

## Indonesia Welcomes Joint Ventures

CANADA now ranks as one of the top ten industrialized countries of the world by matching its vast natural resources with a highly educated population and advanced technology applied industrially in the field of pulp and paper, automotive parts and accessories, petroleum refining, iron and steel, equipment, machinery, dairy products and even atomic reactors. A high proportion of Canada's exports also include food, petroleum, natural gas, lumber, wood, pulp, paper and many other resources reflecting its abundance in agriculture, forests and minerals and a relatively small population to consume these products. The U.S.A., the EEC and Japan are Canada's major trading partners.

Canada's imports consist mainly of automotive products, machinery and equipment, textiles, consumer goods, food and crude petroleum. Traditionally Canada has had a trade surplus to cover the deficit on the service account caused by payment obligation of interest and dividends on foreign investments in Canada. The trade surplus in 1980 was \$8 billion. Gross National Product was \$288 billion and the per capita income in 1979 was \$8,902.

Economic relations between Canada and Indonesia include government-to-government, development co-operation, private joint venture, capital investment, bilateral trade and its related activities.

As a prominent member of the Inter-governmental Group for Indonesia, a consortium of donor countries assisting Indonesia's developmental program, Canada has provided Indonesia with funds, equipment and technical know-how since 1967. Various development projects ranging from infrastructure, communications, transportation, irrigation, electrification, forestry, fisheries and regional development have been carried out with Canadian assistance. Canadian private capital investment in the form of joint venture with Indonesian companies amounts to \$975 million. International Nickel Company (INCO) has made the largest investment of approximately \$810 million.

The volume of trade between Canada and Indonesia is growing yearly, but is unbalanced in favour of the Canadian side and very modest compared to Canada's trade with other Asian countries. In 1979 the trade volume was \$104 million

and in 1980 it was \$242 million with surpluses of \$21 million and \$184 million, both for Canada. Continuing efforts to encourage and promote trade and joint venture investment have been made by both sides. This is especially true of Canada, which is trying to shift its national outlook from the ever widening Atlantic nation outlook to the Pacific Rim.

Indonesia is a developing country, needs Canada's expertise in many areas including natural resource development, transportation, telecommunications and energy development. Also, Indonesia is trying very hard to develop its own industrial structure. In view of the present economic situation, Canada's expertise in specific sectors and Indonesia's desire for increased industrialization, it would definitely be more advantageous for both sides to develop their respective areas of interest within the framework of bilateral trade agreements/joint ventures.

Many countries, including Indonesia, are hesitant to import fully manufactured goods for obvious reasons. But if a Canadian company were to offer shares (in a joint venture) to Indonesia and if the manufacturing were to be done there, Canada would profit by offering the technology, training, transfer of technology, managerial skills — areas which most developing countries lack. Indonesia's profit would be in the development of her industrial structure and improved knowledge in these sectors along with increased employment. Canada's proven experience in certain sectors, the need for industrial growth in Indonesia, and its need for Canada's expertise and financial support all point to the viability of joint ventures.

It has been Canada's previous experience that international joint ventures are profitable and strengthen the domestic operation in the managerial, technical and commercial sense. There is a tremendous amount of reciprocity in the financial gains and advantages for both sides. Furthermore, within the framework of bilateral trade and joint ventures, Canada offers financial support to Canadians and foreigners. The Export Development Corporation (EDC) and Canadian International Development Agency (CIDA) are both good examples of this Canadian support.

Prepared by the Indonesian Embassy, Ottawa.

## Scope for Canada's Expertise in Resource and Service Industries

DURING THE past two decades, rapid technological advances have shrunk time and space and brought east and west into close contact, particularly in the economic sphere. Under these changed circumstances, Canadian enterprises have developed markets and supply sources in Indonesia. A variety of companies is represented, including: INCO in metal mining; Alcan in aluminum fabrication; Bata in footwear; Monenco, Swan Wooster, Canadian Pacific — all three in consulting and engineering services; and the banks of Montreal, Nova Scotia and the Toronto Dominion. In addition, many Canadian companies have found markets through exports sales, which during 1980 climbed to over \$200 million.

Air, sea and land communications are crucial to Indonesia's development and in 1981 almost \$1 billion in government funding has been set aside for this purpose. A large and diverse population spread among numerous islands, along with widely-dispersed resource industries, have combined to thrust transportation and communications into the forefront of government planning.

Canadian rail expertise is well-represented in Indonesia. Canadian Pacific Consulting Services has assisted the railroad with its long-term development plans. Bombardier-MLW and General Motors are actively pursuing sales of locomotives, and a Canadian rail car manufacturer has bid on at least one contract. Furthermore, opportunities for technical co-operation may grow out of Indonesia's recent decision to meet some of its own freight car requirements through local production, and later to assemble passenger units.

As regards air transport, Aviation Planning Services is working with the Indonesia National Airline, Garuda, towards the development of aircraft maintenance and overhaul facilities at the new Cengkareng Airport near Jakarta. In addition, Canadian-built radar sets and other equipment will see use in air transport and training throughout the country.

In addition to direct sales of selected aircraft into the Indonesia market (e.g., de Havilland's Dash-7), Canadian companies are seeking closer contact with P.T. Nurtanio Aircraft Industries through its President, Dr. B.J. Habibie, who, as Minister of Research and Technology, is