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Speech by the President of the European Union, Herman Van Rompuy at the opening of the 5th Europe – Indonesia Business Dialogue

It gives me great pleasure to join you for the opening of the 5th Europe-Indonesia Business Dialogue today. We are, I believe, at the beginning of a new and exciting chapter in EU-Indonesia bilateral relations. Indeed, Indonesia has a new Government in place. This morning I had the pleasure of meeting your new President, Mr Joko Widodo, and extending my warm congratulations to him on assuming the Presidency of this vast and amazing country.

It is also an important moment for Europe. We defined in June the priorities for the EU's global agenda over the next five years. The main theme is: Jobs, growth and competitiveness. The new European Commission started work on the 1st of November. My successor, former Polish Prime Minister Donald Tusk, will take over as President of the European Council in little more time than 10 days. Fostering co-operation with key partners such as Indonesia will no doubt occupy an important place in their plans. So this is a great time for looking ahead.

But before I do this allow me a short reflection on the past five years, which has been a very challenging period for Europe. The European Union was confronted with one of the greatest financial crises in decades and our monetary union and its currency came under existential threat. But despite the difficulties and many ominous predictions about the fall of Euro, the European Union overcame the crisis. It has indeed emerged from the crisis developing a stronger Economic and Monetary Union, and building a real Banking Union. The new European leadership will be battling in the coming years with the relaunch of economic growth, competitiveness and job creation.

During this same period, the international situation around Europe has deteriorated. To the East, Russia's actions are threatening the key principles on which international security is built. The Ukrainian crisis will continue to require clear-sighted and determined response from the European Union in order to ensure that territorial integrity and national sovereignty are respected. We expect that Russia will change its present course, mindful that the current situation serves no one's interests. These geopolitical tensions are hampering economic growth by creating uncertainty and loss of confidence. To the South, extremism and terrorism, such as the one represented by ISIS constitutes a serious threat. Liabilities in frail nations need to be redressed. Consequences extend throughout Northern Africa and the Middle East, but security in Asia and Europe is also endangered.

I draw two main lessons from these experiences:

1) The European Union will only be able to overcome economic challenges and defeat security threats by remaining united and strong. We proved during the last five years that we can take crucial decisions with 28 sovereign States.

2) More than ever, it is important to work with international partners. In an interdependent world, prosperity and security in Europe is linked to prosperity and security in Asia, and vice versa.

These are, I believe, conclusions fully shared by the 28 Heads of States and Governments of the European Union. It is also based on this conviction that I am visiting today Jakarta with the aim of further strengthening our relations.

Looking ahead, as I promised I would, based on my experience as President of the European Council, I can say that the European Union is and will remain a key economic and international player in the years to come.

In fact, today, the European Union is the world's biggest economy, the largest trading partner, the largest investor worldwide and the largest recipient of foreign direct investment. But we remain – as I said- the world's largest trading block in goods and services and is doing better in market shares than the US and Japan. We have remained open to trade and investment with the rest of the world. Global prosperity, in Europe, the emerging economies of Asia and elsewhere, ladies and gentlemen, depends on open economies and an open and liberal international trading system. Enhancing trade relations generates prosperity, stability, jobs and long-term development – in Europe just as much as here in Indonesia and the other fast-growing economies of SouthEast Asia.

The EU is therefore not sitting still, but moving steadily towards advancing global free trade and bilateral and regional free trade agreements. This agenda is ambitious and covers areas that bring additional value to the European economy – for example, services, Intellectual Property Rights issues, public procurement, competition rules and a greater promotion of the recognition of EU standards. In addition, investment is now an integral part of our Free Trade Agreement (FTA) negotiations.

Important negotiations on free trade agreements (FTAs) have been launched with Japan, India, Vietnam, Thailand and others. 10 negotiations have been concluded since 2009, including with South Korea and more recently with Singapore and Canada. We have also launched specific investment negotiations with China and with Myanmar. And we took the unprecedented step to start negotiations with the United States of America on a Transatlantic Trade and Investment Partnership. A successful outcome would represent a major boost not only for transatlantic commerce, but for the world at large.

