union’s social dimension;
3. Managing migration, combining freedom, justice and security;
4. Revitalising the single market by focusing on its digital dimension;
5. Placing European competitiveness in a global and transparent framework;
6. Promoting sustainable development;
7. Strengthening the European Union’s presence on the global stage;

Broadly speaking, **the European Union has a foreign policy** that is based on fundamental values such as freedom, democracy, human rights protection, and peace with its main pillars European integration, transatlantic relations (NATO) and multilateralism. Currently the Euro-

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Europe, Digital Europe, Engaged Europe”, Available at: [http://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/dlat/dv/04\\_summary\\_presidency/04\\_summary\\_presidencyen.pdf](http://www.europarl.europa.eu/meetdocs/2014_2019/documents/dlat/dv/04_summary_presidency/04_summary_presidencyen.pdf).

<sup>15</sup> [...], “Priorities of the Luxembourg Presidency: A Union for the Citizens”, available at: <http://www.eu2015lu.eu/en/la-presidence/a-propos-presidence/programme-et-priorites/>

pean Union still has to deal with issues with Russia, worsening security in Ukraine as well as internal issues such as job creation and encouragement and maintaining of economic growth in Europe.

In the European Union's foreign policy, one of its current focuses is related to the European Union's relations with Russia. Based on data from the European Union Observer, the imposition of European Union sanctions against Russia has affected the Russian economy by € 23 billion (1.5% of its GDP) and is assumed to affect the Russian economy by € 75 billion (4.8% of GDP) in 2015.<sup>16</sup> On the other hand, Russia is now also imposing economic sanctions to several European Union countries, especially in trade, particularly exports of food and food products. According to the European Union Commission for Economic Cooperation, the economic sanctions have affected the economy of the European Union countries that have strong economic ties with Russia, particularly in the agricultural sector. In this respect, European Union food producers have suffered a loss of US \$ 7 billion. It is expected that so far Russian sanctions against the European Union is still limited to the embargo of agricultural products and food. However, if extended to the energy sector, it will cause new problems. The crisis in the relationship between the European Union and Russia is the most serious crisis since the end of the Cold War.<sup>17</sup>

## B. DEVELOPMENT OF RELATIONS BETWEEN INDONESIA AND ASEAN AND THE EUROPEAN UNION

The paper will discuss the development of relations between Indonesia and ASEAN and the European Union, especially in the economic field. As noted earlier, economic diplomacy is one of Indonesia's foreign policy priorities at the moment. Throughout 2014, the strategic relationship with the European Union is characterized by increased and expanded relations in various strategic areas, especially since the entry into force of the ***Framework Agreement on Comprehensive Partnership and Cooperation (PCA) RI - The European Union*** on 1 May

<sup>16</sup> [...], "Multi-Billion Losses Expected from Russia Sanctions", available at: <https://euobserver.com/economic/125118>.

<sup>17</sup> Igor Ivanov, "The Tough Lessons of the European Union-Russia Crisis", *Europe's World*, no. 30, 2015.

2014.<sup>18</sup> PCA is a legal umbrella for all cooperation between Indonesia and the European Union, including the basis for the formation of various strategic dialogues, sectoral dialogues and working groups in various fields of common interest.

The President of the European Council Herman Van Rompuy paid a courtesy call to the President Joko Widodo on 19 November 2014 to discuss the Framework Agreement on Comprehensive Partnership and Cooperation (PCA) between Indonesia and the European Union in broad ranges of issues such as political issues, democracy and Islam, trade and investment; and the issue of mobility.<sup>19</sup> This shows the importance and the growing bilateral relationship between Indonesia and the European Union. However, there are several issues of concern related to Indonesia namely : **barriers to Indonesia's palm oil exports to the European Union and the presence of discrimination in Schengen Visa exemption.** In connection with the Schengen Visa, Indonesia is currently working to be given a Schengen visa exemption for holders of passports RI, however, visa issue is a sensitive issue in the European Union because it has aspects of sovereign issue which is still held by the member countries.

