



THOUGHT LEADERS' PERSPECTIVES SYNDICATED STUDY

COUNTRY OF FOCUS:

SINGAPORE

Building Economic Engagement
with Singapore and Indonesia



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About APF Canada

The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada.

APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, Digital Media, and a regular Asia Watch newsletter that together support these thematic areas.

Thematic areas

- ▶ [Business Asia](#)
- ▶ [Perspectives Asia](#)
- ▶ [Strategic Asia](#)
- ▶ [Digital Asia](#)
- ▶ [Engaging Asia](#)
- ▶ [Sustainable Asia](#)

Executive Summary

Canada's [Indo-Pacific Strategy](#), released in November 2022, recognizes the significant role ASEAN and the economies of Southeast Asia play in Canada's plans to diversify its trade relations and strengthen its status in the region. As Canada builds bridges to meet the global economic, demographic, and strategic shift towards Southeast Asia, it is an optimal time to consider the role that Singapore could play in Canada's future. Centrally located, and enjoying excellent diplomatic and economic connections, the 718-square-kilometre city-state of 5.6 million people is a small but significant economy ideally positioned for building connectivity throughout the broader region.

Recognizing the growing importance of the city-state, the Asia Pacific Foundation of Canada

launched the *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives Syndicated Study* to better gauge opportunities in Singapore. The study not only identifies prospects, but also elaborates on necessary engagement strategies, including improving Canadians' understanding and appreciation of Singapore's local business culture, political system, and nuances to ensure shared mutual growth. In this report, 13 thought leaders with experience in the Singaporean market and with the people and politics of Singapore, were interviewed to inform the recommended strategies for Canada to build improved economic engagement with the city-state.

Key takeaways

1 Listen to what Singapore wants

The Singaporean government has significant influence over market dynamics, and it is currently prioritizing innovative technologies, digitalization, and renewable energy, with a particular emphasis on solar energy.

2 Support Singapore's push for self-reliance

The government's push for self-reliance is evident, especially in relation to food security. This provides opportunities for partnerships to build lasting solutions in agri-food and the development of resilient supply chains.

3 Focus on solar energy

As Singapore seeks to achieve its goals to combat climate change and switch to clean energy sources, the lack of usable physical space and a fast-changing climate pattern are posing significant challenges to employing renewable resources such as tidal, hydro, and biomass. The country has therefore focused its resources on building its solar energy capacity.

4 Collaborate on innovation and digitalization

The emphasis on technological research and innovation, and digitalizing key sectors such as operations, public health, urban living, and transportation, speak to Singapore's vision for building a "smart nation" and present opportunities for conducting cutting-edge research and development in the digital sector. The government is inspiring an "inclusive" approach to digitalization to ensure equitable access to the country's resources, irrespective of people's physical abilities or economic background.

5 Consider increased stress on public health and agri-food

The COVID-19 pandemic resulted in an accelerated focus on the agri-food and public health sectors in Singapore. The country aims to diversify its food supply chain to reduce disruptions and become more self-sufficient, and is investing in innovations such as vertical farming. Additionally, the country's investment in pharmaceuticals and biotechnology to build a sustainable public health infrastructure opens up opportunities for foreign collaboration.

6 Embrace challenges such as a lack of resources, high costs, and a conservative society

Singapore does come with its fair share of challenges, such as a lack of land, urban space, and natural resources, a high cost of living and business operations, international mobility restrictions, lack of skilled labour, and increased competition due to Singapore's centrality. Some thought leaders also caution about the conservative nature of Singapore's society and politics, particularly in relation to equal rights for the LGBTQ+ community, which can be disruptive to the operational environment.

7 Build trust and long-term commitment

Engagement with Singapore should incorporate long-term business commitments and a physical presence in the region. Singapore responds better to stakeholders who make efforts to better understand its culture and politics.

8 Leverage 'Brand Canada'

Singaporean knowledge about Canada is limited to natural resources, and while Canada is perceived as a trustworthy country, it lacks effective branding. Better branding, marketing, and an increased presence are much-needed steps toward building and sustaining engagement in Singapore. Take academia, for example: while Singapore looks to the West for quality education, there is still a long way to go for Canada to be recognized as a premier destination for Singapore's outbound international students.

The city-state ranks high in terms of being an ideal location for business operations and expansion in Asia due to its transparency, straightforward methods for setting up business operations, high competitiveness, and general informational support, but, as noted above, does present unique challenges, which this report captures as it explores building a Canadian strategy to engage with Singapore.

