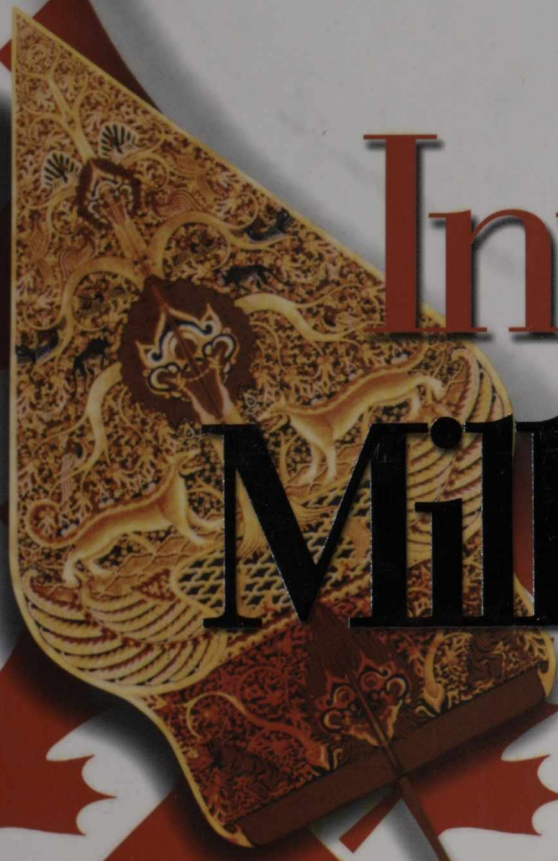


INDONESIA - CANADA

Into
the New
Millennium





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INDONESIA - CANADA

Into the New Millennium

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A Landmark of Jakarta
the capital of Indonesia



PRESIDEN
REPUBLIK INDONESIA

MESSAGE FROM THE PRESIDENT OF
THE REPUBLIC OF INDONESIA



Abdurrahman Wahid

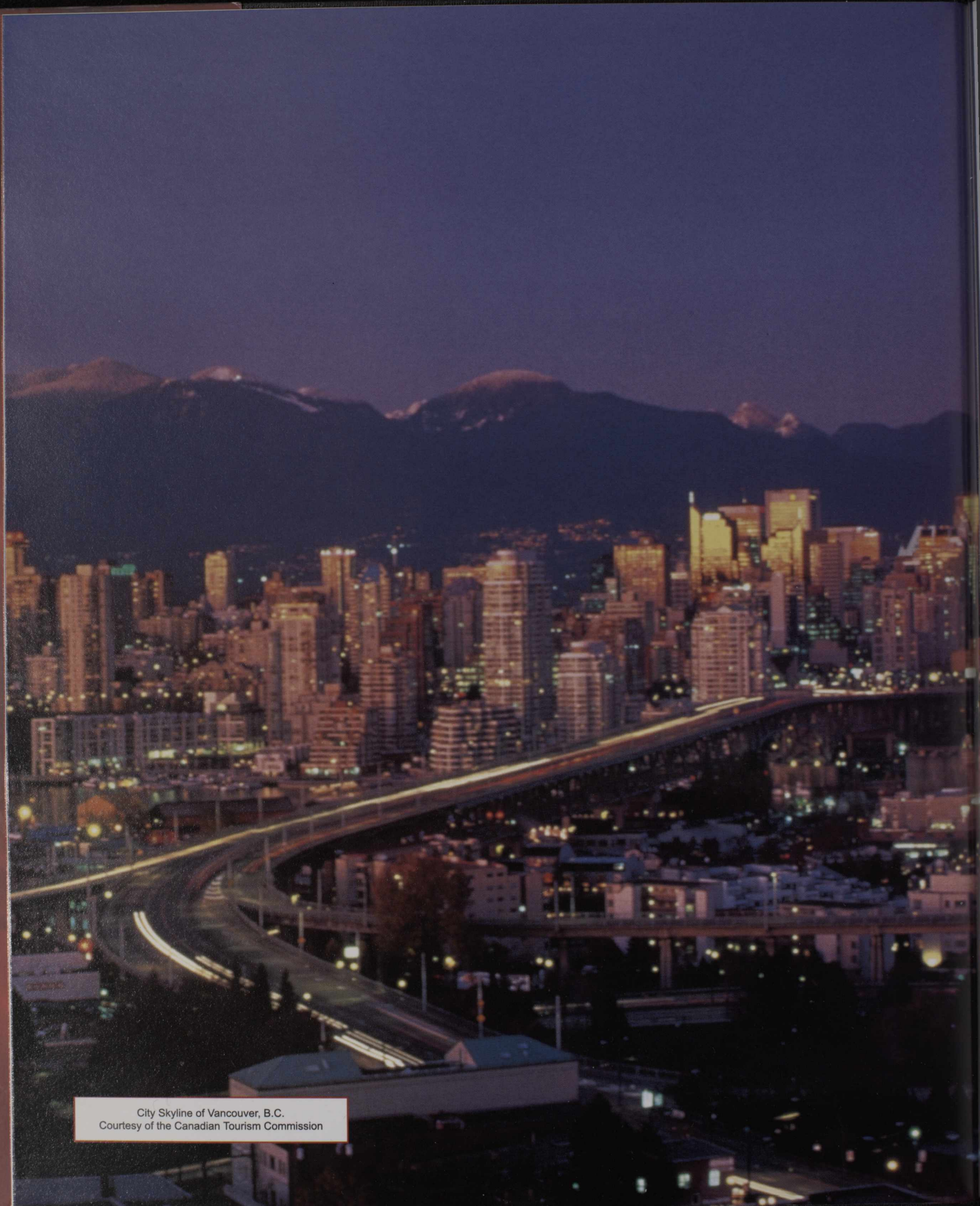
Canada and Indonesia have always cooperated closely since the initiation of relations in 1953. Although there have been times when the two countries were not in full agreement on certain issues and on the basis of mutual respect and benefit, their relations have remained strong.

Today Indonesia is striving to become a society based on democratic principles and the rule of law. It is also exerting its utmost to achieve economic recovery. In these endeavors, the support of long-time friends such as Canada is very important. An increase in trade between Indonesia and Canada and a substantial increase of Canadian investment in Indonesia would be of great help in restoring the vigor of the Indonesian economy and help bring about social and political stability.

It is therefore our hope that the publication of "*Indonesia - Canada Into the New Millennium*" by the Indonesia Canada Chamber of Commerce (ICCC) will achieve its objective to further awareness of Indonesia's potential as an economic partner to Canada.

I commend the Indonesia Canada Chamber of Commerce for launching this publication and wish it much success in its endeavors to promote the economic partnership between our two countries. ■

Abdurrahman Wahid



City Skyline of Vancouver, B.C.
Courtesy of the Canadian Tourism Commission



MESSAGE FROM
THE PRIME MINISTER OF CANADA



Jean Chrétien

It is with great pleasure that I congratulate the Indonesia-Canada Chamber of Commerce (ICCC) on its publication, "Indonesia-Canada, Into the New Millennium." I was pleased that the ICCC was launched during the 1996 Team Canada Trade Mission to Indonesia. It has grown into an effective forum for sharing ideas, making contacts, and strengthening trade and investment ties.

Canada and Indonesia share common concerns. We both face the challenges of developing infrastructure over large geographic expanses and across several time zones. And while our countries are rich in natural resources, we both face the challenge of developing them in a sustainable manner, for all of our citizens. I am sure you will find that Canadian expertise is well suited to Indonesian requirements in energy and resource development, infrastructure, transportation, communications, financial services and agri-food products.

Since the 1950s, Canadian companies have been active in Indonesia. Today, it is Canada's largest export market in Southeast Asia. Combined two-way trade between us stood at \$1.4 billion in 1998, and Canadian investment in Indonesia has grown to almost \$8 billion. I am confident that, with strong ties between Canada and Indonesia, and a return to political stability, we will see a strengthening of our economic ties in this important market.

Our partnership also extends to development and bilateral political ties. Canadian projects in human rights, governance and election assistance are contributing to Indonesian objectives and democratization. Our people to people ties have been enhanced through education exchanges, tourism and trade.

Our mutual commitment to free and open economies in APEC and the World Trade Organization are important to business in the new millennium. We want even more trade, investment and technical co-operation that will translate into jobs and prosperity for the people of both countries.

I applaud your vision to expand trading possibilities into and beyond the year 2000. ■

Jean Chrétien



MESSAGE FROM THE PRESIDENT OF THE
INDONESIA CANADA CHAMBER OF COMMERCE



M. Sutara

We are entering the year 2000 with optimism. Indonesia is experiencing the most difficult time in our Republic's history, but we are struggling to pass through it and we will march into the third Millennium with confidence.

Indonesia's bilateral relations with Canada have had ups and downs through the years, but we move forward positively. There is no better time to review our nearly 50 year relationship than at the end of this decade.

The Indonesia Canada Chamber of Commerce (ICCC) was established to provide the means to enhance our bilateral economic and trade relations. Our programs cover promotion and encouragement of investment, trade and other economic activities.

In this commemorative book we highlight our bilateral achievements and plans for future endeavors. Most contributors to this book have some personal or professional commitment to the Canada-Indonesia relationship. For other articles, we have asked some noted Indonesian business leaders to share their experience as to how they met the severe business crisis and successfully worked through it. The lessons they have learned are important to record for future, but hopefully, lesser crises.

Canada and Indonesia are two great countries with excellent prospect for even greater economic relationship. We have to make efforts to double our present volume of trade within the next five years. We will boost our campaign to attract investment from Canada.

We treasure the excellent relationship with the Canadian Government and the Indonesian Government. This relationship is the foundation on which we will face the challenges and capture the opportunities of a new century - of a new millennium. ■

M. Sutara



MESSAGE FROM
THE AMBASSADOR OF CANADA



Kenneth Sunquist

It is my pleasure to welcome the publication of "Indonesia - Canada, Into the New Millennium". Together with the Indonesia Canada Chamber of Commerce, the Embassy takes great pride in releasing this book in order to highlight the range and complexity of Indonesia and Canada's relationship.

As you read through this book, you will see not only the deep and long-standing investment and trade links between Indonesia and Canada but will also find many other aspects of our relationship that may surprise you. For example, despite the long distance between our two nations, countless Indonesians have studied in Canada and Canadians in Indonesia. Minister Ariwibowo provides a first hand description of what it was like for a young Indonesian arriving in Canada for studies.

While many readers may know about the programs of the Canadian International Development Agency (CIDA), for others the range of programs may be new. For readers not aware of the cooperation in the field of fashion, I recommend that you read the cultural section. While everyone knows Indonesia has an almost immeasurable coastline, how many are aware that Canada is bordered on three sides by oceans? Ambassador Djalal's article on the law of the sea provides an excellent summary of how Indonesia and Canada cooperated on this important international agreement. Numerous other articles highlight other aspects of our complex bilateral relations which have also been enhanced in multilateral fora such as the United Nations, APEC, the WTO and the ASEAN Regional Forum.

As we move into a new century, I am confident that the opportunities for the citizens of our two nations to cooperate are expanding. Our current and future business relations remain in the hands of the companies and people dedicated to building the business linkages. As my Prime Minister has said, Canada stands ready to build on our existing relations in order to work for "...prosperity for the people of both countries." ■

Kenneth Sunquist



Indonesia's Path to Democracy

Joy shows on the faces of young Indonesian women upon hearing the results of the democratic election. June 7, 1999.

(Photo courtesy of Associated Press Jakarta)

Bigger Business Opportunity

By: Budiman Darmosutanto *)

Indonesia and Canada have always tried to enhance their bilateral relations and cooperation on the basis of mutual benefit, genuine interdependence, shared responsibility and partnership.

As Indonesia-Canada relations near their fiftieth anniversary in the year 2002, the initiative undertaken by the Indonesia-Canada Chamber of Commerce to launch a book entitled "Indonesia-Canada Relations, Into The New Millennium" is indeed a commendable effort. This initiative is also timely as we now approach the new millennium offering challenges as well as opportunities for relations between Indonesia and Canada to expand. In retrospect, Indonesia-Canada relations have been generally positive. Nevertheless, its cooperation as a whole is not as tremendous as it deserves to be and thus needs to be further enhanced. It is therefore timely for both Indonesia and Canada to look into the opportunities offered to further develop this relationship especially for the welfare of its peoples.

Looking at Indonesia, it has a very old cultural heritage and tradition, but it is still a relatively young nation. Indonesia became independent after a long struggle against its colonizer,



and proclaimed independence on the 17th of August 1945. This year, Indonesia celebrated its 54th year of independence. On the other hand, Canada has had a longer independence and it has just celebrated its 132 years. Since the establishment of diplomatic relations in 1952, Indonesia and Canada have always tried to enhance their bilateral relations and cooperation on the basis of mutual benefit, genuine interdependence, shared responsibility and partnership. Canada is one of the countries that gave its immediate international "de jure" recognition of Indonesia's independence in 1950 at the United Nations Security Council.

The Indonesian economy had three decades of continuous steady growth fostered by political, social and macro-economic stability which suddenly fell, triggered by the Asian economic crisis of 1997. The crisis has sown the seeds of a major change in Indonesia's economy and political field. Subsequently, its GDP dropped and revealed underlying weaknesses in Indonesia's economic and financial structure,



which prompted actions for unprecedented wide ranging fundamental reforms in all fields to strengthen its economic as well as its political and legal system and to correct its past mistakes. With a growing 35 million member middle class, Indonesia has taken measures aimed at stabilizing its economy, restructuring its ailing banking system, and creating the conditions conducive for a more efficient, transparent and rule-based, market-based allocation of resources in several key sectors. These reforms involve, inter alia, a major review of anti-competitive practices, including monopolies, oligopolies and all other restrictive marketing arrangements that have survived Indonesia's trade and investment liberalization in the last decade. This will certainly contribute to creating a more open, competitive marketplace, where few firms will remain protected. Moreover, Indonesia is becoming a large emerging market. In particular, after the full implementation of AFTA in the year 2002, the ASEAN region including Indonesia will have a population of over five hundred million people.

Canada on the other hand, has made efforts to expand trade and promote new investment supported by a strong domestic economy. Its gross domestic product grew 3.1% in 1998, with a population of over 30 million and with an income per capita of approximately C\$ 29,000 fuelled by strong domestic demand and steady trade performance. For the first time in three decades, Canada has achieved a budget

surplus at the federal level. Low inflation, low interest rates, and rising employment levels have put Canada in a good position to weather the current turbulence in world financial markets and to continue to be an active participant in world trade and investment. This conducive situation would provide Canada the opportunity to do business with Indonesia by exploring new possible areas of potential.

In response to the increasing economic interdependence in the global market, cooperation by both countries needs to be further strengthened. No country in the world is immune to a crisis. In fact, Canada has also been to some extent affected by the Asian crisis. Therefore, closer cooperation in maintaining the global economy and finance with a view to minimizing the impact of the crisis should be further promoted.

Thus, while entering the millennium and in welcoming the golden anniversary of the bilateral relationship, we should enhance our endeavors to meet those challenges by putting forth the overall interest and welfare of the people of both countries in its broadest perspective. At the same time we should also seek out opportunities offered by this situation through pro active and continued contacts and approaches at the government and business levels to benefit from the economic potentials in both countries. ■

*) Mr. Budiman Darmosutanto is Indonesian Ambassador to Canada

Fifty Years of Co-operation

It is through this comprehensive and multidimensional relationship that we can best expand our knowledge of and dealings with each other.

