

Indonesia

Indonesia represents a market of unbridled opportunity for Canadian firms. It is one that requires patience and understanding as business and cultural practices are quite distinct from those found in North America.

Overview

Indonesia, the fourth most populous country in the world with over 190 million people (26 million middle class), is an archipelago of more than 17,000 islands stretching 3,000 miles from east to west.

It is one of Asia-Pacific's fastest-growing economies, with a 1993 Gross Domestic Product (GDP) of \$171 billion and an annual growth rate projected at 7.5 per cent.

Economic stability has led to rapid improvement of social conditions, underpinned by a market economy that is increasingly opening up to foreign participation and international business standards and practices. Since the mid-1980s, accelerated deregulation has been at the forefront of the government's economic agenda.

Canada-Indonesia Trade

Two-way merchandise trade between Canada and Indonesia (Canada's largest export market in Southeast Asia) tripled since 1980, and it will exceed Cdn \$1.1 billion in 1995.

Canadian exports accounted for \$450 million, showing growth in high value-added products such as electrical power and environmental equipment, as well as steady growth in key commodity exports such as wheat, potash, sulphur and wood pulp.

Services also are an important source of export revenue for Canadian firms. It is estimated that they contribute an additional Cdn \$200 million annually to bilateral commercial flows.

Canadian Presence

Canada's strong foreign direct investment (FDI) presence in Indonesia stands at an estimated \$5 billion in assets and is poised to grow by an additional \$1 billion to \$2 billion in the next three years.

Initially, FDI was focussed in resource development, in particular oil and gas exploration and mining. Now, it includes an array of sectors such as consulting engineering, manufacturing, insurance and environmental services.

Today, there are over 70 Canadian companies in the market, including seven oil companies, INCO, Bata Shoes Ltd., and over a dozen consulting engineering firms.

Canadian firms wishing to invest in Indonesia will have to address the country's growing need for risk capital. The ability to package the necessary technological, financial and administrative capabilities for investment initiatives is increasingly the key to capitalizing on

emerging market opportunities in Indonesia.

Promising Sectors

Eliminating restrictions on private investment in such areas as transportation, energy, telecommunications and infrastructure, has created many new business prospects for investors and traders.

Canadian firms can look forward to a significant share of these opportunities as there is an excellent "fit" between Canadian capabilities and Indonesian needs, which is fuelling growth in bilateral commercial relations. The sectors holding the greatest potential for Canadian business include:

- **energy** equipment and services, in particular generation and transmission, natural gas, hydro, oil, coal and geothermal-based power;
- **information** technology opportunities in software expertise for systems integration for telecommunications (in particular datacom services), financial, environmental and medical services, and in engineering design;
- **environmental** technologies and services to serve megaprojects in urban development, forestry, power and construction sectors;
- **mining** and minerals, especially exploration/investment and the supply of mineral processing and production equipment and consulting engineering;
- **transportation** equipment/services for application in toll roads, airport, seaport, rail and urban transit projects (estimated at over US\$13 billion in the next five years);
- **construction** equipment and building products, particularly in residential construction, high-rise, steel pipe and building ceramics; and
- **processed foods** for the rapidly expanding consumer products market in major cities.

The challenge for Canadian firms is to accept the market on its own terms, invest in key priority sectors, and look at mid- to long-term returns, rather than short-term, business development and growth.

PUBLICATIONS

INDONESIA

AgriFood		
34603 Beef: Indonesia	94	8pgs
34643 Pork: Indonesia		3pgs
34402 Oilseed: Indonesia	94	10pgs
34519 Special Crops & Pulses: Indonesia	95	6pgs
76321 Agriculture & Food Products	95	3pgs
76346 Animal Stockfeeds	95	3pgs

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