Introduction

In 2020, APF Canada conducted a multinational survey of business leaders in six Asian countries — China, India, Japan, Singapore, South Korea, and Vietnam — to gauge their attitudes towards Canada, especially their perspectives on engaging with Canada as a potential economic partner. Titled, [Asian Views on Economic Engagement in Canada](#), the 2020 study polled 6,600 business leaders and found, for example, that seven out of 10 Asian business leaders did not understand the Canadian business operating environment. The project also revealed a lack of Canadian presence in priority markets, as well as a lack of knowledge and awareness about Canada.

Building upon these results, APF Canada is taking a closer look at the booming economies of Singapore and Indonesia. The project, *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives Syndicated Study*, supported by subscribers Invest in Canada, Global Affairs Canada, and Export Development Canada, aims to understand the socio-political, cultural, and economic outlooks of Singapore and Indonesia, and to explore how these changing outlooks impact Canadian engagement. The project obtains insights through in-depth interviews with thought leaders from the private and non-profit sectors, academia, and even government. It seeks to gain a better understanding of economic engagement with these specific Asian economies through the voices of those with professional experience of foreign engagement with Singapore and/or Indonesia.¹

More specifically, the project aims to understand the business culture as well as businesses' opportunities, challenges, and barriers to entry in these two markets. Such a cross-cultural understanding can help promote trade and investment with emerging markets, support exporters and communities in need of investments, and fuel the growth of micro, small, and medium enterprises (MSMEs).

In this report, we specifically explore the findings from Singaporean thought leaders. Singapore has been actively diversifying its trade and investment relations globally. In its 58 years of nation-building, the city-state has established [diplomatic ties](#) with more than 150 countries. Located at the southern tip of the Malay peninsula, Singapore comprises a main island and around 60 small islands, and houses the largest port in Southeast Asia. Once a British colony, Singapore's four major ethnic groups include Chinese, Malay, South Asian, and Eurasian. Linguistically, while Chinese, Malay, Tamil, and English are acknowledged as the city-state's four official languages, Singapore implements a bilingual education policy where English is taught to students as their first language, and their mother tongues taught as a second language. In 2015, Singapore and Canada, both Commonwealth members, celebrated their 50th anniversary of diplomatic relations. The two economies [engage in multiple areas](#), including cybersecurity, infrastructure, education, science and technology, trade, defence, and people-to-people exchanges, which will be discussed in this report.

// . . . the 2020 study polled 6,600 business leaders and found, for example, that seven out of 10 Asian business leaders did not understand the Canadian business operating environment."

¹ Please see [Methodology](#) for further details

Singapore's Operating Environment

As a high-income country boasting a business-friendly regulatory environment, and a gross domestic product (GDP) of [C\\$539.57 billion](#) in 2021, Singapore is one of the world's [most competitive economies](#) in terms of its institutions, policies, and factors such as education, health, and economy that govern the country's growth and prosperity. Thought leaders emphasize the openness and competitiveness of the Singaporean market, the city-state's cautious approach towards engaging with economies including the U.S., China, and Malaysia, and its reputation as a global hub and gateway to Southeast Asia. As a result, it is a key economy for the entry, establishment, and success of foreign businesses.

Due to the transparency in Singapore's governance and business ecosystem, a majority of thought leaders believe it is easy to "start a business," "do business," and "set up the operations," especially in the sectors prioritized by Singapore. According to a Canadian government representative in the region,

"I think Singapore is definitely one of the easiest markets in the region because they speak English . . . so, you can literally just find a partner if you have a good product to sell. It's not that hard as long as you are showing commitment to the market." (December 7, 2022)

This is consistent with the [World Bank's 2020 rankings](#) of "ease of doing business," in which Singapore ranked second in the world after New Zealand. Five of 13 thought leaders interviewed state that the Singapore **market is competitive**. While another five thought leaders said Singapore positions itself as a "**smart nation**" that invests in and promotes innovation, artificial intelligence (AI), electric vehicles (EVs), efficient public transportation and infrastructural development, and renewable energy. This drive to become a 'smart nation' is also reflected in [Singapore's 2023 budget](#).

"We're always pro-business and pro-other countries, we want to be friends with people, and be the trusted friends you have in this part of the world. Trust in terms of being able to deliver on promises, and what you see is what you get." (Tan Tin Wee, Chief Executive, National Supercomputing Centre, and Associate Professor, National University of Singapore, October 13, 2022)

With that said, Singapore's "trust" in foreign economies is not guaranteed; it has to be earned and nurtured.



