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86/12

Notes for Remarks by
the Honourable James Kelleher,
Minister for International
Trade, to the Indonesia-Canada
Business Council

JAKARTA, INDONESIA
February 14, 1986.

I am very pleased to be in this bustling city of Jakarta to have this opportunity to speak to you today.

I want you to know that I am extremely impressed with the bustling qualities of Jakarta traffic. It has a competitive spirit that anyone who believes in free enterprise must admire.

It is a special honour to be present at this luncheon. I am indebted to KADIN-Indonesia, to the Indonesian Executive Circle and the the Canadian Businessmen's Club, which all worked together to make this occasion possible and gives me the chance to speak to you. And I am very much looking forward to participating, immediately following this luncheon, in the first joint meeting of the Canada-Indonesia Business Council and the Indonesia-Canada Business Council. The fact that both Councils have been formed during the past year shows the extent to which the commercial ties between Canada and Indonesia have matured. I know the two Councils will be a powerful force in expanding the business we do with each other, and I wish you both well in your future endeavours.

As a token of our support for these initiatives, I am pleased to announce a Canadian Government grant of \$10,000 to the Canada-Indonesia Business Council. The money will go to the Council's program to increase the awareness of the Canadian business community of the business environment here in Indonesia.

Initiatives like these are particularly important in today's trading world -- which is threatened by forces that would discourage countries from doing business worldwide. There are many reasons for the disturbing

increase in protectionism, but perhaps the main one is high unemployment.

To say the least, protectionism is bad news. It is bad news for everybody, including those who support it.

There are few of us old enough to remember it, but the Great Depression that ravaged the world in the 1930s was made even worse when countries started to close their markets to foreign goods. That depression lasted until the war. Indeed, arguments have been made that it was one of the principal causes of the war.

The nations of the world seemed to have learned a lesson from the trade wars of the depression. After World War Two, they got together to sign the General Agreement on Tariffs and Trade, creating a framework and an organization specifically intended to bring down the barriers to international trade.

So far, the GATT has generally worked well. Through seven rounds of multilateral trade negotiations, it has succeeded in cutting tariff levels and reducing trade frictions. As a result, the volume of world trade has grown sevenfold since 1950.

The late John Kennedy once said that "a rising tide lifts all ships." Indeed, the tide of freer trade has lifted the economic growth of all nations. Protectionism, however, now threatens to turn the tide from flow to ebb. And an ebbing tide will lower all of our ships.

To make a slight change in the metaphor, 1986 will be a watershed year for the world's trading nations. The next round of Multilateral Trade Negotiations is scheduled to begin this year, and its objective will be to turn back the protectionist tide,

lower more trade barriers and tighten some of the loopholes in the GATT system. This morning I met with Trade Minister Saleh and we discussed our mutual interest in some of the issues that will be on the table for negotiation. I also confirmed Canada's willingness -- indeed, desire -- to act as host for the Ministerial Conference which will begin the negotiating process. We have suggested the ceremonies be held in Montreal in September.

Canada is deeply committed to the rejuvenation and expansion of the multilateral trading system. We see the next round of trade negotiations as vital to this objective. It is our view that the new trade round must address the concerns of developing countries -- and, therefore, that Indonesia and other ASEAN countries must be very much involved in developing the agenda for the talks.

To prepare for the next round, Canada has already begun a process of consultations with our trading partners around the world. In November of last year, my Assistant Deputy Minister of Economic and Trade Policy met with his counterparts here in Indonesia. And this morning in my meeting with Mr. Saleh, I gained a better appreciation of the Indonesian Government's concerns and interests.

Both Indonesia and Canada can benefit immensely from more open world markets. This is certainly true in the areas of natural resources and agriculture, where we have common interests in securing access to the markets of Japan and Western Europe. We also share interests in achieving greater discipline in the use of contingency protection measures -- such as countervail and safeguard actions -- and in improving GATT's dispute settlement system. My hope is that Canada and Indonesia can collaborate in these areas of common interest

throughout the negotiating process, just as we worked together on the Law of the Sea Treaty. By working together, we enhance our bargaining leverage.

I believe many of you are aware of the initiative that Canada and the United States have taken to negotiate a new bilateral trade agreement. Some of you may even be concerned about it, perhaps fearing that it will divert our attention from our other trading partners.

I assure you that it will not.

Let me go into this a bit. The United States is by far our biggest market. It takes three-quarters of our exports, which makes it a customer we must pay attention to. And of course we are paying attention to it. We have proposed -- and the U.S. administration has wholeheartedly endorsed -- that we undertake a round of wide-ranging bilateral trade negotiations. The matter is now before Congress, and we expect the negotiations will get underway in late spring or early summer, and that they will last a year and a half or two years.

At the same time, I must stress that we have no intention of putting all our eggs in one market basket. Our trade interests are global, not simply "continental". Any agreement we conclude with the U.S. must also meet our obligations to our other trading partners and to the GATT. It would not make sense for either of us to sign an agreement that would in any way discourage our trade with the rest of the world.

Indeed, you may be aware that the negotiations with the U.S. are not the only major initiative Canada is undertaking. We have another one, as well, and that is the development and expansion of two-way trade with the countries of the Asia-Pacific region. In

the past few years, the growth and momentum of our relations with this region has become a major component of our foreign policy.

Our Pacific trade now exceeds our trade across the Atlantic. It is also growing more rapidly.

It is not surprising that the Pacific Rim has become a major focus of our National Trade Strategy. In a time of financial restraint, the Government is committing increased funding in support of Asia-Pacific trade initiatives. We are undertaking a number of specific projects which we hope will result in a greater awareness on the part of Canadian industry of the potential of this dynamic region -- and of the opportunities for commercial cooperation and joint ventures.