If all EU trade agreements currently in the works are put into practice, they will cover over 60% of our imports and exports. All this shows clearly: the European Union as the world's largest trading bloc remains open for business. And because the EU is now also Indonesia's largest export market for goods, there is a strong interest on both sides to strengthen trade relations. A more prosperous Europe is good for Indonesia and good for the global economy.

Asia is of course a vital part of the EU's external economic strategy. Economists project that over the next 20 years more than 60% of the world's growth is going to happen in Asia. So it is not surprising that European business has put down deep roots over the years in Asia. Asia has become our main trading partner representing over a third of our total trade in goods. The EU is also the largest investor in Asia which in fact already holds more than a quarter of Europe's total stock of foreign direct investment. Asian companies are also major investors in Europe.

Europe needs Asia. A strong Asian economy is a driver of world growth. Many economies here, like Indonesia, continue to grow at impressive rates. At the same time, Asia needs Europe, its technological innovation and know-how, the biggest and richest market in the world, the largest investor in Asia. Our economies are as interdependent as ever.

Our security is also interlinked. Many Asian nations value political relations with the European Union as a balancing element. From Aceh to Mindanao and Myanmar we have proven we are a committed and reliable partner in supporting our Asian partners in consolidating peace and promoting reforms.

As I underlined earlier, we also face common global challenges, such as fighting extremism and terrorism, and non-traditional security matters like trafficking of persons, cyber-crime, illegal trade in weapons, drugs, wildlife products, food security, pandemics, energy security, climate change and water management.

Europeans and Asians also share an interest in ensuring the safety and freedom of navigation across the world, not least in South East Asia. That is why we believe in regional stability and security based on peaceful and cooperative solutions in accordance with international law, in particular the UN Convention on the Law of the Sea. On all of these issues, only by joining forces and communicating together will we achieve success.

Another thing that Europeans and Asians share is a growing confidence in regional integration and regional cooperation as key drivers for shared stability and prosperity. That is why the 37-year old partnership between the European Union and ASEAN is especially important to us.

ASEAN is one of the world's fastest growing regions and is building an economic community of 600 million increasingly sophisticated and demanding consumers. It is a great match for the European Union, which is the world's largest economy and has a Single Market of 500 million consumers.

Our robust trade and investment figures reflect this similarity. The EU is ASEAN's 3rd largest trading partner after China and Japan, and we are in fact the biggest investor in ASEAN economies. This creates jobs and stimulates the economy for the benefit of our people.

We also have much to learn from each other through increased cooperation between our education systems, joint science and innovation projects and further mobility. That is why EU resources for cooperation with ASEAN are nearly tripling over the next seven years. And it is why the EU is helping the ASEAN realise the nuts and bolts for the creation of a single market, addressing issues such as harmonised product standards, food safety standards, Intellectual Property Rights, border transit systems, and customs procedures. We are also moving to new areas of concrete cooperation: improving aviation connectivity, crisis response and disaster management, preventing transnational crime and improving maritime cooperation.

Enhancing connectivity is the common thread that runs through the whole of the EU-ASEAN relationship. It is about linking Europe and Asia, but also about enhancing intra-regional connectivity. Reflecting our strong commitment, the EU will soon nominate its first Ambassador accredited exclusively to ASEAN.

Having touched on how we in the EU see our economic relations with the rest of the world, Asia and ASEAN, let me now zoom further into our relations with Indonesia and what should be the central theme in today's discussions at the EU-Indonesia business dialogue.

Indonesia has indeed undergone an impressive transformation since democratic and political reforms were initiated more than 15 years ago, and your robust economic growth and social development bear testimony to this. The excitement and optimism which surrounded your recent elections show the strength of your democratic institutions. The energy of your new President and his administration reflect the aspirations of a young and growing Indonesian population which looks to the future with great hope.

Indonesia and the EU have much to build on in our bilateral relations. We share similar values: we are both large democracies committed to regional integration, market-based economics, respect for human rights and international law.