Singapore, a 718-square-kilometre city-state of 5.6 million people, is focusing on longer-term investment priorities that include digitalization, green energy transition, and health services for an aging society. | Photo: Edwin Koo/Bloomberg via Getty Images

“Anyone who wants to form relationships with Singapore needs to understand how they operate. You first need to take the time to build trust, to get to know people and let people get to know you, before you can actually conduct any business.” (Reuben Athaide, Head of Cyber Security Advisory, Standard Chartered Bank, October 17, 2022)

Relations with the U.S., China, and ASEAN

In 2021, the [total value](#) of Singapore’s imports and exports was C\$1.17 trillion and its largest trading partners were mainland China, Malaysia, and the U.S. Despite the political and economic tensions between China and the U.S., most thought leaders confirmed that Singapore’s trading relationships with both China and the U.S. have remained strong. The tensions between the two superpowers, coupled with Southeast Asia’s political non-alignment, has made the region, and by relation Singapore, more ‘attractive’ trading partners, including for the U.S. and China, as observed by Steven Okun, a Senior Adviser at McLarty Associates.

A majority of thought leaders also observed the strong and friendly bilateral relationship Singapore has with the U.S., the strong presence of the U.S. in Singapore, and the appeal of American brands. A majority of thought leaders mentioned China in their responses, primarily in the context of **Singapore’s friendly and strong trade relations with the country; but some also saw China as a competitor alongside Singapore**. Manu Bhaskaran, Partner at Centennial Asia Advisors, noted that China has become more difficult to do business with, but as one thought leader observed: “When we speak to Canadian companies about expanding into Asia, their immediate response indicates that they are referring to China . . . given the large market and economic power.” However, as Canada becomes more cautious of its business dealings with China, the increased inflow of wealth from China into Singapore, particularly post-pandemic, is gaining attention and is perceived by observers as both a boon and bane for the city-state. As noted in the [Financial Times](#), while the global economic upheaval and Singapore’s cultural similarities to China have both contributed to making the country a safe haven for Chinese investors — and ultimately stabilized Singapore’s economic prospects despite the Russia-Ukraine war and the impacts of the pandemic — it comes with the caveat of a possible increase in China’s influence over Singapore in the future.

Aside from the U.S. and China, most thought leaders mentioned Europe as a region that has strong connections with, or a noticeable presence in, Singapore. Meanwhile, the city-state is ramping up its trade infrastructure with

“ . . . the city-state is ramping up its trade infrastructure with a C\$19.2-billion project to build the largest automated port in the world by 2040 . . . ”

a C\$19.2-billion project to build the [largest automated port in the world](#) by 2040, which will feature drones and driverless vehicles, doubles the existing land space, and acts as a point of attraction for investing partners.

While Singapore is often seen as a gateway to Southeast Asia, it is important to remember that **Southeast Asian countries are diverse and have varying interests and levels of bilateral trust**. Malaysia featured heavily as a country of note, as a majority of thought leaders mentioned its [long-standing relationship](#) with Singapore in terms of trade, tourism, and investment, and also its role as a competitor. Liang Kaixin, Associate Director of Public Affairs at the Institute of Policy Studies, observed that Singapore often outsources its manufacturing to countries like Malaysia, while Reuben Athaide noted Singapore's import dependency on Malaysia, Indonesia, and other neighbouring countries. However, the **Malaysia-Singapore relationship has worsened in the past two decades**, partly due to [sea and air disputes](#). The thought leaders discussed the precarious and, at times, aggressive relationship Singapore has with Malaysia, particularly in terms of national and regional security. Manu Bhaskaran mentioned **several issues with Indonesia and Malaysia, including "corruption, cronyism, and poor regulations,"** leading to caution or a lack of trust from Singaporeans. Despite the existing issues, at least two of the 13 thought leaders interviewed in this study observed that Singapore has a preference for trade with ASEAN economies, and listed geographic, policy, and economic reasons.