Indonesia and Canada have a long-standing and productive bilateral relationship - it has been 50 years since Canada recognized Indonesian independence in 1949 and 46 years since we exchanged resident Ambassadors. Although many Indonesians may perceive that Canada is far away we are, in fact, united by the Pacific Ocean rather than separated by it. Canada's political history, cultural diversity, economic strengths and approach to international affairs reflects a myriad of points of commonality with Indonesia which have been reflected throughout the past 50 years in many areas of cooperation and partnership.

We are both influential middle powers in world affairs. We share a commitment to multilateralism and have worked together in the ASEAN Post Ministerial Conference and Asean Regional Forum, APEC, South China Seas Workshops, Cairns Group, UN Peacekeeping missions and have taken similar stands with respect to the Law of the Sea and the Executive Economic Zone and straddling stocks. In the North/South context we are both considered proponents of compromise and dialogue within our respective groups. We have sought to assist Indonesia in projecting itself as a responsible and constructive global citizen, including its moderating role in the Islamic world.

While neither country has been a colonial power, we have both been colonies. Today we are Pacific giants, in both senses of that word - viewing our interests as being tied to the Asia Pacific region and to the continued need for peace and security in that region. And it is through this comprehensive and multidimensional relationship that we can best expand our knowledge of and dealings with each other. Clearly, there will always be differences between us, as there are between the closest of neighbours. Addressing controversial or sensitive issues requires sensitive and careful management, taking into account Canadian and Indonesian values, concerns and international obligations and norms. They are best dealt with through constructive dialogue as part of the totality of our relationship and interests, and not as single, predominant issues to the exclusion of everything else.

As we approach the next millennium Indonesia and Canada can justifiably be proud of their respective development legacies, even taking into consideration the current challenges facing Indonesia. Canada has always been ready to assist Indonesia in meeting its challenges, whether in good times or bad. Canada remains prepared to assist and work with Indonesia to our mutual benefit, confident of the ability and determination of the Indonesian people to follow the path of reform to build a more just and prosperous society. ■



President Sukarno with Prime Minister St. Laurent (center)
at the Parliament Buildings in Ottawa, Canada, 1956.
Duncan Cameron/National Archives of Canada / PA-201867



Prime Minister Pierre Trudeau walking with President Suharto.
Jakarta, Indonesia, 1983.

P O L I T I C S



Prime Minister Jean Chrétien shares a word with Mr. B.J. Habibie who was then Minister of Research and Technology during the Team Canada Trade Mission to Jakarta in 1996. Two years later Mr. B.J. Habibie became the 3rd President of the Republic of Indonesia.

Indonesia - Canada Relations On The Law of The Sea

By: Prof. Dr. Hasjim Djalal *)

During the Third United Nations Conference on the Law of the Sea (1973-1982), Indonesia and Canada cooperated very closely in various fields of the Law of Sea issues, particularly because the two countries were coastal states. Indonesia was the largest archipelagic state in the world, which sought international recognition of its national and territorial unity. At the same time, Canada was a large continental country having a large group of islands or coastal archipelago north of its continental land mass (the Arctic Archipelago).

Although legally there were differences between the two archipelagoes, basically the two countries had the same interests in promoting their national and territorial unity. For this reason, the two countries had been able to cooperate fruitfully during the Conference, resulting in the international recognition of the Indonesian archipelagic state concept, having "archipelagic waters", and Canada retaining the status of its northern archipelago as a "fringe of islands" along the coast, having the status of "internal waters".

In addition, the two countries were also known to have large continental shelves. Canada was a main proponent



of the concept of "natural prolongation" which argued that the continental shelf of a coastal state should extend up to the outer edge of the continental margin which formed part of the prolongation of the land territory of the coastal state. Indonesia was also a country having a very large continental shelf, particularly in the South China Sea and in the Arafura Sea.

Although practically all the continental shelf of Indonesia would be covered by the concept of a 200 mile EEZ, Indonesia saw no difficulty in supporting both the concept of a continental shelf up to the outer edge of the continental margin (for seabed area) and the concept of a 200 mile EEZ mainly for the water column area (fisheries, environment, and marine scientific research).

In those early years, Canada was already paying significant attention to the protection of marine environment, either due to the sensitivities of its Arctic waters or because of its awareness that the protection of the marine environment was essential for the protection of the marine resources as well as for the global environment. Indonesia at the time was just beginning to be aware of the problems. During this period, Indonesia looked to Canadian experiences as a model

for efforts to promote marine environmental protection. Indonesia at this period sent a number of people to Canada to study Canadian environmental policies and legislation with a view to its possible emulation in Indonesia.

With regard to the seabed resources beyond the continental margin, Indonesia was also cooperating very closely with Canada in the effort to ensure that the production of mineral resources from the international seabed would not pose unjustifiable threat to the production of the same minerals from land-based sources. The seabed mineral in question was primarily the manganese nodules which are scattered over large parts of seabed surfaces in some parts of the oceans, particularly in the central Pacific and central Indian Oceans. The manganese nodules primarily contain significant components of nickel, copper, cobalt and manganese. Canada and Indonesia were important producers of nickel and copper.

After the Law of the Sea Convention was adopted in December 1982 in Jamaica, the Conference established a preparatory Commission for the establishment of an International Seabed Authority (ISBA) in Jamaica and the International Tribunal for the Law of the Sea (ITLOS) in Hamburg. The Preparatory Commission established four Special Commissions, one of them dealing with the protection of the land-based producers of the minerals that would also be produced from the international seabed area. The Preparatory Commission lasted for ten years, namely from 1984 (1983 was used for organizational matters) until 16 November 1994, namely when the Convention on the Law of the Sea entered into force. During this period, I was Chairman of the Special Commission and during this period I enjoyed the fruitful cooperation and support from the Canada delegation.

Indonesia ratified the LOS Convention by Law No.17/1985 on 31 December 1985. Unfortunately, Canada

was not able to ratify the Convention, primarily because of its dispute on fisheries with other countries, including the United States and the European Community, particularly Spain. At the same time the US was also unable to ratify the UNCLOS 1982, primarily because of its dislike of the provisions on the exploitation of the seabed mineral resources beyond the continental margin, which in its views were not conducive to the freedom of the sea and the market economy, primarily because it presumed too much protection of the land-based producers.

By early 1990, it became evident that out of 60 ratifications that were required to bring the Convention into force, practically all of them would be developing countries. It was therefore increasingly felt that some effort should be made to bring in the industrialized countries, such as the US and Canada, so that the ISBA, when established, would be an effective one. Therefore, under the auspices of the UN Secretary General, consultations among various groups took place beginning in 1990 to find some ways to deal with the matter. The consultations lasted for more than four years, mostly in the UN Headquarters in New York, resulting in the conclusion of an Implementing Agreement on the Seabed Mining Part of the Convention. The Agreement was adopted by the General Assembly of the UN in July 1994. I was one of those playing an active role in the consultations, representing the developing countries, while Canada was one of those playing the role representing industrialized as well as land-based producer countries.

One of the provisions of the Implementing Agreement was giving an opportunity to industrialized countries to become "provisional members" of the ISBA for a maximum of four years so that within that period they would be able to complete their constitutional requirements to accede to the UNCLOS after its entry into force, upon which the ISBA would be established. Indonesia signed this Agreement in

1994 and is now still in the process of its ratification.

Thus, immediately after the ISBA was established, many developed countries later acceded to the agreement and therefore became full members of the ISBA, such as Japan, Germany, France, Italy, Russia, Australia, China, India, and many others. During this period, I was twice elected as President of ISBA, namely as First President in 1995 and later in 1996. Indonesia, being a party to the UNCLOS 1982 is ipso facto a member of ISBA.

During the four years of Provisional Membership of some industrialized countries in ISBA, particularly the US and Canada, again Indonesia and Canada cooperated very closely in the Council of the ISBA representing the Group of Land-based Producer Countries. Indonesia was a member of the Council from its inception in 1996. Canada was supposed to have been elected as a member of the Council representing the land-based producers for four years as from 1999.

Unfortunately, when the four years of provisional membership in ISBA terminated on 16 November 1998, both the US and Canada still had not acceded to the UNCLOS 1982, since they had not ratified the Implementing Agreement. I regret now to see that Canada is no longer a member of ISBA, although it continues to be an observer. I still hope that one day Canada (and the United States) will be able to become a member of the ISBA by ratifying the Implementing Agreement and the UNCLOS 1982.

As I have indicated above, one of difficulties for Canada to ratify the UNCLOS 1982 was the issue of fisheries, particularly the relationship between the control of fisheries in the EEZ by coastal states and the freedom of fishing on the high seas beyond and immediately adjacent to the EEZ. It was understood that there was a clear relationship between the management of the two fisheries but there had been some different interpretations as to its application.

Consequently, Canada was involved in a hot dispute with the European Community on fishing activities in the Northwest Atlantic.

Again, in view of these difficulties, and under the auspices of the UN Secretary General, an intensive consultation was undertaken during the early 1990s, resulting in the conclusion of an Implementing Agreement on High Sea Fisheries which was adopted by the UN General Assembly in 1995. I also played an active role in negotiating the Implementing Agreement representing the developing countries and the interests of coastal countries. In this role I also cooperated closely with Canada and the United States. Indonesia has signed the Agreement and the process of ratification is underway. The US has already ratified the Agreement while Canada is still considering it in view of its pending issues with the European Community and its fisheries case before the International Court of Justice.

When I was Indonesian Ambassador to Canada (1983-1985), I was able to visit all Canadian provinces and territories, including all maritime provinces and the Arctic archipelago. I was therefore able to appreciate the dimension of the Canadian interests in law of the sea and maritime affairs. During this period, I was made aware of numerous Canadian activities and initiatives in global and regional efforts to promote cooperation, particularly in the Pacific and in other parts of the world's oceans. I was able to take active interest and participation in the Canadian effort to promote fisheries cooperation between Southeast Asia, South Pacific and East Pacific through the establishment of West Pacific Fisheries Consultative Committee (WPFCC) headquartered in Manila and the Trans-Pacific Fisheries Consultative Committee (TPFCC), headquartered in Lima, Peru. During this period, I participated actively in their activities in Southeast Asia, South Pacific and the Pacific Latin American countries, within the context of the PECC Fisheries Task Force activities. I

regret that these activities are now terminated due to lack of funding.

In the late 1980s, when I was Head (Director General) of the Research and Development Agency of the Department of Foreign Affairs, I realized that the South China Sea conflicts might become a major concern for the future and therefore I realized that there was need to do something to try to manage the potential conflicts and to convert them as much as possible to actual cooperation. In this context I looked to Canadian possibilities to support the program and the activities. With the blessing of the Indonesian Foreign Minister and with Canadian support for the program through the University of British Columbia in Vancouver, the program was initiated for five years in 1990, then extended for another five years in 1995. I chose Canada to be the supporter of the program, primarily because I had personal experiences and fruitful contact with Canadian thinking and interests in ocean affairs and cooperation, and because Canada was one of the few developed countries having no negative historical

and political backgrounds in the region of the South China Sea. Its acceptability in the region was therefore very high.

Now, after almost ten years of trying to manage the potential conflicts in the South China Sea and to convert them to cooperation, a lot of progress has been achieved and enormous understanding and a sense of togetherness have developed among the various parties. Certainly there are many problems remaining and some of them remain very difficult. But the most important thing is that the efforts are continuing and that the efforts have been praised worldwide as a positive contribution toward peace, stability and cooperation in the South China Sea. In this context, Canada has been able to play a positive role which has always been highly appreciated in the region. I hope that Canada will continue to support this program beyond the year 2000, just as it supports other cooperative efforts in Southeast Asia and the South China Sea in all other fields of activities. ■

*) Prof. Dr. Hasjim Djalal was Former Indonesian Ambassador to Canada (1983 - 1985), Now Indonesian Ambassador-at-Large for the Law of the Sea and Maritime Affairs

Indonesian



Ali Sastroamidjojo
1953 - 1954



Usman Sastroamidjojo
1954 - 1957



L.N. Palar
1957 - 1962



Mukarto Notowidagdo
1964 - 1966



R. Hidajat
1966 - 1968



R. Darmo Bandoro
1968 - 1972



Jamin Gintings
1972 - 1974

Ambassadors to Canada

1 9 5 3 - 2 0 0 0



R.M. Mohamad Choesin
1975 - 1979



Widodo Budidarmo
1979 - 1983



Hasjim Djalal
1983 - 1985



Adiwoso Abubakar
1986 - 1989



Poerwanto
1990 - 1993



Benjamin Parwoto
1994 - 1997



Budiman Darmosutanto
1998 - Present

Canadian



G. R. C. Heasman
1953 - 1957



T. F. M. Newton
1958 - 1960



J. P. Sigvaldason
1961 - 1964



R. M. Macdonnell
1964 - 1966



W. G. M. Olivier
1966 - 1968



A. P. Bissonnet
1968 - 1970



W. T. Delworth
1970 - 1974



P. A. E. Johnston
1974 - 1977



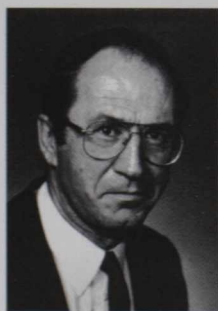
G. S. Shortliffe
1977 - 1979

Ambassadors to Indonesia

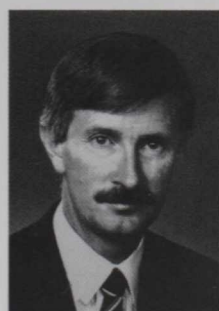
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W. H. Montgomery
1979 - 1980



E. G. Drake
1982 - 1983



J. M. T. Thomas
1983 - 1986



J. A. Whittleton
1986 - 1989



I. M. Hall
1989 - 1992



L. T. Dickenson
1992 - 1996



G. J. Smith
1996 - 1998



K. J. Sunquist
1998 - Present

The Role of Mining and Energy Sectors for Indonesian Economic Recovery

Economic issues facing the New Government

By: Prof. Dr. Subroto *)



INTRODUCTION

The main issue concerning the mining and energy sectors attracting the attention of the Indonesian public recently is parliamentary debate on the introduction of the draft bill on Oil and Gas, which is intended to replace the existing laws on the mining of oil and gas and on the State Oil Company Pertamina. The Government presented the draft bill on Oil and Gas to the parliament in late 1998, and the discussions with the House commenced in early 1999. Up to this point there is still no agreement or consensus. I will try to explain the main points of difference between the Government and the House, and the underlying ideas of the Government's position. But before elaborating these points, it is useful to understand the state of the oil industry first.

THE STATE OF THE OIL INDUSTRY

The oil industry has recently been through one its



worst periods ever. The price of crude oil which had stabilized in a range widely seen as healthy and beneficial to both producers and consumers, between \$15 and \$18 per barrel, suddenly dropped on a seemingly unending slippery slope that culminated in the lowest crude oil prices, below \$10 a barrel, in the past 13 years. The crash spelled imminent danger to all associated with the oil industry. For producers,

especially OPEC member countries, who rely heavily on oil revenues for their prosperity and future development, the repercussions have been staggering. We might remember the economic misery that Indonesia had to go through in 1978, when the monetary crisis coincided and was reinforced by a fall in the price of Minas oil to \$9 per barrel.

Numerous elements combined to send the oil sector spiralling into a period of immense uncertainty and economic turbulence. Chief among culprits responsible for the downturn was a reduction in oil demand in the consuming countries

of East and South East Asia, as a result of the economic recession that was felt throughout the region. That, together with higher than normal oil stocks in the consumer markets and a warmer winter in the northern hemisphere, sent the price of oil into a tailspin that has since reverberated through the whole industry. Outside the OPEC organization, oil companies had to retrench as they saw their profits fall along with the price of crude. Some, like Exxon and Mobil British Petroleum, Amoco and Arco, Total and Petrofina, have even resorted to what are being termed mega mergers⁷, in a bid to combine assets and cut costs to help weather the storm.

