

Canadian trade with Indonesia

In their search for increased profits in the Asia Pacific, Canadian corporations are looking more and more to Indonesia, the world's fourth-most populated country, described by former U.S. President Richard Nixon as the richest prize in Asia. The Canadian government and Corporate CEOs claim trade with Indonesia will help bring about democratic change. But in reality, they seem to be only propping up the dictatorial regime. Even in its stated objective of creating jobs for Canadians, the government's rush to embrace Indonesia may be counter-productive.

Trade and investment rocket

Indonesia is Canada's largest export market in Southeast Asia. In 1994, two-way trade rose to \$1 billion for the first time. Canadian investments have steadily risen since the Suharto regime came to power in 1965 - a trend accelerating under the Chrétien government. After Prime Minister Chrétien's first "Team Canada" trade mission to Indonesia in November 1994, Canadian investments stood at \$3 billion. By Chrétien's January 1996 trade promotion jaunt, trade had doubled to \$6 billion and is still rising.

The Liberal government's International Trade and Business Plan has identified Indonesia and China as top targets for increased trade and investment. "We want to intensify [relations with] the Pacific nations because it's where the population and the growth is right now," Chrétien says.

Canadian corporations are taking an increased share of the vast Indonesian market, ignoring Indonesia's appalling human rights record in East Timor and elsewhere.

The Canadian Exporters' Association (CEA) announced a memorandum of understanding with BKPM, the Indonesian investment coordinating board, in 1994. The CEA has set up an office in Jakarta, funded in part by the Industrial Cooperation Division of the Canadian International Development Agency (CIDA). "With growth rates averaging around 7% per annum for the last decade, a population of 186 million and abundant

assessment reviews that other agencies, like CIDA, have to undertake before releasing funding.

The *Globe and Mail* calls Canada's new dollar-driven foreign policy emphasis "an unexpectedly hard-headed, fervently pro-business course that makes no bones about putting Canadian jobs and economic growth at the top of the international relations agenda."

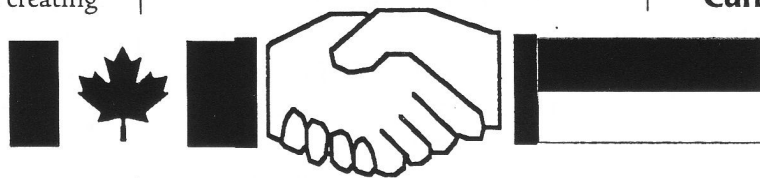
Canadian jobs exported

Some observers believe that closer ties to Indonesia may end up costing jobs. Canadian investors like Inco Ltd. are transferring jobs

from Canada to Indonesia. Inco has invested about \$2.3 billion in a nickel-mining operation on the island of Sulawesi since 1968. The project's financing was backed by guarantees from the federal government's Export Development Corporation to the tune of \$57.25 million - a solid financial guarantee from Ottawa.

The Inco mine, the granddaddy of Canadian overseas megaprojects (when it opened, it was the largest foreign investment project in Canadian history; it is still one of the largest mines in the world), is already negotiating to extend its contract beyond the 2008 expiry date. Meanwhile, Inco is downsizing its Canadian operations. Unemployment figures have spiralled in Sudbury, Ontario and Thompson, Manitoba since Inco began laying off Canadian mine workers. Expansion to Indonesia is just the latest chapter in Inco's history of union-busting.

Companies like Inco are not moving jobs to Indonesia out of concern for the Indonesian poor, but for the low-wage, resource-rich economy, where unions have to strike just to be paid the minimum wage of \$2 a day. Indonesia



natural resources, Indonesia is one of the most exciting emerging economies in the dynamic Asia-Pacific region," says CEA president Mark Drake.

The Department of Foreign Affairs published a special edition of its monthly *CanadExport* on Indonesia. The 12-page guide, dripping with praise for Indonesia's President Suharto, made one passing reference to human rights: "While Canada's concerns about Indonesia's human rights record - especially in East Timor - remain, Canada has responded to recent positive developments in Indonesia by resuming the planning for new development projects."