"Singapore has the advantage of being part of ASEAN, [and] ASEAN has a free trade area. And with that . . . it's easier for them to do business with Malaysia, Thailand, Indonesia, the Philippines, Vietnam, and others." (Carlos A. Kuriyama, Senior Analyst at the Asia-Pacific Economic Cooperation, October 4, 2022)

About a quarter of the thought leaders interviewed underscored the fact that Singapore also shares a business preference for global foreign partners. Although most thought leaders observed Singapore's efforts to become a self-reliant economy and that the COVID-19 pandemic had accelerated these self-reliance goals, the interviewees reaffirmed Singapore's engaging nature towards foreign businesses. Half of the thought leaders described Singapore as a "global hub," "business hub," and/or "financial hub": "I think we're seeing **Singapore transforming into a global hub, from what used to be just a sub-regional hub for many**. It wants to position itself in terms of the 21st century economy," said Steven Okun. In other words, Singapore is unlikely to favour local or regional partners over international partners from other parts of the world instead being open to all.



A vital and growing hub in Southeast Asia, Singapore features prominently in regional multilateral forums like ASEAN and APEC, and was a founding member of both organizations. | Photo: Lauren DeCicca/Getty Images

Building Engagement with Singapore

While Singapore's economy is open to business, there are challenges that foreign businesses should be aware of before engaging with the market, with many of these challenges linked to the country's geography, business culture, and governance.

Optimal methods of engagement

In 2020, foreign direct investment (FDI) into Singapore grew at an annual rate of almost 13 per cent to [C\\$2.1 billion](#), with C\$70.1 million originating from Canada. While FDI demonstrates one aspect of foreign engagement, thought leaders outlined other ways to engage and build sustainable relations with the Singaporean market.

According to thought leaders interviewed in this study, engagement with the Singaporean market largely revolves around gaining a solid understanding of local culture, demonstrating long-term commitment to the region, and building strong networks and partnerships within Southeast Asia. In this case, long-term commitment means a demonstration of continuous engagement with Singapore over several years. A thought leader, specializing in Aerospace multinational corporation, stated that for Singapore, commitment should last between five to 10 years at minimum.

Physical presence in market

Despite the uptick in remote work in recent years, **a majority of thought leaders discussed the importance of having a physical presence in Singapore** to demonstrate commitment and engagement to potential partners based locally. An ASEAN business expert commented that an established physical presence provides an advantage to Canadian businesses and helps make up for the geographical distance between Canada and Singapore. Furthermore, identifying and connecting with existing Canadian companies in Singapore while physically present in the city-state enhances network-building. Marlene Han, Director at Kyi Hla Han Ventures, also alluded to Canadians gaining a better understanding of Asia by visiting the region.

“... People sometimes come over with the misconception of what is actually happening in Asia. And they are surprised by the actual state of how far ahead Asians are in many, many ways. And say I had to go and speak to somebody or a group at the University of Toronto — I would say to them, ‘don’t go with preconceived notions.’ Go with an open mind so that you can soak up what is actually there [in Singapore].” (December 6, 2022)

“I suppose online Zoom is great, but nothing beats the physical kind of exchange in terms of meeting people and ‘pressing the flesh’ — that kind of presence.” (Dr. Faizal Bin Yahya, Senior Research Fellow at the Institute of Policy Studies, October 20, 2022)

Importance of local networks

Foreign businesses can create opportunities in the Singapore market by **building their network and relationships** with organizations such as business associations, chambers of

commerce, and embassies and trade missions, as observed by a majority of thought leaders. These organizations typically hold events and act as pathways to gain access to local networks within the country. By building a network of relationships, individuals and companies hoping to successfully enter the Singapore market can create better awareness and publicity for themselves.

While there seems to be an emphasis on continuing to bring foreign talent into Singapore due to labour shortages as a result of its smaller population, which makes it difficult to sustain economic growth, few of the thought leaders discussed how **beneficial hiring local talent can be to gaining insight on culture and business conduct**.

“A lot of people come in and they just live in their little bubble away from Singaporean society [but] you’re going to have to build your network with Singaporeans so you [can] really get traction into Singapore. I would say the biggest companies are very Singaporean at the top and they are prone to do business with Singaporeans. You got to figure out how you penetrate that and add real value for them.” (Ian Wilson, Adviser and Mentor at the Singapore Tourism Board, December 5, 2022)

Use of government resources

Using resources from the Singapore government is also a good method for engagement, with some thought leaders mentioning **that government websites are straightforward and transparent, allowing foreign investors to easily understand rules and procedures**.