Following the decision of OPEC and several producers outside the organization, like Mexico, Oman and Norway, to cut production by 2.1 million barrels per day starting April 1, 1999, the price fall was halted and prices were pushed back up to reasonable levels. On August 12, 1999, the OPEC reference basket reached \$19.56, up from \$12.75 a year earlier and Minas, the Indonesian marker crude was \$19.26, compared to \$12.90 in 1998.

How do we perceive the oil market beyond the year 2000? I firmly believe that the future belongs to the OPEC member countries, including Indonesia as the only Asian oil producing country belonging to the OPEC organization. OPEC holds both 77% of global proven reserves and produces more than 40% of the world's output of oil. The organization actually supplies 60% of the internationally traded crude oil. At the current rate of depletion, OPEC's crude oil reserves, currently at around 800 billion barrels out of a global total of 1.03 trillion barrels, are expected to last for about 80 years. Compare that with non OPEC production which has reserves that will be depleted in less than 15 years. Moreover, non OPEC oil producers are currently operating at full capacity producing 60% of global output from 23% of the world's proven reserves.

According to OWEM (OPEC World Energy Model), world demand for oil will rise to 76 million barrels per day in the year 2000. Over the following decade the world's thirst for oil should rise further to 88 million and will reach an estimated 99 million barrels per day in 2020. These projections are in tandem with a global economy that is slated to see expansion of 2.6% annually in 1997-2000, 3.4% in 2000-2010 and 3.1% in 2010 - 2020. With non OPEC production in the first two decades of the 21st century forecast to remain relatively stable at 44-48 million barrels per day, OPEC will take the major share of incremental demand, as nations around the world expand and the need for oil to fuel their economies rises. Depending on the price of oil and current global projections, OPEC could be producing well over 51 million barrels per day of the world's oil in 2020.

Non OPEC production, of course, may continue expanding, especially in the short and medium term. For example, Britain and Norway have both introduced legislation to encourage investment in the North Sea, where advances have been made in technology and methods that enable profitable development of fields previously considered difficult to explore, as well as encouraging the extension of lives of fields nearing depletion. In addition, we are seeing the exploitation of reserves in new non OPEC developing countries. However, despite a rather bullish picture for non OPEC oil, it is doubtful that these producers will be able to sustain such high output levels over the long term.

What about the price of oil? Again using OWEM as a reference, the OPEC Reference Basket of selected crudes, which fell to \$12.30 in 1998, is expected to maintain its recovery. Annual growth is projected at 1.5% in the medium to long term out to 2010. While OPEC still deems a price of \$20-\$21 per barrel as its target range in the long run a price regarded workable by the producers and acceptable by the

consumers at the present time a stable price somewhere between \$15 and \$20 per barrel would be greeted with favour by the majority.

Following are some vital statistics on the role of oil and gas in the Indonesian economy. Thirty percent of Government revenue is derived from oil and gas and not less than 22% of total exports come from oil and gas export. Eighty six percent of Indonesia's primary energy supply also comes from oil and gas. Indonesia has 9.7 billion barrels of proven oil reserves and 136.4 trillion cubic feet of proven gas reserves. With a daily oil production of 1.4 million barrels per day, our oil reserves will be depleted in about 19 years. On the other hand, our national demand for energy will increase almost 5 times between now and 2020, namely from 450 million to 2.4 billion barrels of oil equivalent.

THE PROPOSED NEW OIL AND GAS BILL

In introducing the new Oil and Gas Law, the Mines and Energy Minister Kuntoro stated that the new law is about the oil and gas industry and not aimed at Pertamina, the state oil and gas company. The Government wants to modernize the oil sector, so that it becomes an effective and vibrant sector of the Indonesian economy and attractive for foreign investors. It aims at getting rid of the monopolistic practices, and creating a level playing field for national as well as foreign oil companies. It also intends to clearly delineate government function from business operation. It prepares the industry for the 21st century characterized by intense

global competition. The word globalization, invented not much more than a decade ago has become the familiar description for the process of integration and internalization of economic activities and strategies. National firms are turning themselves into international operators. National companies are hastening to generate global strategies.

The new law proposes that the mining right, that is the right to allocate areas for exploration and exploitation remains in the hands of the government, while the economic right - drilling, well development, refining, transporting and selling oil and oil products should be granted to national as well as foreign oil companies under a contractual arrangement. In the new law there is no mentioning of oil subsidy, simply because subsidy is a political decision and should therefore not be included in the law. A new feature in the oil and gas law is the relation with the provincial government regarding wide ranging provincial autonomy and more balanced financial allocation between the central and provincial government. Many of these topics were not dealt with by the existing laws and therefore the government proposed to replace them with a new Law on Oil and Gas. The House debated this draft bill intensively and hotly with the Government, but has as yet not achieved consensus or agreement until today. ■

*) Prof. Dr. Subroto is Graduate of McGill University, Canada. Former Secretary General of OPEC (1988-94). Several times member of Indonesian Cabinet: Minister of Resettlement and Co-operatives (1971-1973) Minister of Manpower, Resettlement and Co-operatives (1973-1978), Minister of Mines and Energy (1978-1988). Now is Chairman of Indonesian Institute for Energy Economics (IIEE) and also Rector of Pancasila University, Jakarta, Indonesia.

Investment
and Trade



Canadian Investment in Indonesia

Today some 100 Canadian companies, across a broad range of the natural resources, industrial and services sectors, have an active presence in Indonesia.

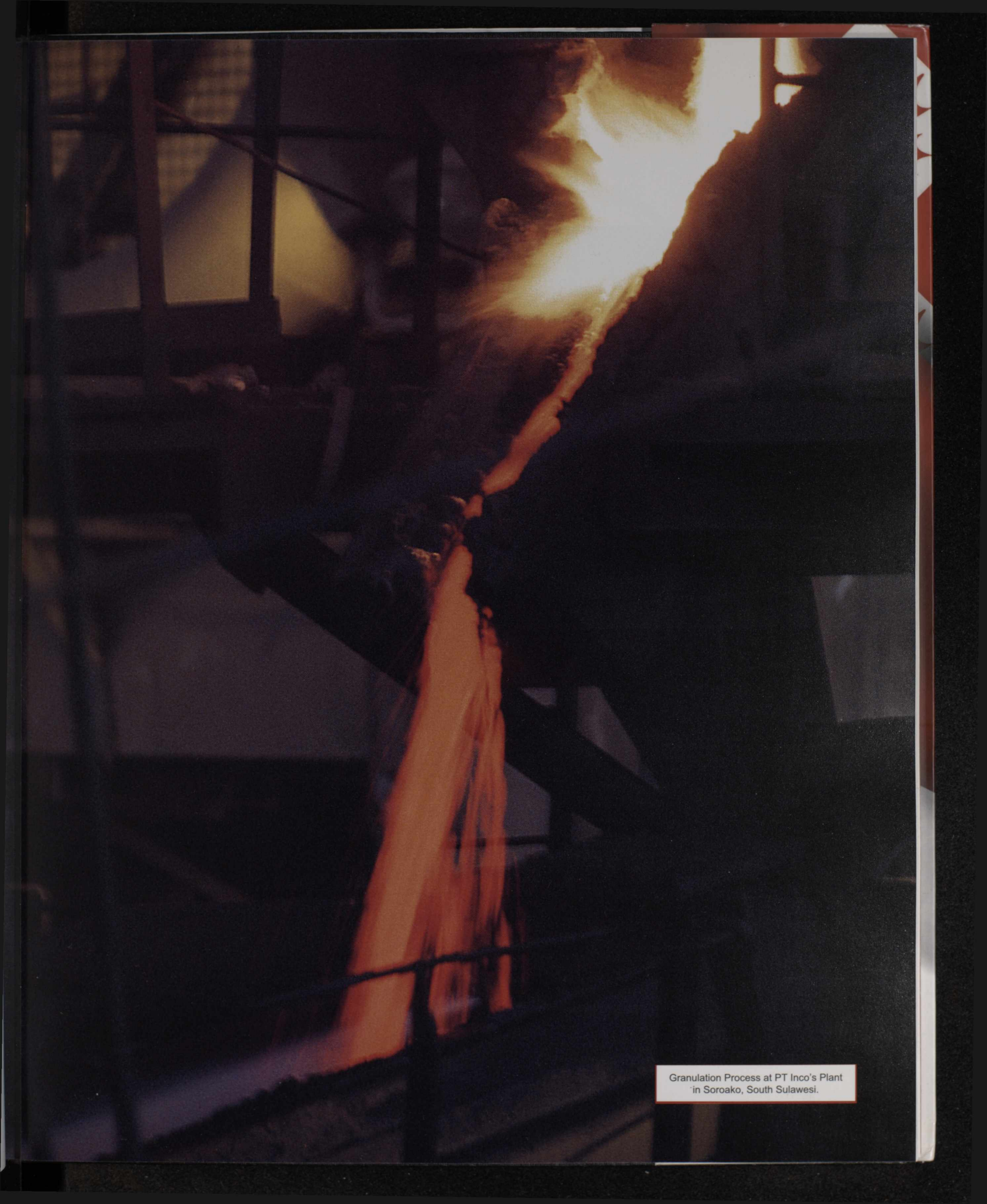
Canadian firms have been active investors in Indonesia for over three decades. Cumulative Canadian direct investment in Indonesia is estimated at \$8 billion—Canada's largest investment destination in South East Asia. Today some 100 Canadian companies, across a broad range of the natural resources, industrial and services sectors, have an active presence in Indonesia. Canada's largest single direct investor is in the mining sector: PT Inco's mining complex in Sulawesi has invested over \$2.3 billion to date. In 1999 PT Inco completed a \$600 million expansion to its nickel mine in Sulawesi. This huge investment will boost PT Inco's capacity to 68,000 tonnes of nickel in matte per year and is an important contributor to Sulawesi's and Indonesia's economy.

In addition to mining, Canada has had decades of significant involvement in Indonesia's oil and gas industry. Gulf Indonesia Resources Limited, a 72% subsidiary of Gulf Canada Resources, and Talisman Energy are important players in Indonesia's energy industry. Gulf Canada, through its ownership in Gulf Indonesia Resources Limited, has

invested over \$750 million of capital and exploration expenditures in the period 1996-1998 alone. Much of this expenditure was used to complete the Corridor Gas Plant in South Sumatra. In the new century, Gulf will be shipping gas to Singapore under two separate gas sales arrangements. These arrangements will ensure a steady, reliable source of export earnings for Indonesia for the next 20 years.

Talisman Energy is also very active in Indonesia. By the end of 1999, Talisman expects to be producing 50,000 barrels of oil equivalent per day. In the three years 1996-98, Talisman invested over \$700 million in exploration and development capital in Indonesia, with a big part of that going to Talisman's portion of the Corridor Gas Plant. In addition to its gas interests in South Sumatra, Talisman produces significant amounts of oil in Sumatra, Kalimantan and is exploring for oil in Madura.

Canadian investments are not restricted to the natural resources sectors. In fact, Canadian companies are found across the full range of goods and services. Bata Shoes Industries has been present in the market since the 1930's.



Granulation Process at PT Inco's Plant
in Soroako, South Sulawesi.



Gulf's Grissik Gas Plant, South Sumatra.

Canadian insurance companies have been trailblazers in the development of Indonesia's financial services industry: Manulife through Pt. Asuransi Jiwa Manulife Indonesia (established in 1984) and Sun Life (1992) through Pt Sun Life Indonesia together employ thousands of staff and agents

across Indonesia through their respective branch networks.

The full range of Canadian engineering and consulting firms are established in Indonesia as are environmental consulting firms like Canora (Asia). These firms provide many high paying jobs to Indonesian professionals. ■

Indonesia-Canada Trade

Canada and Indonesia are working together to build solid regional and global institutions that provide a foundation for our commercial relations

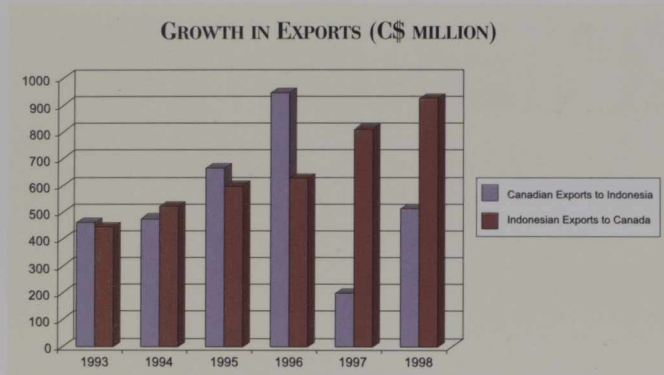
Canada and Indonesia have enjoyed good bilateral trade relations for almost 50 years. At the eve of the new millennium, it is appropriate to reflect on the trade ties between our two countries and look ahead to the future.

For Canada, trade is absolutely vital. Canada is one of the most trade-oriented nations in the world as international trade now accounts for over 40 % of our gross domestic product. One in three jobs in Canada is dependent on trade and every billion dollars of exports sustains 11 000 jobs for Canadians. An important issue for Canada's national trade policy is to diversify our markets beyond the United States which now accounts for over 80% of our trade.

Since the relationship was officially recognized by the exchanging of Ambassadors in 1953, trade between our two countries has grown from just a handful of goods traded by a few people, to hundreds of companies across a spectrum of industries. Indonesia has been one of Canada's fastest growing trading partners, not only in the ASEAN region, but

also globally. Two way trade reached \$1.5 billion in 1998. As one of the region's most populous countries, Indonesia is an important partner for Canada in Asia. In fact, Indonesia has become Canada's largest trading partner in South East Asia.

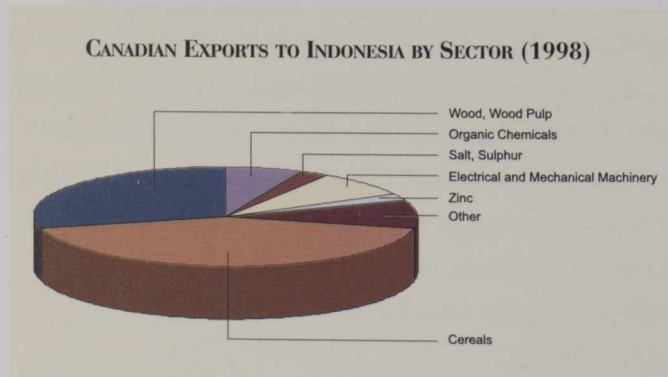
Canada and Indonesia are working together to build solid regional and global institutions that provide a foundation for our commercial relations. These include well known institutions like the World Trade Organization and APEC but also a host of less well-known institutions such as the World Customs Organization and various standards associations. These institutions have been the building blocks of the expansion in global trade. Indonesia benefits from its involvement in the global trading system. Since the economic crisis of 1997, Canada's large trade surplus to Indonesia plummeted and the trade balance made a drastic swing in Indonesia's favour. In 1998, Canada sold \$512 million of exports to Indonesia, while Canadians bought some \$921 million of imports from Indonesia.



CANADIAN EXPORTS

During the Team Canada visit to Jakarta in 1996, Prime Minister Jean Chrétien, six provincial premiers, and three hundred business representatives witnessed the signing of various agreements worth over \$2.7 billion.

Canada had seen growth in the sale of high, value-added products such as electrical power, environmental, telecommunications, electronic and information technology equipment, transportation as well as our traditional commodities. Top Canadian exports to Indonesia are commodities and resource-based products, such as plastics, cereals, fertilizers, pulp and sulfur. Exports of manufactured products still include power plant boilers, locomotives, and communications equipment. Canadian sales of services, particularly engineering services, comprise a further sizable component of our trade.