The ASEAN-European Union Partnership informally began in 1972 and was formally established in 1977. The partnership made important progresses in 2012 with the adoption of the *Bandar Seri Begawan Plan of Action (PoA) of the ASEAN-European Union Enhanced Partnership (2013- 2017)* as the development of the *Plan of Action to Implement the Nuremberg Declaration on an European Union-ASEAN Enhanced Partnership (2007-2012)*.<sup>20</sup> Areas of priority of the ASEAN-European Union partnership cover the politics and security, economic and socio-cultural aspects. The ASEAN-European Union partnership in the field of politics and security is embedded in, among others: in-

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<sup>18</sup> [...], "Dubes Havas Sambut Ratifikasi Framework Uni Eropa", available at: <http://www.antaraneews.com/berita/431670/dubes-havas-sambut-ratifikasi-framework-uni-eropa>.

<sup>19</sup> [...], "Uni Eropa Siapkan Investasi 4500 Triliun Rupiah di Indonesia", available at: <http://www.dw.com/id/uni-eropa-siapkan-investasi-4500-triliun-rupiah-di-indonesia/a-18075799>.

<sup>20</sup> [...], "Overview of ASEAN-European Union Dialogue Relations", available at: <http://www.asean.org/news/item/overview-of-asean-eu-dialogue-relations>.

creased cooperation through a body of ASEAN, namely the ASEAN Regional Forum (ARF). The European Union acceded to the Treaty of Amity and Cooperation (TAC) as a commitment of the European Union to maintain stability and peace in the region in 2012 and in the field of Human Rights (HAM) on increased capacity of the ASEAN Inter-Governmental Commission on Human Rights (AICHR) to encourage AICHR to be a dynamic and action-oriented human rights commission.

In the economic field, the European Union trade cooperation is the third largest trading partner for ASEAN after the US and Japan, while ASEAN is the third largest trading partner for the European Union after the US and China. In 2013, the total recorded European Union-ASEAN trade was US \$ 246.2 billion with an increase of 1.5% over the previous year (see Figure 2). ASEAN export value to the European Union was recorded at US \$ 124.4 billion, and the value of European Union imports from ASEAN was recorded at US \$ 121.8 billion. In the field of investment, the European Union is recorded as the largest investor in ASEAN accounting 22.3% of the total foreign investment in ASEAN countries with a total value of Foreign Direct Investment (FDI) of US \$ 26.7 billion.<sup>21</sup>

In the field of socio-cultural cooperation, the framework of Regional European Union-ASEAN Dialogue Instrument (READI) that houses sectoral dialogue and non-trade issues, such as information society, animal health, climate change, transport, energy and minerals has also been entered into. The 2011-2015 READI programs are done through policy dialogue and capacity building by comparative study and exchange programs while the support of the European Union to ASEAN in the field of education is done through European Union Support to Higher Education in the ASEAN Region (European Union SHARE).

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<sup>21</sup> See “ASEAN Statistical Yearbook 2014”, ASEAN Secretariat Website, Jakarta, 2014. Available for download at [http://www.asean.org/resources/item/asean-statistical-yearbook2014?category\\_id=382](http://www.asean.org/resources/item/asean-statistical-yearbook2014?category_id=382).

Figure 2: Value of ASEAN Trade with External Partners (2006-2013)

