

International economic and trade fora such as the GATT and specifically the Multilateral Trade Negotiations, Asia Pacific Economic Cooperation (APEC), as well as ASEAN itself, provide areas for effective cooperation.

In 1992, Indonesia became Canada's dialogue partner within ASEAN.

### **RECENT ECONOMIC DEVELOPMENTS IN INDONESIA**

As a result of a stable political environment and an extensive program of economic reform, Indonesia has experienced solid economic growth in recent years. Since the early 1980's, real GDP growth has averaged 5.5 percent per annum, reaching 6.2 percent in 1991. Export values have increased significantly from U.S. \$21.9 billion, to U.S. \$25.7 billion in 1990 and \$28.9 billion in 1991.

Threatened by severe external shocks from the global recession and weakening oil prices during the mid-1980's Indonesia's economy was upheld by the Government's effective reform policies. These policies included tax reform (1984/86), liberalization of banking laws (1983/88), an overhaul of customs and export procedures (1985/90), and incentives to encourage increased foreign investment and non-oil/gas exports (1990/91). The government focused on deregulation, the privatization of public corporations and sound macro-economic management. These reforms, recognized by the IMF, the World Bank and the overall donor community as a successful development strategy, have led to diversification away from a dependence on oil exports toward a more dynamic and balanced economy.

Agriculture still plays a very significant role in the Indonesian economy, accounting for nearly one quarter of the gross domestic product in 1989. Though it is largely self-sufficient in food products, Indonesia remains an important market for Canadian wheat exports.

Indonesia's manufacturing sector is perhaps the most dynamic, enjoying double digit growth rates and accounting for more than 18 per cent of the GDP in 1989. Indonesia has the comparative advantage of being a very low cost producer with a large domestic market and benefiting from a great deal of Asian investment.

The future growth of the Indonesian economy will depend in large part on the continuing success of the current Five-Year Development Plan (Repelita V), covering the fiscal years 1989/90 through to 1993/94. The plan proposes a sustained level of economic growth on the basis of a more equitable distribution of income and greater national stability. The priorities of this plan are to create widespread employment opportunities, to develop human resources and to provide for basic needs and social services. More than half of the total budget has been allocated for the communications, education and agriculture sectors. The national budget reached U.S. \$25 billion in 1990, with approximately 20 percent coming from multilateral and bilateral assistance.