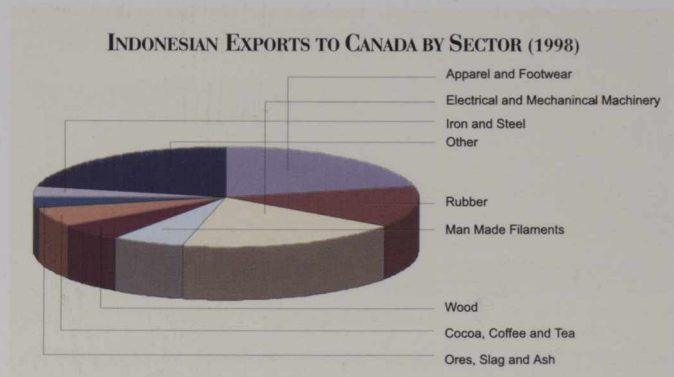


Indonesia has grown to be Canadian Wheat Board's (CWB) fourth largest wheat market with sales peaking at \$337 million in 1997. Though the market has shrunk, Canada has maintained one third of the market share, meeting tough competition from Australia and the USA.

Canadian service exports, from companies such as Agra Monenco/Agra Simons, Ernst & Young, and Klockner Stadler Hurter are active in the market, with sales in the past having reached an estimated \$200 million per year.

INDONESIAN EXPORTS

Trade relations have benefitted from Indonesia's export diversification policy that was adopted in the mid-eighties. Indonesia's exports have shifted from agricultural products and raw materials towards durable consumer goods such as textiles, furniture, and electronics. ■



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*We are a unique organization with a common vision.
to be strong and successful in business together.*

WHAT IS THE ICCC?

The Indonesia Canada Chamber of
Commerce Vision Statement:

Our role is to provide a forum for Indonesians and
Canadians to discuss business issues concerning our two
countries; to share business information, to provide contacts
and assistance to one another; and to socialize together.

We are available and visible to the Canadian and
Indonesian business communities. We provide a voice to the
Indonesian and Canadian governments' policies. As a bilateral
organization, our members grow and learn together about
our respective business norms and values.

Our membership aims to be respectful of one another,
trust one another and be able to count on one another. We
are a unique organization with a common vision: to be strong
and successful in business together.

WHAT ARE THE OBJECTIVES OF THE ICCC?

- To promote and encourage trade, investment and other economic relations between Indonesia and Canada, particularly in the private sector;
- To represent in an objective manner, the views, interests and concerns of the members of the Chamber;
- To assist in the promotion of inter-cultural relations between the people of Indonesia and Canada;
- To provide practical assistance and information in support of new and existing business opportunities;
- To provide value-added services to the membership in the form of publications, business meetings and trade/investment missions;
- To provide a variety of events for members to meet and socialize; and
- To continuously improve and extend the services provided to our members.

WHAT DOES THE ICCC DO?

The ICCC provides many forums for networking and undertakes activities such as:

- Monthly breakfast and luncheon meetings.
- Produces a monthly Newsletter and a Quarterly Bulletin.
- Provides instant information through ICCC News Flash
- Organizes the Business Excellence Awards.
- Pub-nights and cocktail events.
- Co-organize the Maple Leaf Ball and assistance with the Terry Fox Run.
- Provides special services to Corporate Members.
- Maintains a Web Site.
- Assists with incoming and outgoing missions.
- Actively promotes the interests of members to appropriate organizations and governments.
- Organizes seminars and workshops
- Holds sport tournament for members



The Board of ICCC

From left to right: Ken Lewis, Kent C. Wiley, Victor Lam, Je Moedaljadi (Secretary General), Janel Young, Jessie Inman (Vice President), M. Sutara (President), Ely Rasdiani S., Pangestu Sugondo, Nanang Sutadji, Agni Wardoyo, Bhakti S. Luddin and Richard D. Emmerson.

Not seen in the photo: Phil Williams, Jan S. Seneshen, Philip Hampden - Smith.
Ken Lewis and Janel Young are Ex Officio Directors representing Embassy of Canada and Canadian Woman Association.

ICCC Secretariat

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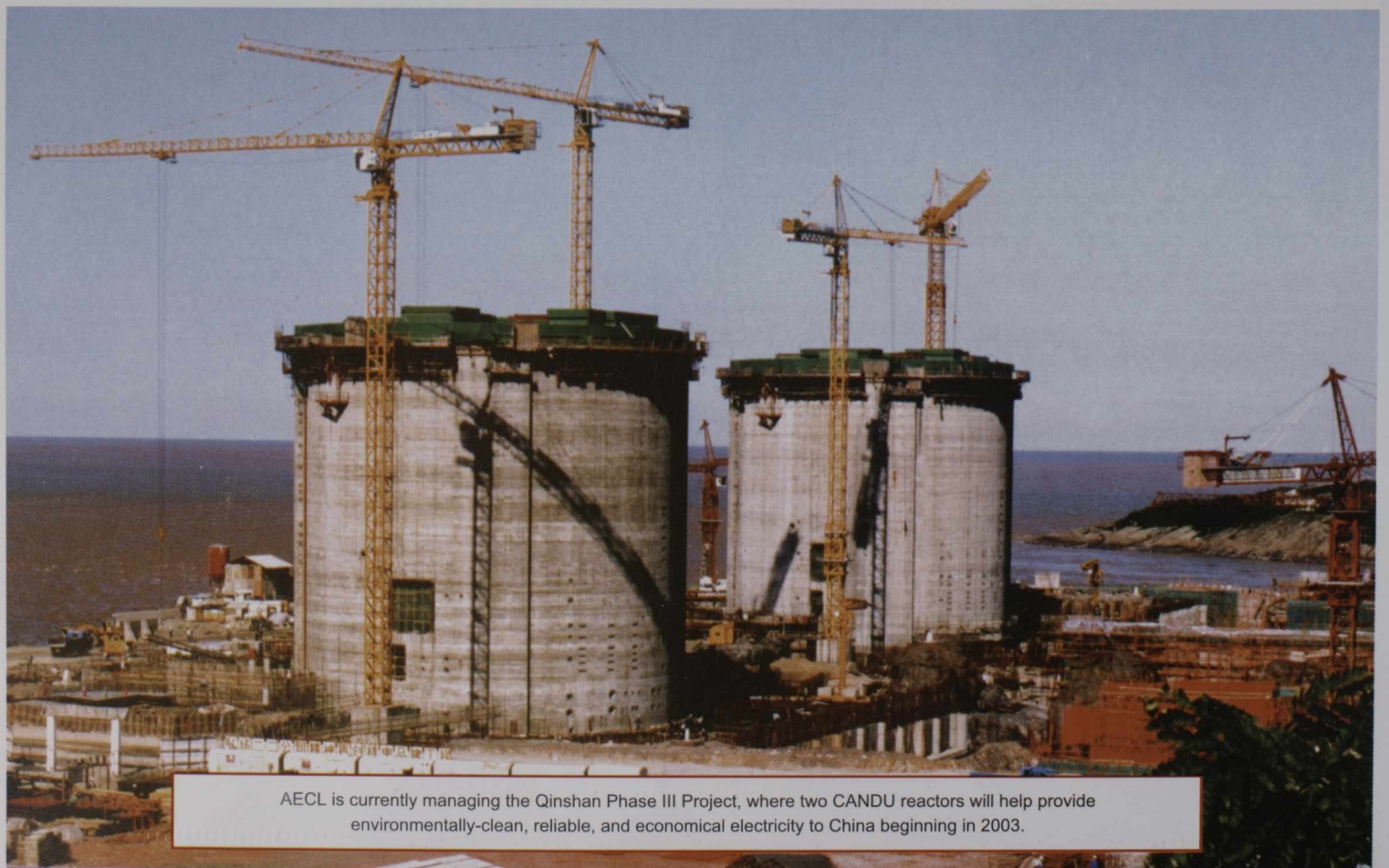
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TALISMAN

E N E R G Y

TALISMAN (ASIA) LTD.

Talisman Energy Inc. is the largest independent, Canadian-based, international upstream oil and gas company whose main business activities include exploration, development, production and marketing of crude oil, natural gas and natural gas liquids. The Company's production comes from Canada, the North Sea and Indonesia. Talisman is active in a number of high-potential international exploration areas, including Algeria, Trinidad and Peru.

Talisman's extraordinary results stem from successful exploration and development programs in and around the Company's core areas supported by strategic acquisitions. The Company has consistently replaced in its production through the drill bit, while achieving competitive finding, development and operating costs.

Talisman (TLM) is a widely held company listed on the Toronto and Montreal stock exchanges in Canada and New York stock exchange in the United States with 138 million shares outstanding.

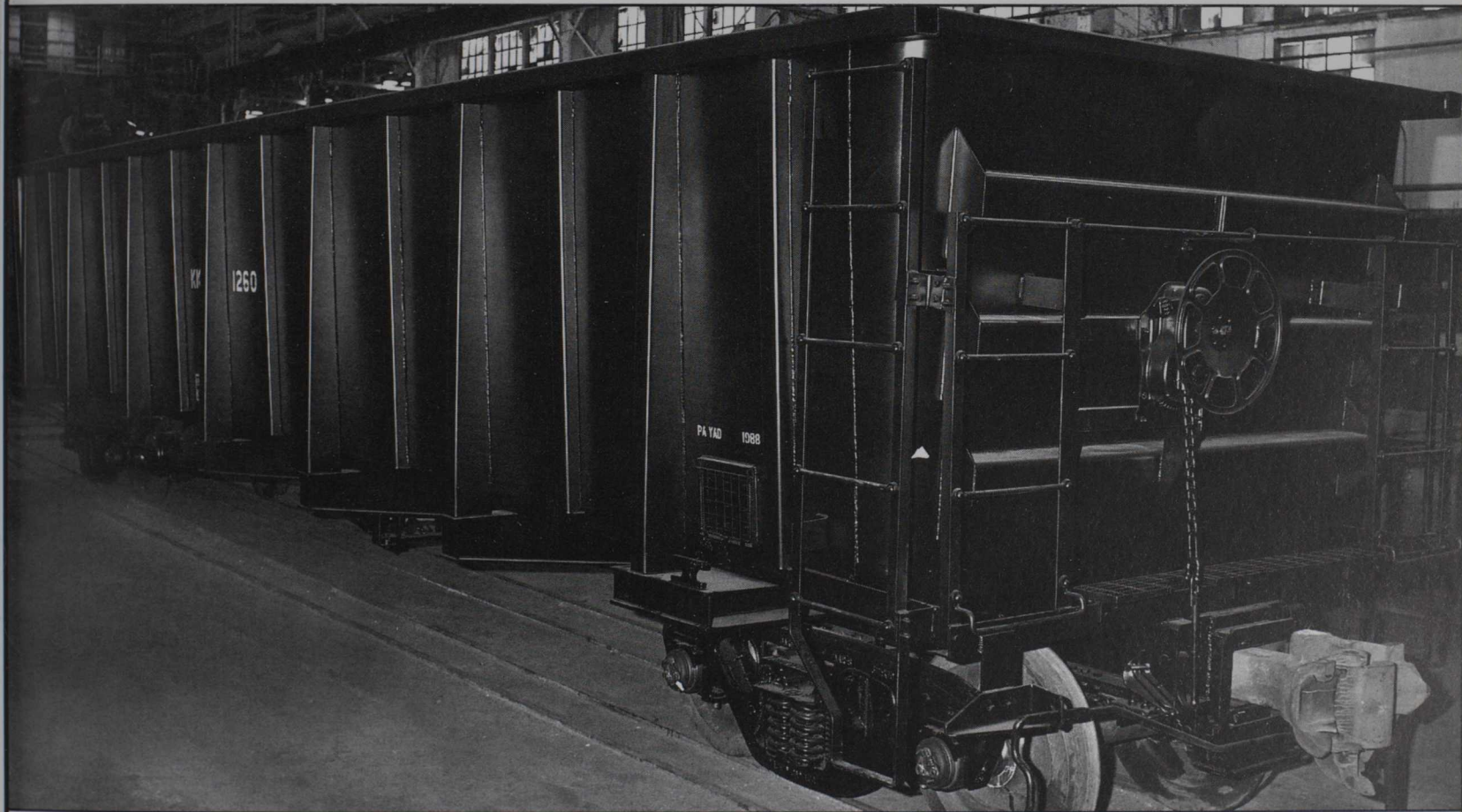
Indonesia has a well-established oil industry and a dynamic, growing natural gas sector. Talisman's existing assets provide the basis for strong growth, and the Company continues to pursue new opportunities. Significant results includes:

- Current oil production of 29,747 bbls/d from major properties at Ogan Komering and Tanjung Raya.
- Total exploration and development spending of \$65 million.
- Proved reserves of 40 mmbbls of oil and 615 bcf of natural gas.
- Natural gas production of 104 mmcf/d from the Corridor Block.

In 1999, the company has participated in several major gas discoveries in the Corridor Block. Plans to expand gas production from Corridor are underway with the announcement of the signing of a letter agreement for incremental sales to Singapore.

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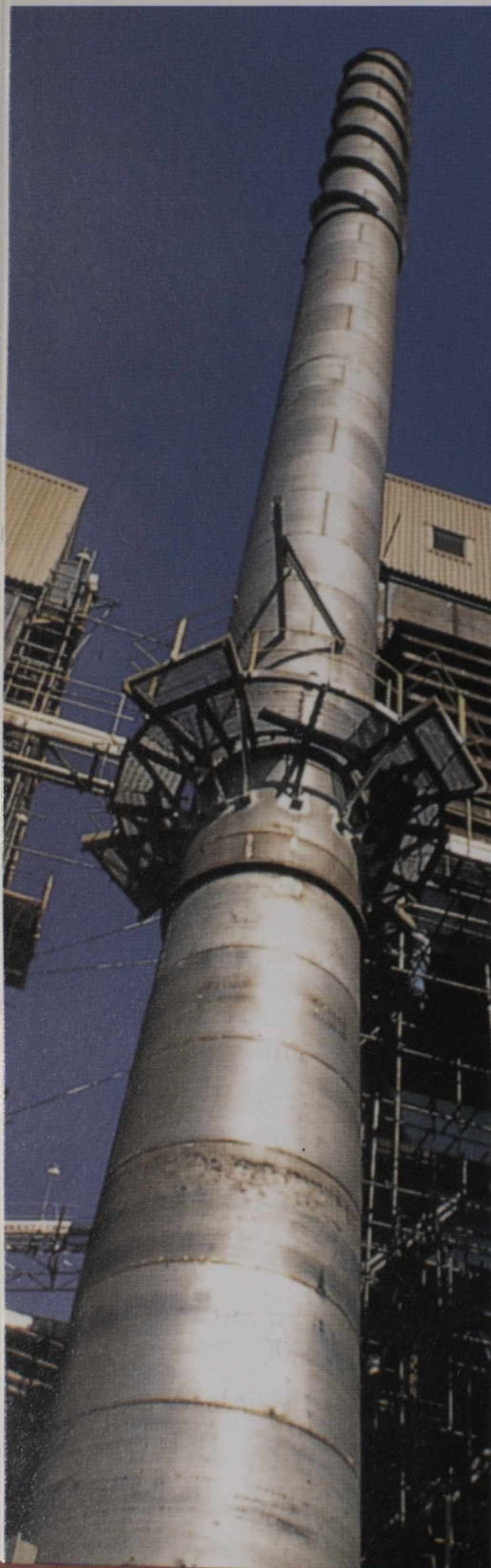
PT INCO Indonesia

entering the third millennium

PT International Nickel Indonesia Tbk (PT Inco) is one of the world's premier producers of nickel, a versatile metal that is a key ingredient in stainless steel, electric-car batteries and other consumer and industrial products.