A majority of thought leaders referred to the [Economic Development Board](#) (EDB) as a government agency that assists foreign companies in Singapore. The EDB operates under the Ministry of Trade and Industry to help enhance Singapore’s position as a global centre for business, innovation, and talent by providing businesses opportunities in Southeast Asia through supportive policies and a diverse talent pool.

Other government agencies that thought leaders referred to include [Enterprise Singapore](#) for building networks, and the [Infocomm Media Development Authority](#) (IMDA) for specific advice related to digitalization. Enterprise Singapore helps businesses with innovation and the creation of an international brand and supports the country’s growth as a hub for global trading and startups. The IMDA helps businesses better integrate into the digital economy by identifying appropriate needs and solutions for higher productivity and providing education for best practices for personal data protection.

Conducting market research

Multiple thought leaders mentioned that foreign businesses should research their own business needs, but also **identify what the business can provide for Singapore as a country that is limited in resources** — human, economic, and infrastructural. The majority of thought leaders indicated that businesses hoping to enter the Singapore market should conduct due diligence.

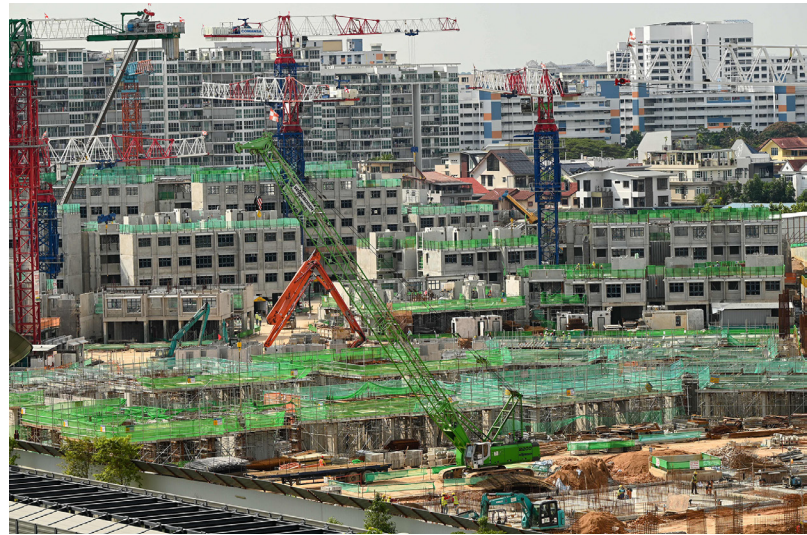
“Before you consider firing a test flare, please try to evaluate the business and financial and the economic consequences [through market research or survey].” (Tan Tin Wee, October 13, 2022)

Barriers to engagement

At [338 per cent](#), Singapore boasted the third highest trade-to-GDP ratio globally in 2021. Though a [heavyweight in international diplomacy](#) and foreign affairs, Singapore's foreign relations of late have been impacted by both the COVID-19 pandemic and the U.S.-China trade war. Thought leaders discussed the following challenges to Singapore's foreign engagement: land scarcity, lack of natural resources and skilled labour, and the high costs of living and business operations. Although Singapore prides itself on being politically transparent, thought leaders underscored the conservative governance structure and its impacts on foreign partners.

Lack of landmass

Singapore is the smallest country in Southeast Asia, with a landmass of just about [718 square kilometres](#). Major [land use demands](#) come from housing, industry and commerce, parks and natural reserves, land transport infrastructure, and defence requirements. The majority of thought leaders brought up land issues or lack of physical space as barriers to expanding existing facilities. **Land has also been central to Singapore's [infrastructural woes as a growing urban hub](#)** and is detrimental to its aspirations to be a global hub, opening possible opportunities for foreign investors and businesses to provide R&D support. The sectors most impacted by the lack of land, according to thought leaders, include renewable energy and education, mainly in terms of building facilities.



A general view shows public housing under construction in Singapore on January 13, 2023. | Photo: Roslan Rahman/AFP via Getty Images

Lack of natural resources

The city-state also has limited access to natural resources, a factor of note according to most thought leaders. This further restrains sectors dependent on natural resources, particularly renewable energy. **Singapore has heavily relied on trade with foreign economies** to compensate for its lack of natural resources. However, the development of [protectionist stances](#) by many global powers poses a serious challenge for the city-state.

