

# Statement

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**NOTES FOR AN ADDRESS BY  
THE HONOURABLE ROY MACLAREN,  
MINISTER FOR INTERNATIONAL TRADE,  
TO THE CANADA-INDONESIA BUSINESS COUNCIL  
BREAKFAST MEETING**

**TORONTO, Ontario  
December 4, 1995**



Government  
of Canada

Gouvernement  
du Canada

**Canada**

I am delighted to be here this morning. I thank the Canada-Indonesia Business Council for inviting me to address your breakfast meeting.

As many of you may know, I have recently returned from Indonesia where I had the pleasure of leading a mission of 25 Canadian companies who are already active or seek to be participants in that burgeoning market. My visit was one of several events that have marked what has been an intense year in Canada-Indonesia relations.

Over the last year, there has been an unprecedented series of visitors in both directions. One year ago the Prime Minister joined in the APEC [Asia-Pacific Economic Co-operation forum] Summit in Bogor. His visit to Indonesia was followed by seven Indonesian ministerial visits to Canada and five Canadian ministerial visits to Indonesia, including those of the Secretary of State (Asia-Pacific) and the Minister of Transport with a 17-company mission in the transport sector.

On July 1, we opened an Honorary Consulate in the second-largest city of Indonesia: Surabaya, in the Province of East Java, which is enjoying the highest economic growth rates outside Jakarta.

All this transpacific travel testifies to the fact that Canada and Indonesia already enjoy a dynamic bilateral relationship. Indonesia is our largest market for merchandise exports in Southeast Asia. We expect that two-way merchandise trade will exceed \$1.1 billion this year. In addition, our exports in services to Indonesia are an increasingly important factor in international trade, which will exceed \$100 million this year. Indonesia is also the most important destination for Canadian investment in Southeast Asia. The value of Canadian investment in Indonesia today is estimated at \$6 billion.

Canada has been successful in Indonesia just as it has been successful all over the world. In fact, our global trade performance has never been so impressive. From 25 per cent of our GDP only five years ago, our exports now represent 37 per cent of our GDP based on figures for the first six months of this year. This is truly remarkable. Sound macro-economic policies and hard work at the level of each and every Canadian company are largely responsible for this unprecedented export boom. Canada has been undergoing a remarkable transformation.

Over the past 25 years, Indonesia has also undergone a remarkable transformation supported by high and stable economic growth rates, averaging 6.5 per cent annually. This fundamental transformation of the Indonesian economy was made possible by the Indonesian government's commitment to trade and investment liberalization. Economists are now predicting that in the next five years, Indonesia will be among the top 10 economies in the world. Already, middle class income Indonesians are equal in number to Canada's entire population.

Obviously, Indonesia is a dynamic country which should be increasingly recognized in the business strategies of more and more Canadian firms pursuing business opportunities in Asia.

The importance of our bilateral economic partnership is why Prime Minister Chrétien has made Indonesia a principal destination in his Team Canada mission to South and Southeast Asia early in January.

The Prime Minister's Team Canada mission represents the largest Canadian business delegation ever to travel to Indonesia. It comprises hundreds of representatives of leading Canadian firms, small and large.

Members of the business delegation will have the opportunity to participate in the Canada-Indonesia Business Conference taking place at the time of the Prime Minister's visit. The Conference, which I hope to co-chair with my Indonesian counterpart, will provide practical insight on doing business in Indonesia. It will focus on the seven priority sectors: transport, energy, telecommunications, environment, agri-food, education and financial services.

Canada and Indonesia are a "good fit." The development of Indonesia's natural resources – especially mining, oil and gas and forestry – has benefited from Canadian investment and technology for over 30 years. Indonesia's enormous requirements for large-scale infrastructure development in the energy, transport and telecommunications sectors match Canadian capability to an exceptional degree. Environmental services also represents a key area for Canadian companies in Indonesia. Canadians, through our aid program, have assisted in the formulation of Indonesia's environmental regulatory framework, resulting in a special opportunity for our environmental engineering and service firms. These and other factors augur well for yet greater Canada-Indonesia trade and investment.

In Indonesia, as in many other markets, it is important for a company to make a concrete commitment to the market by establishing a local office or by forming a joint venture with a local partner. Already there are over 100 Canadian companies represented in Indonesia in one form or another and more are entering the market every month.

Although attention is often focussed on large companies, the Canadian presence in Indonesia is not limited to only internationally renowned corporations. Small and medium-sized firms with unique expertise in emerging technologies and specialized services are also active.