Since signing its Contract of Work with the Indonesian Government in 1968, the Company has developed and expanded modern mine and mill facilities near Soroako on the Island of Sulawesi, providing thousands of skilled jobs and developing a vast community infrastructure of schools, roads, water and services throughout the region.

The Company is owned 58.7 per cent by Inco Limited of Canada, one of the world's leading nickel producers, and 20.1 per cent by Sumitomo Metal Mining Co. Ltd. of Japan, a premier mining and smelting company. In addition, 20 per cent of PT Inco shares are owned by public shareholders and the balance by four other Japanese companies. In 1998, pursuant to recent Indonesian legislation, the Company changed its name to PT International Nickel Indonesia Tbk—"Tbk" denoting its status as a publicly traded company in Indonesia.



Mine Planning

Mining the Nickel Ore

View of the Nickel Smelter

PT Inco produces nickel in matte, an intermediate product, from lateritic ores. Its entire production is sold in U.S. dollars under long-term contracts for refining in Japan. PT Inco's competitive strengths include abundant ore reserves, a skilled, well-trained workforce, low cost hydroelectric power, modern facilities and an assured market for its product.

With the objective of matching our ore bodies within the remaining contract area to anticipated world nickel demand, the Company recently invested US\$ 638 million to increase its annual production capacity from 100 million pounds of nickel in matte to 150 million pounds of nickel in matte. The contract of work covers an area of 218,000 hectares and was extended in 1995 until 2025. Total investment has reached in excess of US\$ 2 billion.

Over the past 25 years, the Company management profile has changed significantly. One of PT Inco's greatest achievements is its success in attracting, training and retaining Indonesians through the highest levels of management. Today only about one per cent of the Company's 2,200 permanent work force are expatriates. Indonesians in senior management include the President Director, three Vice-Presidents and most of its Senior Managers.

Plant Expansion



PT International Nickel Indonesia Tbk (PT Inco) is one of the world lowest - cost producers of nickel, a versatile metal which is important to improved living standards and economic growth

The Company has a long history of working closely with the local government and the communities in Soroako project areas and of contributing to the local standard of living. Community development can be traced all the way back to the days when PT Inco became heavily involved in exploration. Starting from scratch, the Company took the initiative to build village roads, bridges, introduce electricity, fresh water systems, public schools, and hospitals and assign medical teams. More recently the Company initiated an agriculture enhancement program, helping to increase crop yields for local growers. PT Inco's position in maintaining community development leans more toward a facilitator role encouraging the community and government to share ideas, plan and execute them. The program covers health, education, agriculture, and community facilities.

Community Development



Revegetated Mining Area

New Hydroelectric Generating Facilities at Balambano

PT Inco is also committed to the concept of sustainable development, which requires balancing the need for economic growth with good stewardship in the protection of human health and the natural environment. We continue with ongoing programs of revegetation by planting indigenous tree species on land where mining is completed, so that the land is returned to its natural state as rapidly as possible.

After losing money in the early development of the operation, PT Inco has consistently been profitable since 1987 and intends to remain a low-cost and profitable producer that generates positive returns for our shareholders. A key to our success is to remain a reliable supplier, meeting the growing nickel needs of our customers, while continuing to fulfil our commitment as a responsible corporate citizen contributing to the economy of Indonesia.

With its extensive experience, skilled workforce, modern facilities and the potential for growth in new ore bodies at our holdings in the coastal area, PT Inco is well positioned to move forward aggressively and competitively into the next millennium.

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Economy and
Finance



Striving in The Crisis

A Total Restructuring of The Bakrie Group

by: Aburizal Bakrie *)

*Internal consolidation and introspection, evaluating the strategic vision of the company
and open-mindedly repositioning the business focus.*

In mid 1997, Southeast Asia, a part of the larger Asian continent, a region which in the previous years had been posed to become the emerging global economic power by the turn of the century, was hit by an unprecedented, severe economic crisis. This was worsened in some of the countries by social and political problems. Among the worst hit was Indonesia, which had been one of the players with the most economic potential in the region considering its richness in natural resources and its population of 200 million people.

The economic crisis in Indonesia was a product of snowballing political tension and unrest which culminated in the fall of 32 years of a powerful regime under Soeharto and the bursting of the economic foundation due to a massive Rupiah depreciation. Starting from a pre-crisis exchange rate of US\$/Rp 2,500 in mid 1997 through a period of heavy swings peaking at an exchange rate of US\$/Rp 17,000, the result was a total economic downturn in most segments of the economy.



Furthermore, Indonesia's capital market was severely affected. Within 15 months, the market capitalization of the Jakarta Stock Exchange shrank from over US\$ 105 billion to roughly US\$ 17 billion. The plunge of the Composite Index indicated that foreign investors were pulling away from Indonesia due to their lack of confidence in the Indonesian economy and political situation. During the crisis period, banking systems worked with a negative spread, with a difference between the time deposit interest rate and the lending rate at a 15% to 20% level, which made most of the banks in the country insolvent.

For the first time in many years, Indonesia's current account produced a surplus. But this was not a healthy sign, as the entire reason for the surplus was the lack of ability to import goods. This definitely reflected one of so many dimensions of the nation's contraction which was ranging between 13% and 15% (negative growth) for 1998. Open unemployment increased threefold and the capacity to produce within the sea of people who were underemployed

broke all records in Indonesia's history as well as any other country's in the world.

The private sector, which is the engine of the Indonesian economy, has been perishing due to high interest rates and massive Rupiah depreciation. Due to a drop in domestic demand, there was a drying up of financing sources and anomaly interest rates. Most companies were not able to service their debt to the banks causing an inactive and depressed market. Existing businesses had become not viable and there were many incomplete projects or immaturely completed projects that caused a long chain of unsalable impacts. Financial institutions, suppliers, contractors, manufacturers, distributors, etc. were hurt. Many large companies could not sustain the level of debt because suddenly the amount of their US\$ debts were quadrupled in Rupiah terms whilst the reduced revenue they were expecting were still Rupiah. Nevertheless, it does not mean that we cannot do anything to survive and to recover from such a vast crisis.

TOTAL RESTRUCTURING

The big question now is how can the private sector survive, and if possible, recover from the worsening economic condition that Indonesia is currently facing? How to re-attract foreign investors to invest in Indonesian companies? Of course these are never easy questions to answer.

Although the absolute recovery of the macro economy would necessitate the efforts from all sides, including the government of Indonesia, there are steps and actions, both gradually and drastically, that have to be taken by the corporate community. I am of the opinion that it would require confidence, optimism, as well as positive thinking from the Indonesian private sector to work towards the recovery. The points of behavior which I think are the necessary requirements for survival and recovery are the following:

- Raise awareness of the crisis and propagate the sense of crisis in all aspects and activities in the company. This means, first, we should gear corporate policy towards efficiency and cost consciousness;
- Internal consolidation and introspection, by evaluating the strategic vision of the company and open-mindedly repositioning the business focus;
- Initiate a total across-the-board restructuring which covers all aspects: operations, financial, organization, systems & procedures, and human resources;
- Establish a transparent reputation and maintain credibility;
- Strong commitment, hard work, maintaining goodwill and strong beliefs, as well as conducting effective action.

STRATEGY OF BAKRIE GROUP DEBT RESTRUCTURING

The main problem of debt restructuring everywhere in the region, as far as I know, is the unpreparedness of both sides, the debtors and the creditors, for the magnitude of problem loans occurring at the relatively same time. Lines of communication were rarely maintained by the companies. Coupled with their reluctance to negotiate in an open and transparent manner, this creates more problems.

The debt restructuring process of Bakrie Group started in early 1998, when outstanding debts started to default. A large group which ranked 14th in revenue terms among Indonesian corporations and in relative terms a contributor of 0.85% to Indonesian Gross Domestic Product has to adapt itself to the challenge of the crisis. Because of our acute awareness of what was going on in the domestic and global economy and our anticipation in the short term development, Bakrie Group has been able to respond timely and effectively to ensure survival during this tumultuous period. Accordingly, Bakrie started the internal consolidation and formed off-structure debt restructuring teams in various company levels

wherever it was needed to work closely with the creditors in order to resolve their debt problems and work toward finding a solution which would be amicable to both parties.

Bakrie's debt restructuring has a high level of complexity, comprising billions of US\$, three major holding companies with about one hundred subsidiaries in various industries ranging from telecommunications, agribusiness, pipes manufacturers, financial institutions, and properties to mining. The negotiations involve hundreds of creditors from more than ten countries and periodical discussion meetings.

Right from the start, Bakrie has made a serious commitment to work along with the creditors in narrowing the differences in the perception in resolving the debt problems. It takes a transparent approach, constant communication and willingness from the principal shareholders to sacrifice present stake for future value of credibility.

Creative structure has been developed in each of the debt restructuring cases with a performance incentive attached. In this way, the solution would provide two apparent features for the stakeholders. It shows the confidence level of existing shareholders and management in bringing back business to the company. It certainly adds credibility to the restructuring proposal given to the creditors. Secondly, it assures all parties that the value of the company will be built back. By rewarding the existing shareholders and management if certain value milestones are achieved in the future, or punishing them for failure in performance by letting other parties run the company ensures that reforms are taken seriously.

Bakrie has also been ensuring that standard international banking practices are adhered to in all debt restructuring negotiations. Creditors are treated equitably in the same seniority ranks. Preferential treatment is completely avoided even for domestic banks. Independent financial advisors are engaged to verify business plans and continuous liaisons with various government agencies and

regulatory bodies like Jakarta Initiative, Bapepam and Stock Exchanges are maintained.

The rightsizing program in the Group has been exercised. Bakrie & Brothers, the flagship holding company of the Group has redesigned its organizational structure in its headquarters such that 26 staff are now able to perform the tasks which previously needed 300 people. Members of the Board of Directors were reduced from 8 to 3. The overall cost effectiveness program which cut the headquarters' costs by 80% annually has been propagating with increasing speed to its business units at all levels.

Nevertheless, you need two hands to clap. The Group has also been experiencing some difficulties posed by the creditors' side in completing some of its cases. Unrealistic debt restructuring counter proposals have been put forward by smaller banks which have a lack of experience or resources in dealing with complex problem loans. The fact that some countries still have some restrictions for their financial institutions to hold offshore equity investments has made some offshore banks effectively impossible to accept restructuring proposals based on debt to equity swap. There are also some cases whereby differences among the creditors themselves have been delaying the restructuring process at the expense of the company.

As a conclusion, I would like to put forward that the recovery of the economic sectors in the region would very much depend upon the willingness of various parties to deeply understand the whole situation and to move forward open-mindedly in dismantling the current problems. To survive and bounce back as business players requires a high level of energy and spirit in finding the right opportunities and hitting them at the right time. Learning curves might yet be passed over by both the debtors' and the creditors' side, but one thing for sure is that values are evaporating in every single day the debt restructuring process is delayed. ■

*) Mr. Aburizal Bakrie is the Chairman of The Bakrie Group and President of Indonesia Chamber of Commerce and Industry.

Debt Restructuring an Astra Experience

by: Rini Suwandi *)

Being the borrower, Astra recognized its responsibility to its lenders that we could not simply wait for a recovery in the general economy but rather must take advantage of Astra's proactive approach to address these difficulties head on.

Mending the crumbling wall of the country's monetary and economic infrastructure remained an uphill battle in 1998. Plagued by a shrinking Rupiah, lower purchasing power and deteriorating markets, Corporate Indonesia continued to claw its way out of the dark.

The extent of the macro economic devastation affecting the country has caught everyone off guard. For Astra this volatile and highly uncertain market is especially troublesome given our dependence on the local markets for the sale of the vast majority of our products. Even though more than 50% of Astra's debts were swapped, the depreciation of the Rupiah by more than 600% in early 1998 devastated Astra's balance sheet. Much worse, inflation of more than 80%, and the collapse of the Indonesian banking system had destroyed the automotive market with sales of only 15% of the 1997 level. Other countries in the region despite the turmoil in Asia did not experience equally bad conditions. Even Thailand was still better off; their automotive market dropped only 60%.



In many ways what was once our greatest strength, our unmatched local knowledge and distribution system, was now our greatest weakness - our dependence on the local market. Even within the context of this historic downturn, Astra's strength of being the premier manufacturer, distributor and financier of a wide range of automotive products remains.

Thus, with an 85% drop in its core automotive business Astra, overnight, became a high leverage entity with little operational cash flow to meet its debt.

In June 1998, Astra management realized that the first and foremost important task was to ensure Astra survivability, even in the worst economic conditions (such as no cars can be sold). Conservation of cash and building up cash reserves by selling assets became the priority. The uncertainty on the political side was further impeding the non-core asset sales. Luckily, in late 1998 Astra was able to build cash reserves after the successful completion of the sale of PT Astra Microtronics and part divestment of PT Astra Daihatsu Motor to 50% ownership. The latter was sold to

Daihatsu Motor Corporation and Nichimen.

In view of this, the management has taken initiatives to redefine Astra business strategy as well as restructure existing debt. Astra realized that the process was going to be painful but something to which the management had to commit. Overall, the Astra recovery program includes:

1. Implementation of Efficiency Activities such as reducing work force and closing down some distribution channels,
2. Redefinition of Business Strategies,
3. Debt Restructuring,

With all these programs, Astra International is expected to recover and regain its strength to face the open market economy.

At that time, the biggest challenge for the management was managing the debt. Should the principal payment be carried out on schedule, Astra's going concern was in jeopardy. With the existing high depreciation of the Rupiah and high interest rates, fresh funds were hard to come by. However being the borrower, Astra recognized its responsibility to its lenders that Astra could not simply wait for a recovery in the general economy but rather must take advantage of Astra's proactive approach to address these difficulties head on.

The process of Astra's debt restructuring began with selecting the right financial advisor that was acceptable to both the banking sector and bondholders. After carefully undergoing a process of selection which included getting feedback from Astra's biggest creditors, the management finally decided to appoint Chase Manhattan Bank and Sakura Merchant Bank to be the Financial Advisor for Astra International and the Group.

Astra called its first action by announcing the debt restructuring program and at the same time, the suspension of principal payment on August 5, 1998. The hard impact of the announcement drove Astra shares down to Rp 250 in September 1998. That only represented 6% of its value

compared to a year earlier. The sad part was that many people including our swapped counterparts were convinced that Astra was going bankrupt. All of our swap facilities were terminated and unwound by the counterparts as a result of our suspension of principal payment and premium. The most difficult situation was convincing Astra people that Astra would survive and that they should stay on and fight on together.

The other shocking reality was the loss of trust from our creditors despite one on one meetings with them that had been carried out by the management to explain the situation. The relationship with some of our creditors became strained after Astra announced the suspension of interest payments on October 22, 1998. Realizing the difficulty of regaining the trust of creditors, the management decided to make extra efforts to be more pro-active.

RESTRUCTURING ISSUES:

Despite the above immediate reaction from the creditors, the most difficult issue that we have had to face was our diversified creditors composition comprised of Japanese lenders, European lenders and domestic as well as international bondholders. Each of these have their own goal which most of the time are in conflict with each other. The restructuring program must find a solution without satisfying at least two of these three parties.

Because of the diffuse creditors mix, the company needed to adopt a Composition Plan to ensure a binding agreement.

The most important milestone in the negotiations was ensuring Good Corporate Governance and a transparent mechanism to provide creditors with the comfort of management compliance and commitment in carrying out its obligations. The first and most crucial part in the negotiation process was to bring trust from all creditors back on the table. To facilitate all of their concerns and views in

the negotiation, the Astra International Creditors Committee (AICC) was set up in Nov 1998 comprising 4 Japanese banks, 2 European banks, 1 Indonesian bank, and a Trustee of one of our bond issuances. To ensure transparency in the process, Astra updated all the creditors every month by holding creditor update meetings in Singapore, Tokyo, and Jakarta on the development with AICC.