Cost of living and cost of business operations

Singapore ranked as the most expensive city in the world alongside New York City in the [Worldwide Cost of Living 2022](#) survey conducted by the Economist Intelligence Unit, although the [government argued](#) that this survey's "consumption basket does not reflect what Singaporeans usually consume" and "the rankings are sensitive to currency fluctuations." The government has

// Singapore has heavily relied on trade with foreign economies to compensate for its lack of natural resources."

laid out four of its current strategies of managing rising costs in the city-state: managing supply constraints, promoting market competition to allow for competitive prices, tightening monetary policy centred on the trade-weighted exchange rate, and providing assistance to households, businesses, and low-income citizens. Despite these policies, most thought leaders discussed the **high costs of living and business operations as barriers to engagement**, which may prompt potential investors to consider Singapore's more affordable neighbours as entry points into the regional market. Thought leaders particularly mentioned the high rental costs in the city-state as a deterrent.

Politics and governance

The city-state prides itself on its transparency of governance, a sentiment echoed by half of the thought leaders surveyed.

“I can be fairly strong in saying that it [the government] is corruption-free, well-managed, well-organized, and stable. It [Singapore] has an exceptionally literate and well-educated population, good consumer culture, and good social structure. For doing business, I would say it's as favourable an environment as you could possibly have.” (Teymoor Nabili, News Anchor, CNBC, Media and communications consultant, Asian Development Bank, October 19, 2022)

However, the **politically conservative nature of the Singaporean government** was mentioned by some thought leaders. As an ASEAN business expert observed, “sustainability, labour rights, gender diversity, these are very progressive values. I think Singapore is moving towards that.”

Some of Singapore's policies and practices in recent years have come under scrutiny from the international community. For instance, in 2019, the Singaporean government established the [Protection from Online Falsehoods and Manipulation Act](#) that allows a Singaporean minister to declare online information as “false” — a law that has implications for freedom of speech in the city-state. The pandemic has tightened the grip the state has on its people: the data in the mandatory [TraceTogether program](#) used to control the spread of COVID-19 cases was also later confirmed to be used in criminal investigations. Furthermore, in 2022, Prime Minister Lee Hsien Loong stated that sex between men will be [decriminalized](#), but Singapore will still uphold the “traditional, legal” definition of a marriage — one between a man and a woman. As one thought leaders notes:

“**Singapore is a very conservative society.** And that stretches [across] all four major ethnic groups: Chinese, Malay, Indian, and Eurasian. Basically, very conservative across the board. So, what that means is, sure, come and get involved in the food bank, or maybe help elderly charities or children in need, but stay away from LGBTQ+, stay away from what's seen as lobbying or activists for government policy. So, if Canada has an interest in wanting to change something, do not align yourself vocally in Singapore.” (December 8, 2022)

In August 2022, [Singaporean government officials](#) warned foreign businesses to be careful when advocating for LGBTQ+ rights and issues in Singapore as it can be interpreted as interfering in the country's domestic socio-political issues.

Labour shortage and mobility issues

The majority of thought leaders said that labour shortages are pressing issues in Singapore. In thought leader Carlos A. Kuriyama's words, "the pool of talent within Singapore is small in comparison to other countries." One of Singapore's priorities is attracting foreign talent; and yet, there are difficulties in **obtaining appropriate work permits and visas for foreign skilled workers**.

"Setting up a company here is not difficult at all, there are no big hoops to go through on a minor level, you can just set up and go. But in order to stay . . . the hardest thing is the work permits and the human resources side. Getting the spots available for you to bring in your staff." (Marlene Han, December 6, 2022)

Singapore's labour concerns are further discussed in the "[Workforce and Labour](#)" section of this report.

Rising Sectors in Singapore

Identifying and overcoming barriers such as resources, infrastructure, politics, labour, and mobility, and developing a strategy to build a sustainable partnership in the long term is only the beginning of building engagement with Singapore; it is also important to understand sectors of opportunity. The thought leaders helped identify some of the key rising sectors in Singapore. Of particular interest are [renewable energy](#) and [digitalization](#), two evidently booming sectors in the city-state. The thought leaders surveyed for this report frequently mentioned six [other sectors](#) that are growing in significance and should be of interest for foreign engagement: aerospace, agri-industry and food security, pharmaceuticals and biotechnology, EVs, infrastructure, and waste management.

Specific sectors of interest

Throughout the interviews, two sectors that the Singapore government is paying close attention to dominated discussions, namely renewable energy and technology and digitalization.

