

One incentive to encourage foreign investment has been the development of Free Trade Zones. Enterprises which set up in these zones may enjoy reduced tariffs and exemptions from import and export tax, provided that their product is primarily for the export market. There is also a relaxation of minimum ownership requirement so that in most cases the foreign partner may own up to 95% of the venture.

### **Canada-Indonesia Commercial Relations**

Trade between Canada and Indonesia is carried out under the GATT. In terms of exports to Canada, Indonesia is a beneficiary of Canada's General Preferential Tariff. As well, two arrangements are in place between Indonesia and Canada which facilitate business relations. These are an exchange of notes to promote and protect Canadian investment in Indonesia, and an agreement to avoid double taxation.

Since 1976, the value of Canadian direct investment into Indonesia has reached a total of \$1 billion with most of this sum accounted for by Inco and Bata Footwear. Aside from these significant investments, there are few additional joint ventures. However, there are more than 40 Canadian companies with offices in Jakarta, and many Canadian personnel operate in the oil and gas sector in Indonesia in general.

Two-way trade between Canada and Indonesia has more than doubled since the early 1980's, reaching a high in 1989 of \$502 million. The balance of trade has remained favourable to Canada throughout the decade, with 1989 exports to Indonesia reaching \$311 million which represented a small drop from the previous year. Imports from Indonesia into Canada totalled \$191 million.

Canada's principal exports to Indonesia are pulp and paper, cereals, plastics, and sulphur, representing almost 70% of the total. Indonesia's principal shipments to Canada are rubber, wood and textiles, which together represent 66% of the total. Canadian exports account for slightly less than 2% of Indonesian total imports, whereas Indonesian exports to Canada represent less than two tenths of a percent of our import market.

Indonesia remains among the largest recipients of development funds from the multilateral development banks. Thus Canadian trade priorities in this market continue to include vigorous pursuit of consulting contracts and equipment procurement funded by these institutions. It should be noted that Canada's export of services to Indonesia, including engineering and specialized training, which are funded primarily by multilateral development banks such as the Asian Development Bank and the World Bank, as well as CIDA, are estimated at \$50 million per year.

With respect to our aid programme, Canada recognizes that despite Indonesia's economic improvements, sizeable flows of concessional financing and related technical assistance remain vital for the country. Over 90% of Canada's development assistance to Indonesia is channelled through CIDA's Bilateral, or Government-to-Government Programme. The country programme for Indonesia is now the third largest CIDA programme in the world, with total disbursements reaching \$54.4 million in 1989/90. Despite the significant annual level of CIDA commitments to Indonesia, it is interesting to note that Canadian aid disbursements cover only 5% of Indonesia's merchandise imports from Canada. In other words, the bulk of Canadian exports to Indonesia reflect contracts