We hope, also, that our new initiatives in this area will improve the knowledge of your own business community of the market opportunities in Canada, as well as Canadian supply capabilities. Our Government actively supports industrial cooperation, especially joint ventures, as being to our mutual advantage. In September, for example, we are organizing a Canada-ASEAN Forum in Vancouver, the aim of which is to encourage and facilitate cooperation between our country and yours through joint ventures and technology transfer.

Another example of Canada's readiness to promote cooperation with Indonesia is the water resource development project in Nusa Tenggara Timur Province, for which we will be providing 26 million dollars in financial support.

Canada's relationship with Indonesia, by the way, has roots that go back further than most people think. We established our first trade commission here in 1928, when Jakarta was still called Batavia.

Canada has been a dialogue partner of the ASEAN countries since 1975. Our relationship has been an active one, ranging from political consultations to cooperation in development projects.

During this period, our ties with Indonesia have become very strong. As middle-powers in the Pacific, we have common interests in security and regional stability -- both of which are essential to trade and growth. We have often worked together in international organizations, bringing a pragmatic and moderating influence to conflicts and controversies that threaten stability.

Last year we institutionalized a system of regular consultations with Indonesia on world issues of interest to both of us. We have also facilitated exchanges between Indonesian and Canadian scholars and policy-makers, notably through the first seminar held jointly by the Centre for Strategic and International Studies and the Asia Pacific Foundation of Canada.

My visit to Jakarta is the third by a Canadian Cabinet Minister in the past twelve months. We, in turn, are looking forward to receiving several of your Ministers in Canada, particularly during Expo '86, our world trade fair in Vancouver. It will be held from May to October.

We have given tremendous emphasis to the Pacific dimension of Expo '86 -- or, to give it its technical title, "the World Exposition on Transportation and Communications." We are delighted that Indonesia was one of the first countries to register its participation. Expo '86 will provide an excellent opportunity for you to show Canada who and what you are. The fair will attract an estimated 15 million visitors. It should serve very well as a showcase for the Indonesian business community.

One feature of Expo '86, incidentally, will be a Canadian Government program to assist business travellers by providing information about the Canadian marketplace for Indonesian products.

Canada and Indonesia have a remarkable number of similarities. We are both peopled by races of diverse cultures. We both have the benefits and challenges of large land masses with a bounty of natural resources. At the same time, we are separated by diverse historical origins, cultural differences, and the expanse of a very large -- but ever shrinking -- Pacific Ocean. The challenge for both of us is to expand the good will and linkages that now exist.

These bonds are being enhanced in many ways. At the Government level, for example, Canada is a major contributor to Indonesia's development assistance program. There are Canadians working throughout Indonesia, from North Sumatra to Irian Jaya. They are involved in a variety of development projects, from water resource management to road construction, from hydroelectric power to regional development, from support to environment centres to vocational training and research in animal diseases. In each instance, we provide the best that Canada can offer, whether in technical assistance and consulting services, or in Canadian goods to help Indonesia achieve its development goals.

For example, we are at the point of concluding a \$30 million loan to provide Canadian potash in support of Indonesian agricultural development. Since last summer, projects totalling more than \$12 million in grant funds have been approved for human resource development, most of which will enable Indonesians to study in Canada.

In a few minutes, I will have the pleasure of presenting scholarships

for degree studies in Canada to the first group of ten trainees from one of those projects. We have approved a grant of three million dollars to the Open University of Indonesia for staff training in Canada, and for technical assistance and advice from the Open Learning Institute of British Columbia, which is world renowned in the field of long distance training.

Another example is the Canada World Youth Program, funded by our Development Assistance Program. This annual exchange program sends 40 young Canadians to Indonesia for up to three months, working on local development programs and learning about the country. An equal number of Indonesian youth spend a similar time period in Canada. In the 14 years the program has been underway, more than 1,200 young people have exchanged visits. This is a program that creates very strong bonds between us.

With respect to bilateral trade, Canada is one of your reliable suppliers of resource products. We send you wheat, lead, zinc, wood pulp, newsprint and basic chemicals. In return, we are a market for your rubber, tin, plywood, spices and textile products. But Canada also supplies Indonesia with locomotives, rail cars, aircraft and aircraft engines, power boilers (for example, at the Suralaya Power Station) and, recently, a nuclear-mechanical electronic laboratory for your peaceful use of the atom.

Accompanying me in Jakarta is a group of Canadian businessmen who are active in the Indonesian market. They represent a spectrum of expertise in areas of Canadian capabilities and competitiveness. I urge our Indonesian friends to get to know them and find out more about the goods and services they can provide.

As an indicator of their competitiveness, I shall be announcing

during the course of my visit the award to Canadian suppliers of contracts totalling more than 80 million dollars.

Canada, of course, recognizes the industrial development aspirations of Indonesia. I was extremely pleased to learn that Indonesia will send an investment mission to Canada later this year. Direct Canadian investment is already found in your mining and manufacturing industries.

More than 20 Canadian firms now have offices in Jakarta and their presence is one reason our two-way trade continues to grow. We expect the final figures to show that in 1985 the total reached 350 million dollars. I might remind Indonesia that on a per capita basis, Canada is one of the largest markets in the world for imported goods.

We stand ready to help Indonesia in our market. Seminars and conferences have been held in various Indonesian cities on exporting to Canada, and we have been cooperating with KADIN and the Department of Trade. Officials in our Embassy will continue to offer advice to potential suppliers on how to sell in the Canadian market -- and we look forward to assisting the trade mission from Indonesia to achieve success when they visit Canada in May.

We in Canada are very much aware that trade is a two-way street. When trade grows in both directions, both sides reap the benefits.

With this in mind, I would like to wish the members of the brand new Indonesia-Canada and Canada-Indonesia Business Councils every success in the future.

Thank you.