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Relations between the European Community and
the Republic of Indonesia

Commission President Gaston E. THORN will pay an official visit to Indonesia from 3 to 6 May 1984 where he will be received by President Suharto and will have talks with the Foreign Minister Mr Mochtar Kusumaatmadja and other members of the government.

The principal points on the agenda are an exchange of views on the economic and political situation in the world at the beginning of 1984 and a discussion of a variety of topics of bilateral interest.

This visit is the second in a series of trips which President Gaston E. Thorn has paid to the ASEAN region. In 1983 he visited Singapore and Thailand.

INSTITUTIONAL RELATIONS

Indonesia was an active supporter in the early 1970's of establishing a multilateral relationship between the ASEAN group and the European Community. This led to the signing of a cooperation agreement between the two groups in March 1980.

This agreement, which is non preferential in nature, provides the basis for a developing cooperation between the two parties. The main chapters of the agreement are the mutual granting of the GATT Most Favoured Nation clause, commercial cooperation, development cooperation and economic cooperation, all of which are supervised by the Joint Cooperation Committee which meets once per year.

Cooperation has also been developed at the political level through the joint ministerial meetings which have taken place in Brussels, Kuala Lumpur, London and Bangkok to discuss economic and political issues.

Trade and Economic Cooperation

GSP

The Community encourages Indonesia to make the greatest possible use of its Generalised Scheme of Preferences and facilitates this by providing special rules of origin for the ASEAN group as a whole. In 1982 69% of Indonesia's exports to the Community entered either at zero customs duty or at preferential rates under the agricultural provisions of the GSP.

Trade Promotion, Economic Cooperation

Complementary to the GSP is the Community's trade promotion programme where, in 1982, the Community granted approximately one million ECU partially to Indonesia and partially on a regional basis, to ASEAN for joint activities with its ASEAN partners.

As a member of the ASEAN grouping, Indonesia also benefits from the economic cooperation activities such as the EC-sponsored Industrial Cooperation Conferences and seminars and training courses organised for nationals of the ASEAN countries.

Development Cooperation

Indonesia regularly benefits from the Community's programme of financial and technical assistance to non-associated countries. Since 1976 the Community has allocated 70.87 MECU for projects in Indonesia including several major irrigation projects on Bali and in West Pasomoa. Indonesia also benefits through its membership of ASEAN in the financial aid which the Community gives to ASEAN for regional projects.

Textiles

On a bilateral level the Community and Indonesia have initialed an agreement on trade in textiles for the period 1983-86 in the framework of the Third Multifibres Arrangement. This agreement provides for clearly defined access for textile products from Indonesia in return for a certain self restraint by its exporters. A unique feature of this agreement is the importance attached to inter-ASEAN cooperation by a provision allowing ASEAN states to exchange export quantities among themselves to ensure their fullest utilisation.

Manioc

Indonesia and the Community have concluded an agreement covering Indonesian exports of manioc to the Community in the period 1982-86. In return for export restraint, the Community applies reduced tariffs (6 %) on Indonesia exports of manioc up to a limit of 750 000 tonnes in 1983 and 1984 and 825 000 tonnes in 1985 and 1986. The Community has guaranteed that other exporters will not benefit from the restraint exercised by Indonesia.

Trade Structure and Development

Trade between Indonesia and the Community has shown considerable growth in the past ten years. EC imports rose from 363 MECU in 1973 to 1136 MECU in the first ten months of 1983 while EC exports went up from 389 MECU to 1882 MECU over the same period.

The Community's main imports from Indonesia are agricultural produce, principally animal feed and coffee, raw materials, mainly tropical wood, rubber and vegetable oil and mineral fuels. The Community's principal exports are machinery, transport equipment and chemicals.

Trade between the Community and Indonesia

| | 1973 | 1975 | 1977 | 1979 | 1981 | (MECU)(*) 1982 1983 (10 months) | |
|------------|------|------|------|------|------|---------------------------------------|------|
| EC Imports | 363 | 416 | 859 | 1092 | 1146 | 1191 | 1136 |
| EC Exports | 389 | 771 | 1081 | 804 | 2023 | 2875 | 1882 |
| Balance | 26 | 355 | 222 | -288 | 877 | 1684 | 746 |

Source: EUROSTAT

(*) The exchange rate ECU/dollar varies daily as the various EC currencies which make up the ECU vary against the dollar. One ECU was worth US\$ 1.2 in 1973, US\$ 1.37 in 1979 and US\$ 1.39 in 1980, US\$ 1.12 in 1981 and US\$ 0.98 in 1982.