Further financial assistance for Canadian companies wanting to set up shop in the low-wage "investor's paradise" of Indonesia is provided by a number of government agencies and programs. The Export Development Corporation (EDC), for instance, directly finances or guarantees export contracts worth millions of dollars a year. The bulk of this cash goes to large corporations. The EDC is exempt from the environmental

has been loosening up its rules on foreign investment, a move which spells opportunity to groups like the Canada-Indonesia Business Council. Hundreds of other Canadian companies have invested in Indonesia, and feel they have a vested interest in maintaining the "stability" of the Suharto regime.

Bata Shoes is one of the best-known brand names in Indonesia. Like Nike and Reebok, Toronto-based Bata tries to project a hip, caring image but pays sweatshop wages to its Indonesian workers - the lowest-paid in the 70-country Bata empire. In 1979, Bata called in the Indonesian military to break up a strike at one of its factories in Indonesia. After an extensive boycott by anti-apartheid groups in the 1980s, Bata pulled out of South Africa. In the 1990s, social justice organizations are calling on it to pull out of Indonesia.

Over 100 Canadian mining companies - most of them juniors listed on the Vancouver Stock Exchange - have staked claims on the Indonesian island of Kalimantan after Calgary-based Bre-X struck it rich with a gold deposit thought to be one of the world's richest. The mining fever has also swept on to West Papua and Sulawesi.

Among the companies involved are Indochina Goldfields, controlled by the mining industry's current golden boy, Robert Friedland. Friedland is also responsible for the Diamond Fields/Inco find on the lands of the Innu and Inuit in Labrador, and has been blamed for the Summitville cyanide-leaching disaster in Colorado. Canada is a world leader in mining, and Canadian mining companies are welcomed with open arms by the Indonesian regime. The effects on people living in affected areas, meanwhile, are ignored.

Canada also looms large in the engineering and aerospace. Canadian



engineering giants like SNC-Lavalin of Montreal and H.A. Simons of Vancouver receive plentiful contracts for "feasibility studies" of some of the regime's less savoury projects, including pulp and paper operations and the transmigration program, in which millions of Indonesians are forcibly relocated to the sparsely-populated "outer islands" - a virtual invasion of the lands of indigenous peoples.

Montreal-based SNC-Lavalin Inc. is Canada's largest engineering conglomerate. Chief executive Guy Saint-Pierre says SNC-Lavalin will expand operations in Southeast Asia by "easily five or six times" their current level over the next few years. Top of the list for expanded markets: Indonesia. The company's record in Indonesia, where it counts among its success stories a feasibility study on transmigration of ethnic Javanese Indonesians to the lands of indigenous West Papuans, does not inspire hope that such investment will be beneficial for the people there.

A Canadian firm, Aquarius Flight, has been implicated in mapping operations that serve the Indonesian armed forces in their counter-insurgency operations in East Timor and West Papua. Canadian companies are also active in trying to sell military communications equipment (Canadian Marconi), military helicopter engines (Pratt & Whitney Canada), aircraft equipment (Bombardier Inc., de

Havilland Inc.), and even nuclear reactors (Atomic Energy of Canada Ltd.) to Indonesia.

APEC & human rights

Ottawa cemented its pro-Indonesia economic tilt at the annual Asia Pacific Economic Cooperation (APEC) gathering in Indonesia in November 1994. In November 1997, Canada will host Indonesian President Suharto and other Asian dictators at the APEC

trade-fest in Vancouver. Some fear that APEC is a NAFTA in embryo. APEC, which groups 18 Pacific Rim countries, has resisted demands for a social clause, or any other consideration of human rights, the environment, or labour standards. In short, APEC will talk about nothing but trade.

Southeast Asian human rights groups reject the "hands-off" approach to human rights that is current Canadian policy. "As human rights are of universal concern and universal in nature, the advocacy of human rights cannot be considered to be an encroachment on national sovereignty," they declared.

ETAN wants trade with Indonesia frozen at current levels until Indonesia respects UN resolutions and leaves East Timor, and until freedom of association and other workers' rights are respected in Indonesia itself.

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