■ Continue to encourage discussions on outstanding matters with a view to concluding an Air Transport Agreement, following consultations between the respective airlines or completion of Canada's air policy review.

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a BSE case, Singapore suspended the import of Canadian beef. Canada has kept all its trading partners, including Singapore, fully informed of the results of its investigation and regulatory response, and it is requesting a resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.)

Investment

The Singapore government actively encourages foreign investment, particularly in leading-edge technologies and knowledge-based fields. There are no local equity requirements for setting up business in Singapore and no restrictions on foreign ownership or control, except for a few sectors in which a special government licence or approval is required. These include banking, finance, and insurance and stockbroking firms. Public utilities and telecommunications companies also face restrictions on foreign investment.

Singapore's direct investment in Canada declined slightly to $116 million in 2002, while Canadian direct investment in Singapore continued to grow, reaching $5.1 billion the same year. The bulk of Canadian investment in Singapore is in the form of regional offices in services sectors such as banking and insurance; however, Canadian firms in the information and communication technologies, aerospace, tourism, environmental and retail sectors also have a presence.

INDONESIA

Overview

With a population of over 230 million people, Indonesia offers a large and growing domestic market and a large workforce, diverse and abundant natural resources, reasonably modern telecommunications

and other infrastructure, and a strategic location along some of the world's major trade routes. If Indonesia continues to move toward implementing a sound policy framework and maintains a strong commitment to reform, it should be able to take advantage of its fundamental economic strengths to restore investor confidence.

In 2003, the Indonesian economy grew by an estimated 4%, with domestic private consumption and higher prices for commodity exports replacing foreign investment as the country's primary engine of economic growth. Inflation has been reduced from nearly 60% in 1998 to around 5% in 2003. Foreign reserves have risen, and Indonesia's rupiah currency is hovering at a three-year high. Indonesia's debt burden, which swelled to over 100% of gross domestic product after the 1997–1998 crash, has since eased to about two thirds of GDP.

On the fiscal and monetary policy fronts, Indonesia is performing well. This fact has not gone unnoticed: several international rating agencies recently upgraded Indonesia's sovereign currency ratings in light of rising external reserves and falling debt. At the end of 2003, the government exited the International Monetary Fund (IMF) economic support program and entered a post-IMF economic reform program. This program aims to maintain investor confidence in the economy by creating macroeconomic stability (through low inflation levels and healthy foreign exchange reserves), continuing banking sector reform, and increasing investment, export and employment opportunities.

Indonesia remains one of Canada's largest export markets in Southeast Asia and was the third largest investment destination in Asia (after Japan and Singapore) in 2002. In 2003, Canadian exports to Indonesia were valued at $450 million, while imports totalled $927 million. Commodities are still the top export to Indonesia, making up 65% of total exports. As long as the consumption boom continues, there will be opportunities for Canadian-made consumer goods.

Canadian investment in Indonesia employs tens of thousands of Indonesians, and total recorded Canadian direct investment exceeded $3.7 billion in 2002. The flow of any new, large-scale Canadian direct investment has slowed in the last year due to