ASEAN Trade by Trading Partner, 2006-2013								
(in US \$ Million)								
Trading Partner	2006	2007	2008	2009	2010	2011	2012	2013
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>ASEAN</b>	<b>352,872.7</b>	<b>401,913.6</b>	<b>470,230.1</b>	<b>376,213.2</b>	<b>511,019.9</b>	<b>598,377.3</b>	<b>602,048.2</b>	<b>608,558.3</b>
<b>Trading Partner</b>	<b>1,052,359.7</b>	<b>1,208,872.7</b>	<b>1,426,927.0</b>	<b>1,160,663.6</b>	<b>1,498,096.0</b>	<b>1,790,066.7</b>	<b>1,874,379.2</b>	<b>1,902,958.2</b>
Australia	36,417.3	41,973.5	52,614.1	43,847.7	55,389.4	59,685.5	69,499.1	68,057.5
Canada	6,888.4	9,496.5	10,728.6	9,019.9	9,864.5	10,774.4	12,335.4	13,466.3
China	140,049.4	171,089.0	196,863.3	178,223.1	231,855.6	280,149.8	319,484.8	350,508.4
EU-28	160,977.5	187,307.5	207,803.9	171,431.1	208,588.2	234,621.3	242,598.9	246,228.3
Hong Kong	51,598.8	68,234.9	64,221.1	67,960.2	98,501.0	96,433.9	94,742.4	95,220.7
India	28,718.0	37,243.4	48,840.6	39,075.3	55,383.6	68,101.2	71,815.8	67,861.9
Japan	161,801.8	173,056.0	214,392.5	160,917.8	206,533.8	273,867.2	262,883.7	240,767.1
New Zealand	4,548.9	5,797.0	7,841.1	5,381.4	7,330.7	8,243.9	9,224.8	9,785.4
Pakistan	3,283.2	4,124.1	4,933.7	4,300.9	6,253.7	6,763.2	6,305.6	6,138.5
Republic of Korea	55,949.6	61,208.8	78,294.8	74,771.3	98,560.5	124,402.9	131,030.1	134,962.6
Russia	4,426.1	5,401.5	9,745.1	6,769.0	9,055.9	13,927.5	18,158.2	19,949.6
USA	161,274.3	178,188.7	185,295.1	148,780.1	186,542.7	198,767.4	200,027.2	206,855.4
Rest of the World	236,426.3	265,751.8	345,353.0	250,185.9	324,236.4	414,238.6	436,273.2	443,156.6
<b>Total</b>	<b>1,405,232.5</b>	<b>1,610,786.3</b>	<b>1,897,157.1</b>	<b>1,536,876.8</b>	<b>2,009,115.9</b>	<b>2,388,444.0</b>	<b>2,476,427.4</b>	<b>2,511,516.5</b>

Source: ASEAN Trade Statistics Database as of 4 December 2014

Sumber : ASEAN Statistical Yearbook 2014 □

#### IV. INTEGRATION PROCESS OF THE EUROPEAN UNION : A LESSON LEARNED FOR ASEAN

How is the European Union integration process and what lessons can be learned by ASEAN ? One issue of concern is the European Union's experience in expanding its member countries that seems more nuanced with political considerations rather than economic benefits, resulting in the European Union experiencing a quite prolonged period of recession as various member countries of the European Union are experiencing a period of economic crisis, especially the countries in the Southern Europe such as Greece, Italy, Portugal, Spain and Ireland (otherwise known as GIPSI)

As an illustration, the current Greek crisis stems from the requirements of the Maastricht Treaty in 1992 that were not met Greece and eventually led to the crisis. One of the main emphases is the process of European Union integration that must be met by all members as set

down in the 1992 Maastricht Treaty. The concept is actually in accordance with the theory of Optimum Currency Area (OCA) in which the member countries are required to meet the requirements of macroeconomic indicators in order to achieve the objective of single currency in the region. However, in the process Greece could not meet the criteria in question. It is not surprising that in the end the challenges of Greek economic crisis took place and can significantly affect the economic stability in the European Union if the risk of economic crisis is not managed properly by the European Union members, including Greece itself.<sup>22</sup>

Furthermore, Greece (and gypsies) have problems such as their weak economic competitiveness, internal problems, poor budgetary discipline as well as lagged economic capacity compared to many other Western European countries. In addition, there are also differences in the choice of views and philosophies taking economic policy in the European Union. One of the one examples is different views of economic ideology (a clash of titans in economic school) in handling the Greek economic crisis.

The Greek economic crisis can be a lesson learned for ASEAN economic integration process towards the ASEAN Economic Community (AEC) and furthermore if ASEAN is targeting a single currency area in the region. The crisis in Greece and some Southern European countries illustrates the complexity of the process of European Union integration with the increasing number of European Union member countries to have different characters, competitiveness, ability, ideology, culture, and even interest and to use Euro exchange rate as the single currency in the European Union in view of the presence of economic capability gaps, especially between Northern and Southern European countries.

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<sup>22</sup> Kemal Dervis and Jacques Mistral, eds., *Europe's Crisis, Europe's Future*, Brookings Institution Press, The Brookings Institution, Washington, D.C., 2014.

