financial reform aimed at transparency, necessary industrial restructuring and a renewed focus on competitive fundamentals such as education and infrastructure spending. Once these adjustments are made, Southeast Asian economies will emerge stronger for the exercise. The direct economic impacts of the crisis on Canada are expected to be small. Canadian exports to the region may be slowed as will Canadian participation in delayed infrastructure projects.

Indonesia

With a population of 190 million, Indonesia is the fourth largest country in the world. For the last 25 years, its economic growth rates have averaged 7.5 per cent per year and in 1996, the economy grew by 8.1%. This growth rate is unlikely to be sustained in the short term on account of the recent currency devaluation. Following an unsuccessful attempt to control currency depreciation by expanding its intervention band, on 18 August 1997, the rupiah was allowed to float and depreciated a further 10 percent (the rupiah has depreciated 16% against the US dollar since early July). On 3 September, on the advice of the World Bank, the Indonesian government announced a package of deregulatory and fiscal measures which are expected to lead to stabilization of the currency.

Indonesia is an important trading partner for Canada in the burgeoning Asia-Pacific region. A tradition of participation by Canadians as investors, suppliers and partners, coupled with annual trade and investment liberalization measures provide a strong foundation for increased commercial opportunity and activity. While a highly competitive market, with strong traditional linkages to European, Japanese, US, Korean and increasingly, Australian partners, Canada is demonstrating that it has every ability to expand and deepen its economic relationship with Indonesian government and private sector customers.
Indonesia is actively seeking foreign investment. In its sixth five year plan announced in 1994, the Government indicated that US$53 billion of investment would be required in order to develop the infrastructure needed to maintain Indonesia's high economic growth rates over the next five years. The Government expects that half of that investment would come from the private sector, including foreign investors.

Cumulative Canadian direct investment in Indonesia is estimated at $6.4 billion, making it Canada's largest direct investment portfolio in any Southeast Asian country. Canadian investment should grow to $8 billion in the next two to three years as investments come on line in the natural gas, mining, manufacturing, power, and environment sectors.

There is very little Indonesian investment in Canada.

Thailand

Rapid economic growth has resulted in profound changes in the Thai economy and the Kingdom is now classified as a newly industrialized economy. Per capita GDP has more than tripled since 1970 to reach US$3,100 and growth continues at about 8% per annum. Over the past 25 years, the share of manufacturing in the GDP increased from 16% to 29% and agriculture, although still important, reduced its share from 30% to 10% over the same period.

a renewed focus on competitive fundamentals such as education and infrastructure spending

The recent economic setback experienced by Thailand was triggered by a financial sector crisis caused by excessive exposure to an overbuilt property market against a background of weakening economic fundamentals, particularly declining exports, steadily worsening economic growth forecasts and a deep current account deficit. Many observers are linking Thailand's economic recovery to its political stability and economic management.

Thailand's financial crisis has led the country to accept an IMF US$16 billion rescue package which will include a wide array of public spending cuts. IMF insistence on increased transparency forced the Bank of Thailand to reveal it had accumulated forward obligations of US$3.4 billion in trying to defend the baht over the past months, leaving underlying reserves at a mere US$6.6 billion. Fiscal tightness and the loss in value of the baht mean that Canadian commercial ventures in Thailand are presently at risk of being either reduced, postponed or cancelled.

Nevertheless, exports continue to increase, and, if export performance continues on its present course, Thailand should have no trouble meeting the IMF's current account deficit target of 5 percent of GDP for 1997. Its economy will continue to liberalize, fuelled by a need for