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85/43

Notes for a speech by
the Secretary of State
for External Affairs,
the Right Honourable Joe Clark,
at a luncheon with the
Canadian Businessmen
and Executive Circle

JAKARTA, Indonesia
July 19, 1985.

Let me say how very pleased I am to be in Jakarta and to have this opportunity to speak to you today. First, I want to review with you international conditions which are shaping foreign and trade policies in both ASEAN and Canada. In particular, I want to turn attention to the partnership that is waiting to be established between Canada and Indonesia.

We are countries with challenges in common -- the physical challenges of transportation and communication over large areas; the political challenge of encouraging diverse cultures to thrive together; the economic challenge of building ties of investment and trade and trust across the Pacific. To respond to these challenges, we need to know one another better.

Several years ago, a British Columbia author described Canada as "the unknown country". To many Indonesians, we are still unknown -- defined by our geography and neighbourhood, but not by our nature. Let me present some facts that speak to our character and capacity.

We were one of the first countries to understand and develop the use of nuclear power; about 40 years ago we had the capacity to become a nuclear weapons state -- yet we chose, deliberately, not to use our knowledge for weapons, but instead for peaceful purposes. We are a country whose only experience with colonization was to be a colony -- a colony, moreover, of two powers, with different languages and cultures. As we became independent, we have deliberately encouraged the vitality of both these cultures, the status of both these languages -- and thereby created a Canadian tradition of diversity that allows different cultures to be themselves within one country. That tradition led Canadians to respond generously to the refugee crisis in Indo-China. Nearly 100,000 refugees have come to Canada from Indo-China in the last ten years -- in proportion to our open population, we have been one of the most welcoming countries in the world to refugees from this region.

Industrially, we are the world's 9th largest economy. Our innovations have placed us at the leading edge of new technologies in fibre-optics, telecommunication, transportation, resource development and geophysics. What we have learned, we make available to the world through a private sector of integrity and initiative, and through government instruments like the Canadian International Development Agency, which is involved in 70 projects this year in ASEAN alone.

Indonesia's boundaries stretch from the Indian Ocean to the Pacific, with several seas in between. Canada is a country of three oceans -- the Arctic, the Pacific and the Atlantic. Most of our history came across the Atlantic. It is increasingly clear that much of our future lies across the Pacific. Last year our two way trade across the Pacific was greater than our trade across the Atlantic. For a decade our immigration has been larger from Asia than from Europe. The new Government is acutely conscious of the Pacific dimensions of Canada's face towards the world.

We have certain realities to face quickly. One is that the large trade deficit in the US and high unemployment in key industrial sectors continue to fuel protectionist pressures. These pressures are also clearly evident in economies where the trade deficit may not be as spectacular as that in the US. In several countries, market access has recently been tightened in sectors including consumer electronics, automobiles, textiles and clothing, and steel. That poses a problem for all governments interested in open trade. If we are forced to focus on fighting protection, we have less time to build new, more open, relations. Our challenge is to reverse the growing trend towards protection, everywhere in the world.

The new Progressive Conservative Government of Canada recognizes the vital role trade plays in the Canadian and ASEAN economies. We, like you, accept the challenge and the need to be internationally competitive. Like you, Canada has to pursue every export opportunity, large or small, traditional or new. This demands that we participate in the search for ways of improving access to export markets in an increasingly competitive and protectionist international market environment.

Decisions taken over the next year or two, with respect to trade negotiations, will shape the trading framework for the remainder of the twentieth century. Preparatory work for a new round of multilateral trade negotiations is likely to begin in 1986.

These negotiations will be about: (a) trade liberalization of tariff and non-tariff barriers; (b) improving trade rules for a more predictable trading environment; and (c) improvements in the trading system including improvement in the GATT dispute settlement system.

The results of the recent Bonn Economic Summit Meeting give us one reading on the international economic outlook. Bonn was a difficult meeting. However, its discussions reflected the inter-dependence between the developed and developing world. There was a recognition of the need to sustain growth in world trade, to lower interest rates, open markets and to improve the flow of resources to the developing world. Official development assistance was recognized as essential to enable countries to achieve sound economic growth. It was very helpful to receive the views of the ASEAN countries as conveyed by Foreign Minister Rithauddeen as Chairman of the ASEAN Standing Committee. These views were reflected in Canada's interventions in Bonn.

The summit endorsed strengthening the World Bank. In Canada's view, the Bank should be given a more differentiated role in financing the longer-term growth and adjustment of developing countries like those in ASEAN. To address the special financial problems faced by countries which are neither among the poorest nor among the major debtors, Canada outlined a possible World Bank intermediate financing facility. This quote Third Window unquote facility would assist, for example, countries like the Philippines in ASEAN and other nations elsewhere, in strengthening and diversifying their economies. Canada's Minister of Finance is urging that this question be discussed at the IMF/World Bank Development Committee Meeting in Seoul in October.