ASTRA'S SOLUTION:

The focus of the restructuring effort was that the debt must be restructured in a way as to give sufficient time for market recovery, and ensure the survivability of the group.

To achieve its goals as well as those of its principal creditors, and to ensure that all constituents were satisfied as best as possible, Astra's management had to set priorities and draft compromises. The framework needed to balance creditor's needs for repayment and protection, with shareholders desire to see a return on their investment. The plan was therefore based on :

- Debt Repurchase to address short-term creditors needs.
- Long Term Creditors repayment to be given the next priority. However, in time and with the recovery of the company's core market the company's flexibility will increase under the plan.
- Shareholders will benefit from the attendant benefits to the stock price that will come from the removal of the possibility of a default, a focused business strategy, significant reductions in debt and a successful restructuring that will nonetheless permit management the needed flexibility to execute the company's long term strategy.

The results of Astra's strategy have been proven effective.

RESTRUCTURING TIMELINE:

1. On August 5, 1998, Astra held its first creditors meeting in Singapore to announce a plan to restructure its debt obligations and suspend payment of principal.

2. On October 22, 1998, Astra International announced suspension of interest payments and provided Information Memorandum.
3. Restructuring Framework presented on Nov 6, 1998 and informal creditors committee established.
4. Discussion on the Restructuring Framework between Astra and the AICC took place from November 1998 to April 1999; monthly updates were provided to all creditors.
5. Secured Rupiah Bond was repurchased on Feb 2, 1999 and a Debt Repurchase program was completed on March 23, 1999.
6. Deloitte & Touche reviewed Astra's and CIBA's financial projections and prepared a report for creditors, released on April 5, 1999.
7. Restructuring framework presented to creditors on April 12, 1999.
8. Creditors approval received on May 14, 1999.
9. Signing ceremony was conducted on June 23, 1999
10. The closing was completed on June 30, 1999.

RESTRUCTURING FRAMEWORK:

- The restructured debt amount is comprised of the aggregate of debt outstanding and its accrued interest.
- The restructured debt amount will be then divided into three separate Series.
- Each Series, which contains both bonds and loans, will be divided into two branches based on the currency of existing debt; branch A (USD) and branch B (IDR).
- Each Series and branch will have substantially the same rights and privileges except for variations in interest rate, term and currency.
- In the end there were 12 facilities (6 loans and 6 bonds in two currencies).

To provide control of the company's cash flow, a mechanism of cash monitoring and control was provided.

The objective of this scheme was to give creditors necessary control and transparency over Astra's cash usage and movement while providing the necessary flexibility to Astra's management so they were able to run their business effectively.

SUMMARY:

Through ups and down, many arguments and many silent moments, in late April the creditors finally approved the commercial terms of the Astra Debt Restructuring Program.

Throughout the restructuring process, Astra investors were also keen to see Astra reaching an agreement with its creditors. When Astra suspended principal payment and announced the plan to restructure, Astra shares went as low as Rp 225 per share. Ever since, the stock price started to rise, reaching Rp 1425 per share on April 30, 1998.

The management concluded the signing of the restructuring documents on June 23, 1999. The share price stood at Rp 3550 per share on the closing date of June 30, 1999.

In summary, the distinct characteristics of Astra's debt restructuring comprised:

Simplify the framework

To facilitate the negotiations between Astra and various creditors (bankers as well as bondholders, domestic and foreign) with different facilities, a creditor committee was established to represent those creditors. There was also a debt repurchase program, to provide those creditors who were willing to make a quick exit, to have their exposure paid (at a significant discount) rather than be dragged through the exhaustive negotiations and be involved in the complicated restructuring process.

Fairness

Astra has fully committed not to propose a haircut for its creditors, only a delay in the payment. Since the economic condition is extremely unfavorable, both creditors as well as debtors are supposed to bear some of the burden. This springs from the fact that it is not the intention of the debtor to avoid the payment. Astra had also allowed creditors to use their own independent auditor to review the financial projection and legal advisor to review the agreement so as not to put the creditors in a disadvantageous position.

Finally, the management feels that the restructuring provides a long term solution for allowing Astra to concentrate efforts on the development and growth of its core businesses which will generate a faster return to paying dividends and growth. ■

*) Ms. Rini Suwandi is President Director of PT. Astra International Tbk.

Canadian International
Development Assistance Program
in Indonesia






Garry Graham, July & August 1999.
PEP Project Ceramics Enhancement
Pattalassang & Masalleng Jaya,
South Sulawesi, Indonesia.

(Photo courtesy of Gail Oglow)

Canadian International Assistance Program in Indonesia

The cornerstone of our development assistance program is to support sustainable development in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

 International Assistance is one of Canada's central instruments to achieve its foreign policy objectives. It is a channel for Canadians to demonstrate their attachment to social justice and their desire to assist those who are less fortunate; it contributes to global security by addressing issues such as human rights and environmental degradation; and it connects the Canadian economy to economies in the rest of the world.

The Canadian International Development Agency (CIDA) is Canada's lead federal ministry delivering Canada's official development assistance program. The cornerstone of our development assistance program is to support sustainable development in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

Canada, like other donor countries, provides development assistance in the form of goods, services, the transfer of knowledge and skills, and financial contributions.

Canada's partnership with Indonesia has evolved considerably since it was first established in 1954, and it rapidly adapted to meet Indonesia's urgent needs following the 1997-1998 economic and financial crisis. In 1998, CIDA's C\$26 million pledge for support was increased by C\$9.7 million in food aid.

CIDA's existing programming in Indonesia focusses on three main thematic areas: private sector development, environment, and governance and human rights. New projects developed in response to the crisis include the social safety net (food aid and family planning support) and technical assistance (governance reform support).

The linkages between private sector firms, and between government bodies and private sector firms are particularly strong in the CIDA programs addressing environmental and private sector support issues. The following two sections offer a glimpse of the breadth of collaborative relationships in these two fields.

CANADA - INDONESIA PRIVATE SECTOR PARTNERSHIPS FOR DEVELOPMENT

In Indonesia, CIDA is currently working in partnership with a range of private sector and government partners to provide training, business advisory services, and policy

recommendations. Together with its Indonesian partners, CIDA recognises that improvements towards more equitable and sustainable growth have to come both from the "top - down" -- through policy improvements which affect the overall business environment, as well as from the "bottom - up" -- through more efficiently run businesses that serve their clients well and provide local employment opportunities. CIDA is currently supporting 6 projects which approach private sector development issues. The Indonesian partners involved

contribute personnel resources, office space and support services for the project activities that have been mutually agreed upon.

One project, the Private Enterprise Participation project, (or PEP), works through the Ministry of Cooperatives, Small and Medium Enterprises (DEPKOP) and the Indonesian Chamber of Commerce (KADIN), in order to provide institutional strengthening to 5 regional KADIN-DAs. They conduct workshops and seminars on topics such as accounting, business planning, marketing, exporting, and e-commerce.

Intensive technical and business training has also been provided to over 100 Indonesian SMEs.

Another project, the Canada Indonesia Technology Network (or CITN), supports the work of the Canadian National Research Council, BPPT and a number of Indonesian

SMEs to provide accessible information technology services. The project also promotes science and technology networking between the two countries, and provides expertise to support the establishment of electronic networks for business.

The Indonesia Co-operative Development Assistance Program (or INCODAP), is a partnership between the Canadian Cooperative Association and five Indonesian co-operatives focussing on capacity building of secondary cooperative organizations. The work

focussing on SMEs includes trade facilitation between co-operatives through the Cooperative Business Network (JUK); micro finance and small-business entrepreneur lending programs; and small business start-up financing for 'pre-coop groups' in the informal sector.

The fourth project addresses the SME financing environment, and it is a new component of a larger project within BAPPENAS, called Development Planning Assistance. Two new pilot projects are being started -- one focussing on the demand side of the equation, the borrowers, and the



Bapak Mangku Wayan Sadia of Swandewi Bali. Swandewi Bali is a woodcarving export business.

other focussing on the supply side, the lenders. The Indonesian Business Women's Association (IWAPI) and the Indonesian Young Entrepreneurs Association (HIPMI) are the initial participants.

A fifth project works with the insurance and pension industries in Indonesia to assist them to move towards international standards by raising professional standards, establishing certification requirements, ethics and discipline. Ernst and Young Canada provides advisory services to the Pension and Insurance Directorates in the Ministry of Finance, training of trainers and other seminars for professional associations (accountants, actuaries, appraisers, adjusters and insurance), and academic support to the University of Indonesia's new master degree program in actuarial science. The final private sector project is funded through CIDA's Industrial Cooperation Program (INC), and it is different from the others mentioned above in that it offers direct support to Canadian firms who are interested in investing and doing business in Indonesia. It is called the Canada

Indonesia Business Development Office (or CIBDO), and it assists Canadian companies with Joint Venture and investment applications to BKPM. The Canadian advisors in Indonesia liaise primarily with medium sized Indonesian firms which are ready to work with Canadian business partners. The objective is to support direct Canadian and Indonesian business partnerships in a way that is beneficial to both countries.

Through these different approaches the Canadian government, through CIDA, is working on ways to support

private sector development in Indonesia, and to promote long term mutually beneficial partnerships. Further information on any of these projects or the INC Program can be obtained from the CIDA website at <http://www.acdi-cida.gc.ca> or from the CIDA section of the Canadian Embassy in Jakarta.

ENVIRONMENT

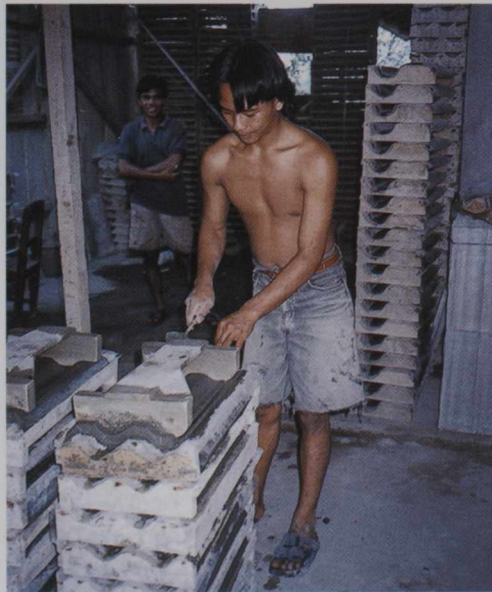
Canada and Indonesia have developed a strong and long lasting partnership in the field of sustainable

environmental management. Past successes include the Environmental Management Development in Indonesia (EMDI) project funded by CIDA from 1983 to 1995. This initiative helped create the foundation for a comprehensive environmental management system, including the creation of BAPEDAL, Indonesia's Environmental Impact Management Agency.

Building on the results achieved through EMDI, the Collaborative Environmental Project in Indonesia (CEPI) focusses on capacity building

to ensure the effective implementation and promotion of environmental policies and programs in Indonesia.

CEPI has developed three related programs to implement this strategy. First, they provide technical assistance involving advisors on specific environmental issues. Second, they help develop education and training programs such as graduate studies, faculty exchanges and research training activities. Finally, they support demonstration projects to illustrate appropriate techniques and technologies for resolving



A PEP Project in North Sulawesi helps entrepreneurs produce roof tiles which bring them prosperity.

environmental problems. Demonstration projects are taking place in different locations in Sulawesi and address various issues including coastal zone management, solid waste management, cleaner production and mining degradation. Executed by Canora Asia Inc, CEPI is the only program integrating government, universities, non governmental organizations and the private sector in solving environmental issues.

The Kaltim Social Forestry Project is providing assistance to the Mulawarman University to strengthen its Center for Social Forestry in Samarinda. It was built around the important interrelationship that exists between East Kalimantan's population and its primary and secondary rain forest which cover 85% of this province. Indigenous Dayaks, plantation owners, and transmigrants who have settled in the area compete for the right to use and manage the forest resources. Support for conflict resolution was needed. Thus, the project aims at strengthening the Center's capacity in social forestry, through the provision of professional development, research, curriculum and training. The project is implemented through a partnership between the University College of the Cariboo in Kamloops, British Columbia and the Mulawarman University.



Coastal management is an important aspect of Indonesia's environmental program, assisted by CIDA.

The Radarsat Data Evaluation Project in Indonesia came about as many provinces in Indonesia lacked maps of natural resources distribution and environment conditions. Therefore, they were unable to assess the current state of their resources, nor could they evaluate

the rates of changes and trends of resources.

The project involves Canada Centre for Remote Sensing (CCRS), RADARSAT International Ltd. and BPPT. This project aims at strengthening Indonesia's capacity to manage its environment through the development and application of radar remote sensing technology (RADARSAT), particularly for the management of its marine and coastal zones. Activities include training workshops,

data acquisition from RADARSAT, the integration of this acquired data into a geographic information system, and the production of maps. The main fields of interest include mangrove mapping, agriculture and aquaculture monitoring, ship detection, sea state monitoring, and coastal land use classification. ■

Education and
Culture



Some of the Best Years of My Life

Recollections of My Study in Canada

by: Tunky Ariwibowo *)

In early August of 1958, my life underwent a radical change after being granted the Colombo Plan Scholarship to continue my education in a developed country. I proudly recollect the moment of truth when I boarded a Qantas flight to London en route to Canada. On my arrival in Ottawa I was allotted to study at the Nova Scotia Technical College in Halifax, Nova Scotia.

The technical college was of an exceptionally high standard and offered both practical and academic education. In addition the extra curricular activities were designed to develop confidence and self-sufficiency amongst students. It was my home for the next two years and soon turned out to be the place where I spent some of the best years of my life. Scholarships provided by advanced



countries are designed to bridge the quality gaps prevalent with students of developing countries. It provides a win-win situation to both the donor and the recipient countries. For the donor countries it provides closer international relations and for the recipient country it provides opportunities to its citizens to broaden their horizon by interaction with people of other countries.

Living in Canada, I took two summer jobs, which were as

follows:

- 1959 - The Dominion Iron and Steel Company Limited in Cape Bretton Island
- 1960 - INCO copper refinery in Sudbury, Ontario

These two summer jobs gave me a good insight to the Western way of life. I noticed the close links and relationship between several layers in society, the unique bond between labor and management and most importantly the values and contributions made to the society. In return the society through the government provided essentials, security and infrastructure to live in perfect harmony.

Back in Indonesia my first task was to take over as Project Director of the national steel project in the mid 1960's, which started with Russian financial and technical aid. I was then promoted to President/CEO of this steel plant which grew in stages over a period of two decades into the largest integrated steel plant in South East Asia. The steel plant provided the needed inputs for a nation that

recorded continued growth in the manufacturing sector. Following this position, I was given a political role in the Government to serve as Cabinet Minister with the portfolio in Trade and Industry. During my time as the Minister, Indonesian manufacturing industries recorded the highest growth rate and Indonesia developed into a new industrial nation following in the footsteps of many developed countries.

My links with Canada continue and in 1997, I was invited back to my campus in Halifax, Nova Scotia to be given the Honorary Degree. ■

*) Mr. Tunky Ariwibowo is graduate of the Technical University of Nova Scotia, Canada. Former Minister of Trade and Industry of Indonesia. Now president director of PT Distrindo, Jakarta, Indonesia



Mr. Tunky Ariwibowo, delivering a speech during a ceremony when he received an Honorary Degree from his alma mater, Technical University of Nova Scotia

Canadian Education Centre in Indonesia

The Gateway to an Education in Canada

The Canadian Education Centre (CEC) is a non profit organization that has been established to promote awareness in Indonesia of the benefits and opportunities in pursuing study in Canada

Canada may not immediately spring to mind for many

Indonesian students examining foreign study options. The oversight is due more to a lack of awareness of Canada as a country. And yet, for the past several years, the United Nations survey has repeatedly ranked Canada to be the best country in the world in which to live. The survey evaluates quality of life in 174 countries, using over 200 performance indicators. High life expectancy, low crime rate, and quality of education are some of the factors that are quoted in the survey. But there are many other advantages to studying in Canada.

