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**NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
TO A JOINT MEETING OF THE
INDONESIA-CANADA BUSINESS COUNCIL,
THE CANADIAN BUSINESS ASSOCIATION
AND THE CANADA-INDONESIA BUSINESS COUNCIL**

**JAKARTA, Indonesia
November 13, 1994**



Government
of Canada

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Mr. Chairman, your excellencies, distinguished guests, ladies and gentlemen.

I am honoured to have this opportunity to address this joint meeting of the Indonesia-Canada Business Council, the Canadian Business Association and the Canada-Indonesia Business Council.

I have to come back to Jakarta for a second time within a month -- this time, ~~to attend the Asia-Pacific Economic Co-operation~~ [APEC] Ministerial Meetings, which will be followed by the Asia-Pacific Leaders meeting in Bogor this coming Tuesday. During our deliberations over the past two days, we have discussed a number of issues that will affect the future economic growth and prosperity of the region, the most important of which is the need to reaffirm our commitment to the early ratification of the World Trade Organization.

I congratulate the Indonesian government for having done so already. In Canada, we introduced our legislation in our Parliament on October 25 -- legislation that is supported in principle by all of our main political parties. I fully expect that the World Trade Organization legislation will be approved and enacted by the end of the year. I look forward to others, particularly to our largest trading partners, doing so quickly as well. This remains the world's number one trade policy priority.

Beyond this, we have come to Jakarta to chart the future direction of APEC as we stand on the threshold of the Pacific century. Here in Jakarta last month and again over the past two days, Ministers declared clearly that we are ready to challenge ourselves and our world trading partners to start the process of further trade and investment liberalization. APEC has already commissioned and received some excellent outside advice on this issue, in addition to that which we received from our officials. Both the APEC Eminent Persons Group and the Pacific Business Forum echoed a central theme: this region's increasingly critical role in driving the world economy. Both underscored our fundamental commitment to freer trade and investment as the engine of future growth.

Still, a number of questions remain unanswered. Are we looking for APEC to drive global free trade forward by accelerating liberalization on a MFN [Most Favoured-Nation] basis? Or are we aiming for a more comprehensive -- but regional -- free trade area? Can we deepen our integration while broadening our membership? How will APEC relate to other existing free trade areas, especially to the NAFTA [North American Free Trade Agreement]? We have created a mechanism and a structure that seems to be moving forward by its own momentum. We have yet to define a destination.

There have been long discussions about when the APEC process should be completed. A more salient issue is when -- and in what ways -- the process should begin. Only by moving forward, only by maintaining the momentum coming out of seven years of Uruguay

Round negotiations, can we make concrete progress. Canada has suggested some specific steps.

First, APEC countries could consider accelerating the implementation of the tariff cuts agreed to in the Uruguay Round and exploring further tariff cuts in other sectors. There might be possibilities of additional sectoral tariff harmonization or of new zero-for-zero initiatives in a range of products. At the same time, we must work actively and in co-operation to build on the General Agreement on Trade in Services to further liberalize financial services, a key sector in the modern, globalizing economy.

Second, we could consider pursuing in the short term the elimination of export subsidies on agricultural trade in APEC, and in the longer term, a prohibition of all export subsidies in agricultural trade worldwide.

Third, we should consider how we in APEC could remain at the forefront of investment liberalization, moving progressively from a set of non-binding principles to possibly an agreed upon set of rules with appropriate dispute settlement provisions. More effort is needed to facilitate international private investment — a major source of growth in this region — and to reduce uncertainties and transaction costs of investment and investment-related trade. APEC countries could work toward a standstill on all measures that hinder investment flows among member economies while we worked on a code.

Finally, I suggest that we could advance on standards and conformance. Since our region contains many of the world's leading high-tech firms, we might want to select one or two sectors, such as telecommunications and building standards, with the objective of reducing the negative trade and investment effects of differing standards within the region.

Is this region prepared for such an ambitious agenda? In many ways, we need look no further than Indonesia for an answer. Its recent reduction of tariffs on 739 items, its lifting of surcharges on a further 108 products, its simplification of import licensing procedures, its changes in the value added tax regime to encourage activity in free trade areas — these are only some examples of what Indonesia itself has done to further open its economy.

Equally impressive is Indonesia's recent move to liberalize its investment regime, including the decisions to lift the ban on foreign investment in strategic sectors; to ease equity limits on foreign partners in joint ventures; to extend business licences; and to end the minimal capital requirements for foreign investors.

As the World Bank has noted, the Indonesian government's policies have refashioned this country's foreign investment regime into one of the most liberal in the developing world.

But perhaps Indonesia's most impressive contribution to economic liberalization in the region — and among its non-aligned partners — is its leadership role in pushing the open trade agenda forward. As current Chair of APEC, Indonesia has brought all the players to the table. It has successfully forged a broad consensus among developing and developed countries alike. It has been nothing less than the catalyst for freer trade in the region and, possibly, in the world.

At its heart, APEC is built upon shared interests and shared aspirations. Canada and Indonesia's growing relationship is a microcosm of this broader, region-wide trend. Only a decade ago our relationship was defined by a shared interest in development. Today it is defined by a shared interest in trade. At the meeting of Trade Ministers in October, I learned first-hand from President Soeharto, several of his Ministers, and from a number of Canadian business people based in Indonesia, about the many and varied trade and investment opportunities.

I am impressed with the breadth and depth of Canadian commercial and investment activities here, particularly among small and medium-sized enterprises. This country is now our largest trade and investment partner in the ASEAN [Association of Southeast Asian Nations] region. Our two-way trade amounted to some \$905 million in 1993 — and we expect it will easily surpass \$1 billion this year.

Cumulative direct Canadian investment in Indonesia amounts to some \$3.5 billion, while new investments will exceed \$5 billion in the next two or three years. With improved trade financing — and improved support from our financial community — this trend will only continue.

Canadian expertise in energy, telecommunications, transportation, and environmental and information technologies — as well as in our traditional export sectors — can contribute to the well-being of both our countries. We have complementary needs and common opportunities.

Developing human resources to meet the needs of your growing manufacturing and research and development establishments is particularly critical for your country, given the large number of young people entering the labour market each year. It is also an area where Canada can contribute.

The government of Canada, in co-operation with the Asia Pacific Foundation, will shortly open a Canadian Education Information Centre in Jakarta. From health care to engineering, language

training to agriculture, Canadian educational institutions can assist Indonesia's economic growth.

Geographically, Canada and Indonesia could hardly be further apart. Yet through shared interests we are moving closer together. We have extensive, diverse and growing economic ties. We have worked together to ensure that APEC moves forward, including Canada's offer to host the APEC forum in 1997. We share a consensus on the importance of trade and investment liberalization, both regionally and worldwide, under the auspices of the new World Trade Organization. It is a partnership built on a solid foundation. There is much more to do.

Thank you.