Canada also supports the case-by-case approach to managing problems of indebtedness in the third world. At the same time, we are sensitive to the social and political costs of adjustment in debtor countries. We recognize that adjustment policies must acquire and maintain credibility with the populations of less developed countries. Adjustment policies above all must lead to a resumption of economic growth.

We place a high priority on building an international consensus to rejuvenate the multilateral trading system. It is in that context that I am sending a mission here in September led by the Director of our trade policy bureau to meet with your officials to help build that consensus.

My Government has just announced the first of a series of new initiatives as part of Canada's national trade strategy to expand exports and promote investment.

The Asia/Pacific region is to receive particular attention. We will be committing additional personnel and financial resources to enhance and promote new investment, new technologies and fresh entrepreneurial skills with a view to securing a long-term and, I hope, mutually beneficial economic presence in this area of dynamic growth.

Indonesia witnessed positive economic growth throughout the 1970's to 1981, when we were all affected by global recession. Following the introduction of corrective measures in 1983, the economic climate has improved to the extent that Indonesia's credit-worthiness continues to be accorded amongst the highest ratings by international financial institutions and by donor countries alike. That is a significant achievement for a country whose prosperity is directly linked to international oil and commodities markets.

In 1984, record levels were recorded in bilateral trade between our two countries. I am pleased to see the extent that Canada is already participating in Indonesian economic development. We have supplied Indonesia with LANDSAT equipment, coal-handling equipment, industrial boilers for the Suralaya Power Project, and aircraft. Indeed, I shall be flying tomorrow to the Island of Lombok in a Canadian designed and built Twin Otter. A contract was recently signed for the provision of a nuclear laboratory; a memorandum of understanding is to be concluded shortly between government agencies on geological surveying and consultations have commenced on cooperation in biotechnology.

We are active in the development of Indonesian oil and coal resources. For instance, Canada is participating in the Bukit Asam Coal Mine Development Project through a mixed EDC/CIDA credit facility and to date, Canadian industry has supplied goods and services for this venture valued at over \$100 million.

We recognize the importance the Indonesian Government places upon local manufacture and the development of its indigenous industry. Canada has considerable direct investment in Indonesia - upwards of \$1 billion. Industrial cooperation, including investments and the transfer of technology play an important role and one that can grow. Over 20 Canadian firms already have resident offices in Indonesia. Shortly after my arrival yesterday, I participated in the official announcement of

the Manulife Technical Assistance Agreement with the Dharmala Group. Other active joint ventures are being considered in such diverse areas as telecommunications, vaccines, fuel additives, bio-pharmacy, and stainless steel.

Foreign Minister Mochtar's efforts to concentrate part of the energies of collective ASEAN-Pacific dialogue on human resources development are well-known. We share this desire in our substantial development assistance programme with Indonesia. We have maintained our 1985 pledge of approximately \$40 million even though my Government is obliged to impose fiscal constraints. Besides human resources development, our bilateral programme will give special emphasis to the management of renewable natural resources including the environment. The General Training Programme Agreement, which I signed just this morning, is an important expression of the continuing emphasis being placed on this requirement. We hope to follow this up in due course with a programme of support for university development, as well as new programmes in water resources training, institutional strengthening of irrigation design and planning in Eastern Indonesia, including environmental manpower development.

Other activities of the Canadian International Development Agency include financial assistance in support of the Eukit Asam Project, potash sales and the mounting of trade seminars to better acquaint Indonesian exporters on how to develop markets in Canada for their products.

I should also like to mention the activities of the International Development Research Centre, an organization funded entirely by the Canadian Government and dedicated to encouraging cooperation in research. The IDRC has been very active in projects with a number of your academic and research institutions in Indonesia. In addition, the Asia-Pacific Foundation which was established in Canada only one year ago participated with your Centre for Strategic International Studies in a joint conference earlier this year. I think it is significant that the Foundation's first involvement outside of Canada was here in Indonesia.

You can find Canadians throughout Indonesia. Indonesia and Canada have entered into a new era of closer and mutually beneficial relations. In fact, Canadians are helping to supply engineering services and advice for the construction of roads in Northwest Sumatra and the

development of human transmigration settlements in Irian Jaya; they work with Indonesians in helping to shape the future of nickel mining in Sulawesi; they are building key infrastructure projects in South Sumatra--the Bukit Asam Coal Mine Development. Many of my fellow Albertans are in the oil and oil service sectors. One Canadian has just spent some years helping with a study of orangutans in Kalimantan; another has spent over 20 years ministering to the medical needs of remote peoples of Irian Jaya.

Furthermore, the Canadian Indonesian Business Council will be mounting a mission to Indonesia next month. We welcome the presence of Indonesia at Expo 86 in Vancouver which we expect to be mutually beneficial in encouraging tourist and trade flows. We welcome that participation and look forward to further high level exchanges. Within a wide range of activities, Indonesia and Canada are entering into a new era of closer and mutually beneficial economic relations.

I am coming to know your country better through this visit and through meeting so many people who are interested in expanding connections with Canada not only in the economic areas but in political, social and cultural spheres as well. Let me say clearly that this interest is totally reciprocated by the Government and people of Canada.