Canadian universities charge lower tuition rates for international students than their counterparts in competing countries and at the same time maintain excellent educational



The Canadian Education Centre, located at the World Trade Centre on Jalan Jendral Sudirman in Jakarta.
Tel : (021) 525-4905. Or visit www.studyincanada.com

quality. Canada is a country of immigrants and has both a tradition and policy of encouraging multicultural diversity. Almost all of the world's ethnic groups are represented in Canada. As a result it has a very welcoming environment. In addition, many diverse cultural experiences are available in Canada. Canada is experiencing rapid growth in its high tech industry and has an international reputation in such sectors as telecommunications and engineering; especially aerospace, urban transport, microelectronics, geomatics and environmental industries. Canada is a bilingual country with two official languages, English and French. As a bilingual nation, Canada offers superior English as a second language (ESL) and French as a Second Language (FSL) training for students wishing to learn either or both languages.



Prime Minister Jean Chrétien officially opening the Canada Education Centre. In the background is Canadian alumnus, Pak Tunky Ariwibowo, then Minister of Industry and Trade and Pak Wardiman Djojonegoro, then Minister of Education and Culture, with Canadian Secretary of State for Asia Pacific, Raymond Chan.

The Canadian Education Centre (CEC) is a non profit organization that has been established to promote awareness in Indonesia of the benefits and opportunities in pursuing study in Canada. The CEC offers counselling services, provides guide books, international handbooks, brochures, course curriculum, visa counselling and applications at no charge. ■



The CEC is a resource centre open to the public, providing material on Canadian educational institutions and advice on how to apply to them.

Indonesia-Canada Islamic Higher Education Cooperation

The ultimate goal of the project is to contribute to the development of social equity and stability in Indonesia

For the past 10 years, a unique partnership between Canada and Indonesia has quietly built bridges between the two countries --

bridges that are contributing to the evolution of the largest Muslim country on the planet.

The Indonesia-Canada Islamic Higher Education Project, administered by McGill University, has brought 91 young Muslim teachers from cities across the archipelago to Montreal to further their studies. The direct result of the program has been to strengthen the teaching, research and management capacities of the State Institutes for Islamic Studies (IAINs) and to support the participation of women in those activities. But the downstream affects are far more profound.

"The ultimate goal of the project is to contribute to the development of social equity and stability in Indonesia

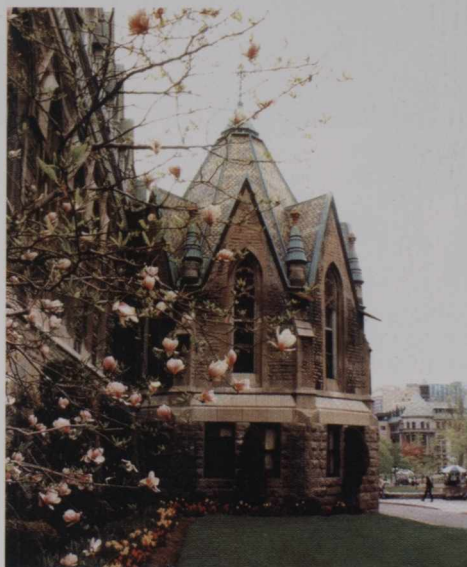
-- an ambitious goal. However, the IAINs are seen as playing a key role because of the basic relationship between religion and development in Indonesia," says project director Wendy

Allen. "These institutions train about 80 per cent of the teachers for the Islamic education system which includes elementary, junior and senior secondary schools as well as the IAINs.

Graduates of the IAINs also work as judges in family courts, journalists and community developers and are active in the large community-based Muslim organizations, Muhammadiyah and Nahdlatul Ulama, and in non-governmental organizations."

"The future of Indonesia rests on the modernization of Islamic education and the McGill project is critical to the

evolution in thinking about Islam in this country," says Mochtar Buchori, a top advisor to the country's new vice-president, Megawati Sukarnoputri, and long-time champion



McGill University Montreal, Canada

of the project.

McGill also supports Indonesia's commitment to religious pluralism. Specialists in Hinduism, Buddhism and Christianity from McGill's Faculty of Religious Studies are working with the IAIN in Yogyakarta on programs in comparative religion and inter-religious harmony.

The McGill project is one of the major programs funded by the Canadian International Development Agency in Indonesia. To date, the project has graduated five PhDs - five more are in progress - and 73 MAs, with a further eight underway at McGill. One-third of the participants are women. In addition, more than 500 IAIN staff have received short-term training in Canada and Indonesia and 85 have received bachelors degrees in Library Studies from Universitas

graduates from Indonesian institutions clearly linked to Middle Eastern centres of learning," says Dr. Fuad Jabali, 34, who completed his PhD at McGill in the spring of 1999 and lectures at the IAIN in Jakarta.

"Their views tend to be dominant and static and it is not good for the development of healthy academic discussion, learning and research. There are books you're not allowed to read or cannot find, and questions you cannot ask in class. If the assertion is true- I think to some degree it is- and the situation is not changed then we will continue to produce generations of students who are narrow-minded and they in turn will educate others the same way."

The "trickle-down" effect of new perspectives into contemporary religious study in Indonesia cannot be



Riduan Zain, Fauzan Saleh, Hamid Nasuhi, Awalia Rahmah, Sukiati Sugiono, Dawn Richard, Al-Makin, Mizan Sya'roni, Andi Muhammad Ali, Muhammad Agus Nuryanto, Prof. Uner Turgay, Sua'idi Asy'ari, Amirul Hadi, Sri Mulyati, Wendy Allen, Joana Gacek, Masdar Hilmi, Lori Novak, Jennifer Towell, Munir, Kusmana Oking, Hasnul Arifin Melayu, Mujiburrahman, Safrul Muluk, Sumedi, hamdan Juhanis, Chuzaimah Batubara, Yeni Ratna Yuningsih, Sukiati Sugiono, Hamidah Latif, Nazli Hanum Lubis, Nazmah Sayuti.

Indonesia to meet the urgent need for improved libraries in the IAINs. Upon graduation, McGill alumni return to teach at the IAINs, to bring their expertise and experience in the West to students who have never been exposed to the broader, contemporary thought about Islam and its place in the modern world.

"It has been ascertained that Islamic studies has mainly been dominated by Arabian and Egyptian graduates or

overestimated. In the 700 years since it first appeared in Aceh at the northernmost end of the archipelago, Islam has woven itself into the fabric of the country. Particularly in Java, Sumatra and Sulawesi, the mosque is the center of community life and local religious leaders have immense political, social and economic influence.

Nowhere is this more evident than in the local "pesantrens" or Islamic boarding schools, the last educational

opportunity available to many of the poorest families and the seedbed for numerous political movers and shakers, including Indonesia's newly elected president Abdurrahman Wahid, and influential Yogyakarta university professor Amien Rais, the new parliamentary speaker.

Most IAIN students, including Canadian project graduates like twenty-seven-year-old Yeni Ratna Yuningsih, come from this environment. A firm believer in the importance of pesantrens in breaking down old orthodoxies and anti-West biases at the grass-roots, Yeni's desire to study at McGill was supported by her father, a Kyai, or religious leader in the West Java town of Sukabumi.

"Many people have negative opinions of the West, that is the truth today, but I have the opportunity when speaking to the women to show that those opinions are not necessarily true, that we can appreciate the differences between people," says Yeni, whose family runs a pesantren with 500 students. "They believe we will get indoctrinated, that we'll return believing that the Islam we learned was wrong. This is not the case, I tell them. We can learn about ourselves by studying in the West. We can learn about Islam from non-Muslim academics. It is important to open their eyes to this fact."

There are plans to expand the scope of the project into the new millennium, says director Allen. The proposal would see McGill University assist in improving Islamic education at the primary, junior and senior secondary school levels through programs in Education and Library Studies. It would also bring the School of Social Work at McGill together with the Faculties of Community Development at the IAINs to work with NGOs at the grass-roots level.

The Faculty of Arts and the Institute of Islamic Studies at McGill will develop an interdisciplinary graduate diploma which would greatly enhance the IAINs' capacity to produce PhDs, critical to the development of the IAIN system. The diploma program would be part of a "McGill Corner" on campus which, like the program of the University of Al Azhar

(the well known Middle Eastern Islamic University), would add to the international dimension on IAIN campuses.

"Indonesia is a deeply religious nation where religion and development are inextricably tied," says Allen. "We have lots to learn about and from Indonesia. The project is a unique fit that provides benefits for both Canadians and Indonesians." ■



Students of the McGill Islamic Studies Program Outside the Centre for Graduate Studies, McGill University. From front to back, Nursiah Fakhri Sutan, Siti Syamsiyatun, Shalahuddin Kafrani, Susy Ricciardelli, Dardiri Husni, Ismatu Ropi, Achmad Zaini, Mizan Sya'roni, Ahmad Imam Mawardi.

LaSalle in Indonesia

by: Poppy Dharsono *)

LaSalle College Group-LCC-is a privately owned holding company with affiliates specialized in the areas of career education, personnel training, consulting services, project management and technology transfer.

More than ten years ago, the LaSalle College Group responded to the many requests around the world for professional training institutions of higher level. LaSalle International Colleges were opened in Casablanca and Rabat, Singapore, Kuala Lumpur, Istanbul, Beijing, Changchun, Huizhou and Shanghai, Jakarta, Bogota, and Tunis.

The school in Indonesia illustrates well the synergy between the institution and the local industry.

The Indonesian Textile Manufacturers Association, Asosiasi Pertekstilan Indonesia (API), together with the Indonesian Association of Fashion Designers, approached LaSalle College Group in 1995, with a view to form a partnership and open a professional school in Indonesia.

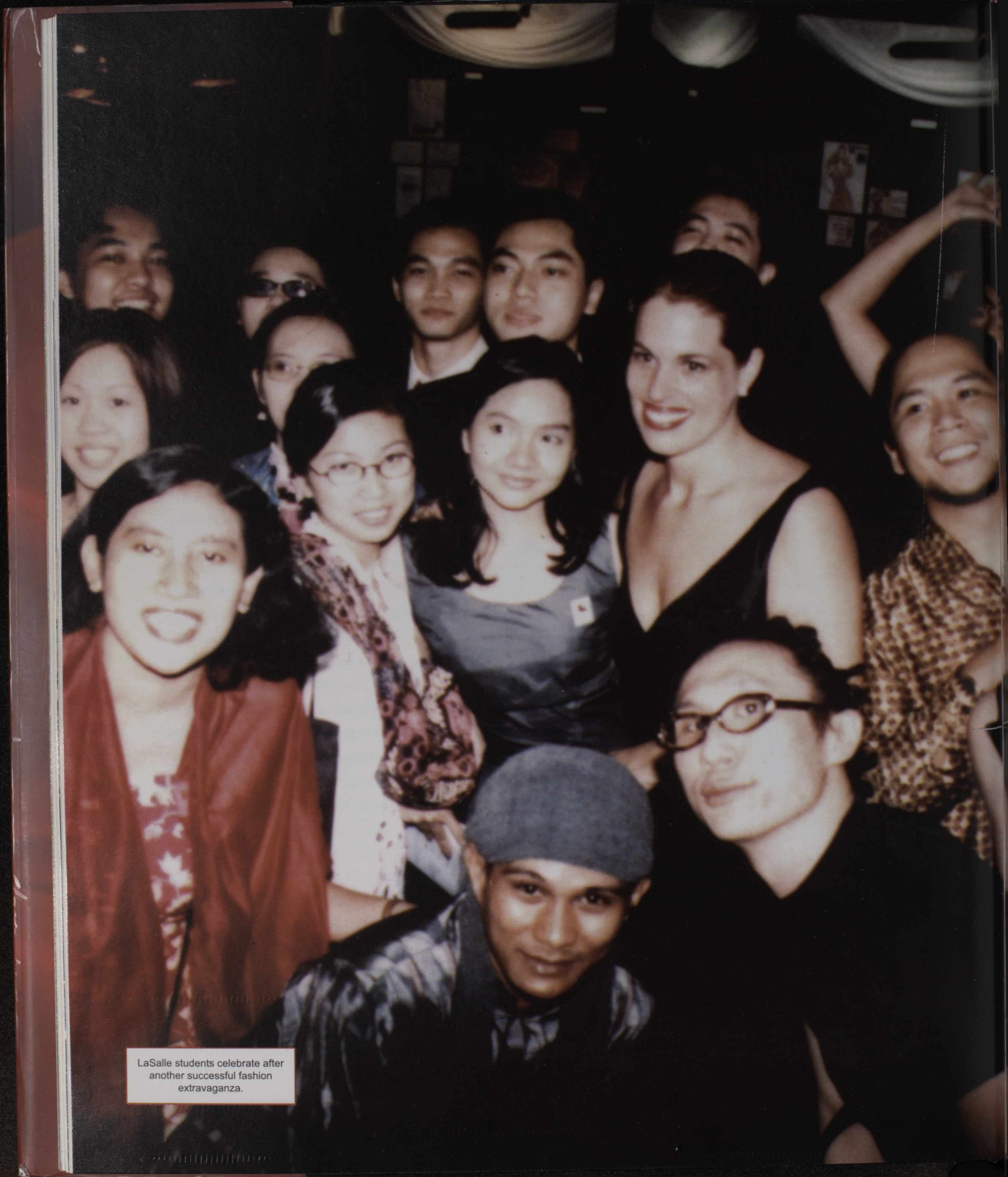


A viability study was made, a partnership agreement was signed and the school project was put on track.

From the moment operations were started in Jakarta in 1997, it was evident that the local industry had very high expectations from the institution. Not only was the new school expected to train future generations of young entrepreneurs, but also to help bring solutions to immediate problems, especially when the Asian crisis hit the local economy full blast.

LaSalle College took it upon itself to enlarge its mandate into concrete areas where its expertise could help the industry in very practical ways, in a very short time.

It started giving itself (and the industry) some tangible tools in the areas of research and development and established the groundwork for even more active cooperation with the Trade. The result was the development of the LaSalle Industry Center, the first part of which opened in Jakarta in July 1998.



LaSalle students celebrate after another successful fashion extravaganza.

The LaSalle Industry Center is a very important innovation. It is designed to become a reference centre for the industry in Indonesia and the core of an ecosystem for tangible business activities. Since November 1999, when the school expanded to larger accommodations in Kuningan Jakarta, it has offered a whole range of new facilities that can serve local professionals as well as foreign buyers and suppliers wishing to do business in Indonesia. It is the most comprehensive one-stop showroom for products and services related to the textile and fashion business in Indonesia.

This effort has met with enthusiasm and support not only from the local industry, but also from some of the key players in the development of textile and fashion worldwide. The new LaSalle Industry Center features product development room for IBM, DuPont Asia, South Pacific Viscose, The Woolmark Company, Cotton Inc, Lectra Systems and others. Each company will have its own space, providing information on fabrics manufactured in Indonesia and on new developments from their world-wide research facilities.

In addition to providing information about new international designs, trends, innovations and development, one of the main functions of the LaSalle Industry Center is to carry on intensive research into the history and diversity



of the Indonesian cultural heritage, especially with regards to design in costumes, fashions and textiles.