I see great potential for expanding cooperation over the next five years between the new Indonesian government and the European Union. I was particularly interested this morning to hear President Widodo talk of his vision for Indonesia as a maritime axis, and I feel that Europe, much of whose trade goes by the open seas, not least passing through the Indonesian archipelago, has much in common with you on this agenda. I was also interested in your President's plans for upgrading Indonesia's infrastructure, for improving the business climate and for cutting the red tape that can stop projects from getting under way. More streamlined and transparent procedures will certainly bring more European investment in this sector.

We start these new ventures from a very strong base. The latest trade figures are extremely interesting. They show that the EU has now overtaken China as the largest export market for Indonesian goods. Furthermore, unlike with China and Japan, Indonesia enjoys a large trade surplus with the EU. I am delighted that Indonesian companies are thriving in the largest market in the world. We also have a good story to tell on investment. European companies are increasingly interested in Indonesia and in 2013 FDI from the EU reached a record high of USD 2.4 billion. The EU is the second biggest investor in Indonesia this year.

As well as being impressive in size, European investment in Indonesia is different. Unlike many of their competitors in Indonesia, EU investment is not just about winning market share or growing profits. European investment is good for Indonesia too. Most if not all of our businesses aim at a win-win. I am proud that EU business provides and sustains over a million high-quality jobs for Indonesian workers. I am proud that our companies transfer skills and technology to this country. I am also proud of the way EU companies embody a special social model and approach towards their most important asset, namely their employees.

The EU attaches high importance to corporate social responsibility and promotes sustainable business practices by European companies around the world. EU businesses are encouraged to ensure their positive impact on foreign economies and societies. By advancing respect for social and environmental standards, EU enterprises can foster better corporate governance and inclusive growth in developing countries.

I am therefore very happy to take note of today's special exhibition at the EIBD on European companies' role in Indonesia, and how they contribute to society's development and the welfare of their employees in a wider sense. I strongly encourage you to have a closer look at this, so as to appreciate the contribution by European companies active across a wide range of sectors in Indonesia.

But in spite of all these successes, we are not yet realising the full potential of what European business has to offer here. The EU's trade with Indonesia is healthy, yet it is well below our trade with other smaller countries in the region, such as Singapore, Malaysia and Thailand. This is despite the fact that Indonesia is by far the largest economy in the ASEAN representing around 40% of total ASEAN GDP and population. We can do better.

Moreover, as regards investment, during the period of 2004-2011, Indonesia received only 12% of all EU investments flowing into the ASEAN region and only 0.4% of total FDI outflows from the EU to the world in 2011. We need to change that together too. Deepening trade and investment links with the world's largest trading bloc – the EU – will bring substantial gains to Indonesia.

The key point here is that the EU and Indonesia have complementary economies. Deepening the trade relationship with the EU will not cause a surge in imports. It will rather increase trade overall in a "win-win" scenario. Today trade is about plugging into global supply chains. I am aware that a recent study shows that a comprehensive economic agreement between the EU and Indonesia would boost our overall trade, and facilitate more FDI from the EU. This in turn would contribute to the development of a diversified and higher value added economy, as well as help develop Indonesia into the manufacturing hub of ASEAN.

My message here is that European companies stand ready to increase their already considerable investments in Indonesia, provided that the business climate is welcoming, open and transparent. This is very much in line with President Widodo's vision, as he expressed it to me this morning, of an Indonesia delivering better jobs and living standards for its people. The ASEAN Economic Community should act as a catalyst for such change in Indonesia. Deeper economic relations with the EU would complement such a process, and in fact help attract significant EU investment, technology, and know-how.

Let me conclude by congratulating the organisers for today's event. I hope you will have fruitful discussions, which will bring business and policy-makers closer together. As businesses, you need to focus on what you do best: creating value, creating growth and creating jobs. We as governments need your advice on how we can improve the business climate, reduce barriers to the flow of trade and investment in both directions, and encourage the exchange of good ideas and technology.

It is this kind of effort that will permit us to keep moving forward in building the EU-Indonesia relationship. I wish you a very successful EU-Indonesia Business Dialogue. *Terima kasih*. Thank you.