In effect, SMEs [small and medium-sized enterprises] account for a significant portion of the 200 per cent increase in the number

of Canadian business visitors to our embassy in Jakarta. Several of these companies are pursuing joint ventures or putting in place technology transfer arrangements with Indonesian counterparts.

We support the expansion of these business linkages through strengthened trade promotional activities and innovative export financing and insurance programs. The Canada-Indonesia Business Development Office, a project being implemented by the Canadian Exporters' Association with the support of the Canadian International Development Agency, assists Canadian firms in their investment and technology arrangements through the work of resident advisers located at "BKPM" [Investment Co-ordinating Board] and "BPPT" [Agency for Applied Research and Technology].

For its part, our Export Development Corporation, EDC, has expanded its lending programs to include not only government-to-government transactions, but also support for private sector procurement from Canada and financing for large-scale capital projects.

The first of what I hope will be a number of private sector lines of credit was signed by EDC with Indonesia's Bank Umum Nasional in May of this year. This facility, which will support transactions with a value of \$100 000 or more, is of particular importance to Canadian and Indonesian small and medium-sized firms who require export financing. There are already a number of transactions in the pipeline. They will add to the extensive EDC portfolio in Indonesia, which has accounted for over \$800 million in financing support since 1970.

We are also working closely with the Indonesian government to conclude a number of important bilateral agreements to help foster business links. Negotiations have begun towards the conclusion of a foreign investment protection agreement, which will provide further security to Canadian investors and to Indonesian investors in Canada.

We began today in Indonesia the negotiation of an air services agreement. This will permit the establishment of a direct air link between our countries with, on the Canadian side, Air Canada as the designated carrier.

There are other agreements, in fisheries products inspection, geomatics and nuclear technical co-operation, which are in an advanced stage of discussion.

The co-operation between Canada and Indonesia is also evident in multilateral and regional forums such as the new World Trade Organization [WTO], ASEAN [Association of Southeast Asian Nations] and APEC.

In those and other organizations Canada and Indonesia share a commitment to increased trade and investment liberalization. As members of the World Trade Organization, we support multilateral trade and investment rule making. As export oriented economies dependent on an open trading system, we both seek to reinforce the international commitment to increased market liberalization, improved access for our products and services, and co-operation in trade and investment facilitation.

Last week I was the host of a meeting in Vancouver that brought together 10 trade ministers from some of the leading middle-sized countries of the WTO. Indonesian Trade Minister Joedono participated actively in the meeting. The meeting marked a first step in laying the groundwork for the first WTO Ministerial Conference to take place in Singapore in December 1996.

The Vancouver meeting followed closely the successful APEC Ministerial and Leaders' meetings that took place in Osaka last month. At the meeting we were able to reconfirm our commitment to the vision articulated by APEC leaders in Bogor one year earlier, committing member economies to free trade in the Asia-Pacific region by 2010 and 2020.

In Osaka, we adopted an "Action Agenda." The Agenda reflects the Asian preference for a consensus-based process or soft negotiations. It has two main elements - a set of principles to guide us in achieving the Bogor vision and a method by which members actually pursue free trade in the region.

As a first step, each APEC member will develop individual liberalization packages, which will be reviewed by other members over the next year and announced at the next APEC Leaders' and Ministerial meetings in Manila in 1996. Implementation is to begin January 1, 1997.

Additionally, in Osaka, we established the APEC Business Advisory Council as a permanent body that will ensure continued private sector involvement in APEC.

The business community has been the main driving force behind the push for trade and economic liberalization throughout the APEC region, including Indonesia. We must also ensure that, at a very practical level, business people respond effectively to the myriad of new market opportunities available in Southeast Asia and North America.

Your Business Council, as the bilateral business group that represents the growing economic partnership between Canada and Indonesia, can play an important role in this regard by providing an essential link between our business people. You can also bring home the good news about Indonesia's ongoing privatization program, recent economic reform measures, and the removal of

impediments to increased trade and investment flows. These are not only tangible demonstrations of Indonesia's commitment to the WTO and APEC objective of trade and investment liberalization but they also constitute important elements that should be factored into the Asian business strategy of Canadian companies.

I appreciate the opportunity to meet with you this morning. Next month I look forward to returning to Indonesia with Prime Minister Chrétien and Team Canada to witness the signing of several business deals that many of you have been pursuing in the Indonesian market.

Thank you.