With the help of many local collectors interested in Indonesian culture, a project was started to conduct research on the traditional costumes of Indonesia in their



historical context, and to study the differences in fabrics, woven and knitted patterns, typical use of adornment, colours and prints in the 27 provinces of Indonesia.

The LaSalle Industry Center has already become the most complete reference Center for the Indonesian textile and garment industry. Its database is one of the most complete in the country. There are over 3000 Indonesian fabric samples illustrating current production trends in the country.

Not forgetting its primary mission of providing professional training to the trade, LaSalle has created over 100 different professional workshops and seminars geared at providing specific solutions to different problems faced by the industry in fashion, marketing, multimedia, communications and in e-commerce.

The next challenge will be to construct an Internet "Gateway to Indonesian Fashion" Website, complete with proper research engines, a project already on the way with the help of IBM, and Sistelindo. ■

*) Ms. Poppy Dharsono is chairperson of Indonesian Garment and Accessories Association, President of Indonesian Fashion Designers Association, Vice President of the Indonesian Chamber of Commerce and Industry

Haute Couture The Optimum in Fashion

by: Harry Darsono *)

Indonesia has to diversify its export of textile products to Canada. In addition to the present sales of basic items, Indonesia has to start exporting value added products such as haute-couture creations of Indonesian designers.

Spanning a period of 25 years as a designer of haute couture includes several dimensions which may be regarded as fairly groundbreaking in the conventional world of the haute couture, but which are in fact essential if haute couture is to be viewed as the optimum in fashion.

One of the features of the couture as I understand it, is that it is all-encompassing, a total look made to suit one's personality, one's character, and what personal features one wishes to highlight or to conceal on specific occasions. Blending the classic with the modern, using colors signifying specific features and in accordance with values in the visual arts, my designs are exquisite samples of a new art in the

haute couture. My clientele who reside in Italy, France, the UK, the USA, and Japan, besides of course Indonesia, have expressed appreciation for the ultimate exclusivity of handmade textiles and total-finished garments of my design.

I usually make my own designs on silk. These can be

hand drawn (batik), handwoven (ikat), Tapestry (tapis), beads, seeds & sequins, and embroidery. The designs may be traditional based, but the end product is always completely contemporary. Layouts and color schemes translate the historical into modern idiom.

Particularly for the hand paintings and the embroidery of beads and

sequins on silk hand spun and handwoven, I am assisted by a team of young people, usually dropouts or recovering from



drug abuse in the rehabilitation center I have set up. These students will have acquired a certain level of skills in carrying out the art of fine needle work which I teach them and which they can use once they take up independent jobs in this branch.

My concept also includes jewelry suitable to the dress. Conventionally, jewelry has been held separate from the haute couture, but in my view, it is an essential part. This too is gradually reaching substantial levels. I believe my approach to haute couture can be brought to exciting heights in the new millennium which requires innovative and holistic ideas. One may well say that blending the arts with haute couture, is fitting to play a role in the forthcoming millennium.

I pursuing this ideal, I cooperate with several parties, like Harry Winston, Van Cliff & Arpels, Piaget, Cartier, Bulgari and Mauboussin in Bahrain which was initiated by the organizing committee of the 'Jewelery Arabia' exhibition in 1998 and continued in 1999.

Another partner is The World Gold Council which organizes the International Jewelry competitions, and in whose meetings and consultations I take part, providing comments from designer's and an artistic point of view. I am taking part as a member of the local Team of Judges to make a selection for the international competition. I was also member of the International Team of Judges in Hongkong, who convened in September 1999 for the selection of the best prize winning award of the

'Millennium Gold for Eternity Design Competitions'.

I like to think of my creations as an art, an Art to wear, and I am paving the way for haute couture to play an integrated role in various other forms of art. The Products of the this view have found a warm welcome, particularly among the elite. In fact, I started introducing this concept in Indonesia in 1987. The special features of such designs were also warmly greeted in the international world. In 1994

I was invited to participate in an Art to Wear and Haute Couture show called 'Expanding Horizons Australia-Indonesia towards the 21st millennium', as well as an Art to Wear and Couture exhibition which was held in six European countries besides Jakarta.

Blending the art to wear with other branches of the arts, I have also made designs for exclusive stage costumes. Since 1979, I have been particularly involved in designing the costumes for the staging of Shakespeare's works in Indonesia. These pertained to Indonesian, contemporary versions of Hamlet, Othello, and

Carmina Burana, and Julius Caesar which was staged here in May 1997. The use of specific colors is one of the key elements in highlighting personal features of the Shakespearean characters. The rich variety of shades of the Indonesian cultural heritage is an additional source of inspiration.

In the 25 years I have benefitted from the studies I pursued at the Department of Clothing Technology of the



Bustier: Hand Embroidery on Silk Velvet, made with gold string 22 carat



London College of Fashion, the London Film & TV Academy for stage production, and last but not least at the Department of Psychology of the Christchurch College in Oxford/UK. While I include design for ikat textiles, the major material I work with is silk. Exports have been recorded since 1976 to South Korea, Italy, and a Chinese silk factory through its agency in Singapore, as well as Shanghai and Beijing (1986).

Some of my major works have been collected by museums, among others, the Textile Museum in Jakarta/Indonesia, and museum in Europe, Australia, the USA.

As I continue designing, I pursue spreading knowledge and skills in the spirit of my leitmotif which reads 'Let us grow like a big tree'. I therefore spend an equally amount of time teaching at universities, and sharing in informal groups, at home and abroad. ■

*) Mr. Harry Darsono is an Indonesian Couturier and contemporary textile artist. His contemporary textile art and all silk art to wear are collected by the Beechwood family who owns a private textile art gallery in Vancouver, Canada



Kaleidoscope



K A L E I D O S C O P E

Some Images from Our Bilateral Activities



ICCC President M. Sutara welcomes Canadian Prime Minister Jean Chrétien and Mrs. Aline Chrétien at a reception during business meetings between Indonesian and Canadian entrepreneurs at the Jakarta Convention Center.



ICCC organizes a biannual presentation of awards in Jakarta to Indonesian and Canadian companies who have achieved business excellence in bilateral economic relations.



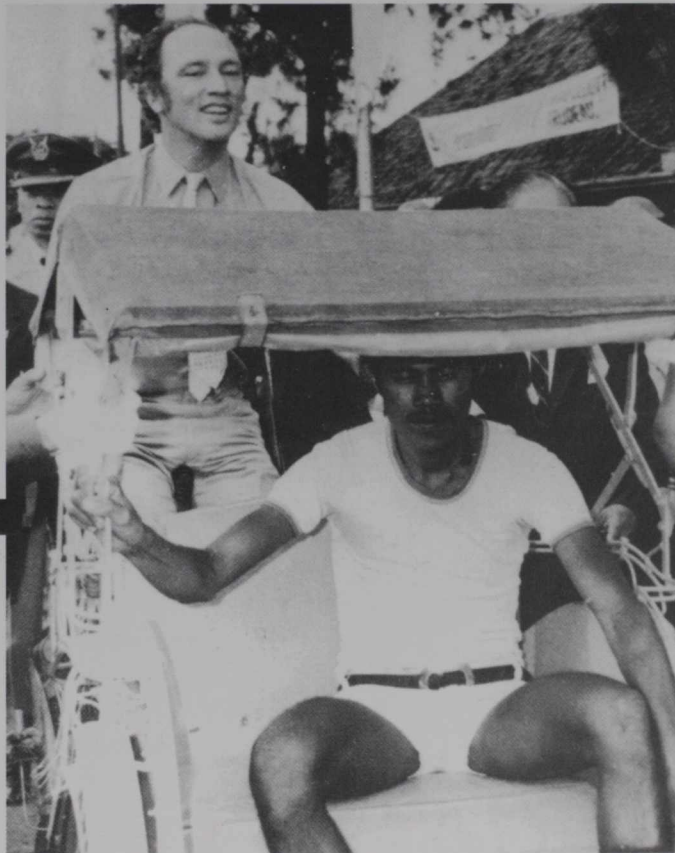
The business luncheons and breakfast meetings are regular monthly events organized by the ICCC in Jakarta, with Indonesian and Canadian guest speakers.



Indonesian Traditional Dances were performed in several Canadian cities during an Indonesian Mission in Canada.



Election Campaign? No, it was Ambassador Surquist opening a sport competition and outdoor gathering at International School compound Jakarta in the frame work of Canada Day 1999 celebration.



Canadian Prime Minister Pierre Trudeau pedals a Becak while the becak driver sits in the front seat. The unique photo of the flamboyant politician was taken in Jakarta in 1976. (photo courtesy of KOMPAS daily, Jakarta)



Every second Thursday of each month Canadians and Indonesians get together at ICCO Pub Night in Jakarta, sharing light moments after a hard day's work.



Indonesian Ambassador and Mrs. Budiman celebrate Indonesian Independence Day 1999 in Ottawa. They posed with Balinese dancers before the reception.



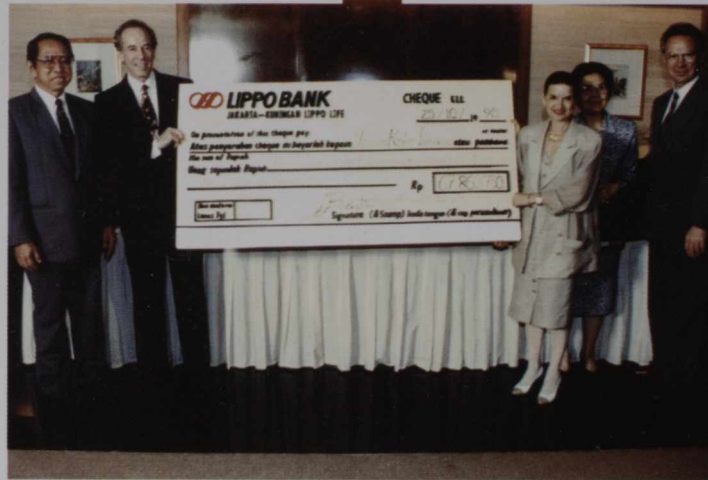
In Toronto, a group of Canadian musicians called "Gamelan Toronto" are practicing Indonesia's traditional musical instruments with some Indonesian trainers, showing cultural interest and appreciation.



The Terry Fox Run in Jakarta was initiated by the Canadian Embassy, the ICCC, and The Regent Hotel. The Run receives growing interest and participants every year to help raise money for cancer research.



Chairperson of the Indonesian Cancer Society, Mrs. Umar Wirahadikusumah and Ambassador Gary Smith waved the starting flags of The Terry Fox Run, witnessed by Sport Minister Hayono Isman, Education Minister Wardiman and ICCC President M. Sutara.



The proceeds of the first Terry Fox Run were presented by The Terry Fox Committee represented by Mr. Isadore Sharp, CEO of The Four Seasons Hotel & Resort and M. Sutara, President of ICCC. The recipient was the Indonesian Cancer Society represented by Mrs. Umar Wirahadikusumah, witnessed by the Canadian Ambassador and Mrs. Margaret Dickenson.



Golf tournaments for ICCC members and friends are held bimonthly at some of the beautiful golf courses of Jakarta.



A bowling tournament for members of the Indonesia Canada Chamber of Commerce (ICCC), Canadian Alumni in Indonesia (Calindo) and the Canadian Women's Association (CWA) is organized every three months.



A dazzling fashion show of Indonesian designs performed by Indonesian models during a Mission to Canada.



Investment in the Community: A Blood Drive by the staff of Manulife Indonesia in co-operation with the Indonesian Red Cross.



An annual Black Tie event is organized by Indonesia Canada Chamber of Commerce (ICCC) and Canadian Women's Association (CWA) in the form of The Maple Leaf Ball. The proceeds of the Ball are donated to charity through CWA.



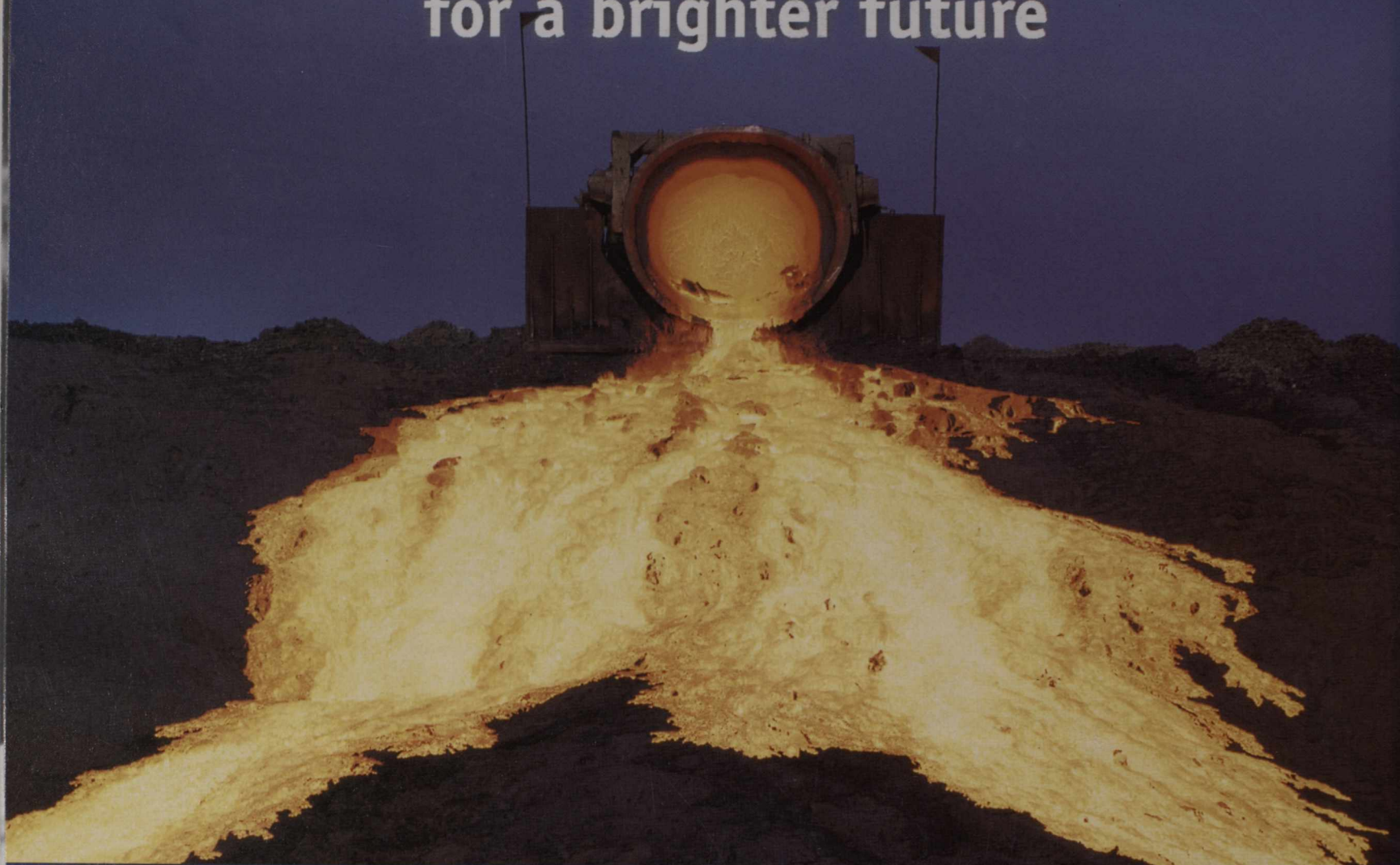
The ICCC organizes seminars on topics of interest to its members, such as this one on exporting seafood products to Canada in cooperation with Trade Facilitation Office of Canada.



Canadian Prime Minister Chrétien addressing Indonesian business people during Team Canada's visit to Jakarta in 1996.

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