



Introduction

Indonesia in the ASEAN Region

Indonesia, with 183 million people, has the world's fourth largest population. It spans 1/8th of the world's surface and is richly endowed with natural resources. It has substantial nickel, gold, copper, tin and coal deposits, is a major producer of oil and liquified natural gas (LNG), and possesses one of the world's largest tropical rainforests. Indonesia's ability to restructure its economy while lowering the absolute number of people living below the poverty line has helped it become a prominent country in ASEAN and a major economy in Asia.

Since the establishment of the New Order Government of President Suharto in 1965, Indonesia has relied upon a system of heavily-centralized government control. This policy was put into effect, after the deep internal divisions of the Sukarno era, with a view to maintaining stability within the country. Though this heavily centralized control has been conducive to economic growth and political stability, it has led to some suppression of human rights and has drawn world criticism.

Indonesia's military wields much power and influence in the civilian affairs of the country. As guaranteed by the constitution, the military's two key functions are to act as a major unifying force and as the main author of the country's strategic vision. The military is expected to continue to play a significant role in the country's future political development. The evolution of the Indonesian political system from a controlled, centrally-governed political system to one more accountable to the general population will require sensitivity from the country's political leaders.

As is the case for most countries in the region, Indonesia's key international partner is Japan, which provides the largest source of foreign investment and accounts for 34 percent of Indonesia's bilateral trade.

Canada and Indonesia

Canada's relationship with Indonesia dates from 1949 and has traditionally been characterized by development assistance, investment in the resource sectors and a modest level of trade. While neither country is a dominant player in the other's market, trade represents a strong base for the bilateral relationship. Indonesia's large domestic market and open economy can provide significant export opportunities to the Canadian private sector for goods and services.

Canada is strongly committed to a respect for human rights in Indonesia and continues to pursue the issue with Indonesian authorities bilaterally and through the United Nations Commission on Human Rights in Geneva.

International economic and trade fora such as Asia-Pacific Economic Co-operation (APEC), the Multilateral Trade Negotiations, as well as the Association of South East Asian Nations (ASEAN) itself, also provide areas for effective co-operation. In 1992, Indonesia became Canada's dialogue partner within ASEAN.

Survey Overview

This survey reviews the nature and scope of trade and economic relations between Canada and Indonesia over the last decade. While this study is set in the context of Canada's economic relations