Figure 3: Euro Zone Issue - North and South



Source : The Ministry of Foreign Affairs of the Republic of Indonesia, 2015

In this regard, in the process of ASEAN integration, for example in the process of accepting new member countries such as East Timor, it is necessary for us to examine the political and economic benefits. As an illustration, in the ASEAN region it is clear that there are great gaps in the economic capability and competitiveness among fellow ASEAN member countries that can be a challenge in moving towards an effective MEA that will be in place in late 2015.

Another lesson to be learned from the European Union is its **foreign policy** that always put emphasis on and be based on **fundamental values** such as freedom, democracy, human rights protection and peace with its main pillars of European integration, transatlantic relations (NATO) and multilateralism. As the result, in a relationship with a partner (*Region to Country*) such as Indonesia and the European Union

as well as a region (*Region to Region*) such as ASEAN- the European Union, the fundamental values of the European Union are very important consideration in diplomatic cooperation.

ASEAN has actually had ASEAN Charter which gives ASEAN a strong legal basis (from rule-based organization to legally binding organization). The ASEAN Charter is a constitutional document which contains the norms, assertion of sovereignty, rights, obligations and a certain extent of power in the legislative, executive and judicial processes. The Charter also confirms that the member countries can adopt democratic values and respect for human rights. In the ASEAN-European Union cooperation, ASEAN values should be prioritized. The accession of the European Union to the Treaty of Amity and Cooperation (TAC) is a real form of ASEAN values that manages to penetrate the ASEAN-European Union cooperation.

## **V. CONCLUSION**

In accordance with the constitutional mandate, Indonesian foreign policy is directed to promote the general welfare, the intellectual life of the nation, and to participate in the establishment of world order. According to the 2015-2019 Strategic Plan of the Ministry of Foreign Affairs, Indonesia's diplomacy will highlight the character as a maritime country, Indonesia's diplomacy will be connected with the interests of the people (diplomacy for the people), Indonesia's diplomacy will be down-to-earth, and Indonesia's diplomacy will be carried out firmly and with dignity. However in implementing its foreign policy, of course there will be many challenges and opportunities to be faced at global and regional levels.

The European Union is one of the most advanced regional organizations in the process of regional integration. However in its development, there are various challenges such as crisis that hits Greek and several other Southern European countries, resulting in fairly prolonged recession in the European Union members' economy. In addition, there are other major issues such as the European Union - Russia relations that is relatively non-harmonious especially since the imposition of US and European Union embargo against Russia.

Indonesia and ASEAN have good and intensive relations with the European Union. In 2014, Indonesia and the European Union reached an agreement on the Framework Agreement on Comprehensive Partnership and Cooperation (PCA) and both parties have been engaged in various partnerships. There are at least two major obstacles faced by Indonesia in connection with the European Union, namely: barriers Indonesia's palm oil exports to the European Union and the presence of discrimination against Schengen visa exemption. Meanwhile the ASEAN-European Union Partnership in 2012 reached an important progress with the adoption of the Bandar Seri Begawan Plan of Action (PoA) of the ASEAN-European Union Enhanced Partnership (2013-2017). The priority fields of the ASEAN-UE cooperation are politics and security, economics and socio-cultural fields.

With regard to the lessons-learned in the process of EU integration for ASEAN, there are at least two lessons that can be learned by ASEAN. First, the process of EU integration in terms of expansion of the number of member states needs very mature considerations, particularly the potential for political and economic implications. The economic slowdown in the European Union resulted by, among other things, the economic crisis in Greece and other southern European countries is a fact that with the greater number of EU member countries, the greater the challenge will be. The situation is getting worse because Greece does not fully meet the requirements of the Maastricht Treaty, and it seems that the consideration in the expansion of the European Union member states is more political rather than economic. Second, in implementing its foreign policy, the European Union has always put emphasis on the fundamental values, such as freedom, human rights protection, and democracy. ASEAN should also put ASEAN values in its diplomacy. On the other hand, several ASEAN fundamental values such as respect for human rights and democracy have been included and reflected in its Charter.

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