

Oil is the lifeblood of the Indonesian economy, accounting (depending on the indicators) for between 60% to 80% of national income. Export revenues of petroleum in 1980 are estimated at just under \$13 billion. Most of the escalating income from oil and gas comes not from increased crude production or exports, but rather from the 23.5% rise in the export price of Indonesian crude oil since December 1979 and a 158% jump in the volume of LNG exports. The net effect for the government has been bloated revenues. The challenge is to abate their inflationary influence while moving towards a level of industrialisation which will carry the economy in the next decade, when the oil exports (in revenue terms) begin to decline.

Foreign Policy

While Indonesia is a founding member of the Non-Aligned Movement (NAM), it has, since the mid sixties, increasingly leaned to the West both in terms of political orientation and economic and trade policies. From the Canadian perspective, it is a moderate and moderating participant in the Non-Aligned Movement (NAM), the Group of 77, the North/South Dialogue, the Islamic Conference and in various commodity groups including OPEC.

The Association of Southeast Asian Nations (ASEAN) is a paramount foreign policy consideration for Indonesia (the Secretariat is in Jakarta) and the degree of consultations among its members is increasingly reflected in Indonesia's foreign policy.

Bilateral Relations

Canadian relations with Indonesia cover a wide range of interests (development assistance, political consultations, trade, etc.), and should continue to expand on the basis of a mutually beneficial relationship. Indonesia views Canada as a middle power like herself and seeks to develop the relationship as one means of reducing dependence on the USA and Japan. Canada and Indonesia consult on such matters as Law of the Sea, commodities, the North/South Dialogue, stability in Southeast Asia and other regional and international issues.

In addition to building on present investment, financing and trade arrangements, Indonesia's vast geography and extensive natural resource base provide special opportunities for Canadians to participate in the economic development of the country using expertise gained at home.