Although renewable energy is a policy priority for the city-state and the government has dedicated significant funding to sustainability, domestic production of renewable energy is complicated by Singapore's lack of physical space and climate challenges. Thought leaders expressed the importance of renewable energy for foreign engagement since such opportunities in Singapore are closely tied to the government's priorities. **Within renewable energy, solar power was the most frequently mentioned** type of energy.

Technology and digitalization go hand in hand with Singapore's reputation as a smart city. In that vein, thought leaders mentioned the rise of financial technology (FinTech), AI, advanced manufacturing, cryptocurrency, and blockchain. In recent years, Singapore has also improved accessibility on official government websites for people living with disabilities, demonstrating a stronger commitment towards digitalization.

Renewable energy

In 2021, the National Environment Agency, a governmental agency that aims to achieve a green and sustainable environment for the city-state, was allocated a grant of [C\\$1.1 billion](#). Accordingly, a majority of thought leaders mentioned renewable energy and most of them pointed out that renewable energy is a key rising sector in Singapore and/or a “priority program for the current government.”

Currently, [some renewable energy limitations](#) in Singapore include the low speed of commercial wind turbines and low tidal range due to calm seas, the lack of hydroelectric power due to a dearth of rivers, the lack of geothermal energy sources, and limitations on domestic biomass. Therefore, **Singapore imports the majority of its renewable energy**. And still, to reduce the city-state’s carbon emissions, the government is harnessing four [“switches”](#) to natural gas, solar, regional power grids, and low-carbon alternatives.

“On green technology, we have a basic problem. We’re a tiny city-state, smaller in size than the five boroughs of New York City. And it’s impossible for us to basically have energy coming from renewables. We are in a tropical island, but we don’t have enough surface area for solar. We don’t have wind. So, what we’re trying to do is to import electricity from green sources in Laos, Australia, and potentially Indonesia.” (Manu Bhaskaran, October 19, 2022)

Most of the thought leaders noted the government’s recent prioritization of solar power generation. Solar remains a strong renewable energy source; as of 2021, more than [500 megawatt-peak \(MWp\) of solar](#) have been installed, which aligns with Singapore’s goal of two GWp by 2030, enough to power 350,000 houses per year.

Thought leaders further discussed the **challenges for Singapore when implementing green and clean initiatives**, including solar energy initiatives, particularly due to lack of natural resources and land space limitations.

“Singapore has a sort of existential crisis with respect to clean energy. They’re very keen to take advantage of it where it’s possible. But obviously, a lot of the local economy is also based on fossil fuels. So, they’re trying to encourage research and development and they’re struggling to maintain employment levels in the existing industries. They’re spending a lot of money in experimenting with floating solar, but there’s not enough room for domestic land-based solar. They’ve put a bunch of RFPs (Request for Proposals) for importing green energy.” (Teymoor Nabili, October 19, 2022)



This floating solar photovoltaic power plant by EDPR Sunseap Group, a unit of Energias de Portugal SA, in Woodlands, Singapore, supplies power to the national grid. | Photo: Bryan van der Beek/Bloomberg via Getty Images

“**On green technology, we have a basic problem. We’re a tiny city-state, smaller in size than the five boroughs of New York City. And it’s impossible for us to basically have energy coming from renewables.**”

Technology and digitalization

Bain & Company's [e-Conomy SEA report](#) estimates that Southeast Asia's digital economy will reach approximately C\$273 billion in 2022, three years earlier than its previous prediction. Singapore, in particular, has made long-term commitments to digitalization. The government's early goal for digitalization is to close social gaps within Singaporean society by [increasing accessibility](#) to government resources for people with disabilities, as observed by Singapore's thought leaders. The COVID-19 pandemic has only accelerated the country's move towards digitalization.

In 2020, more than [40 per cent](#) of FinTech companies in Southeast Asia were based in Singapore and investments in the Singapore FinTech industry reached C\$462 million. All thought leaders mentioned the importance of investments in technology across various sectors, including FinTech, smart cities, and advanced manufacturing. Digitalization and technological developments in the country are driven by its demographics and geography, which impacts national security. **Given the land limitations, workforce labour shortage, the aging population, and Singapore's aspirations for self-reliance, the government has incentives to accelerate digitalization.** To that end, the Singaporean government has introduced inclusive digital design in many of its services, increasing accessibility and transparency for all groups, and promoting increased self-reliance particularly among people with disabilities. The government also promotes scientific discovery and technological innovation through the [Agency for Science, Technology and Research \(A*Star\)](#), which focuses on improving outcomes in health care, urban living, and sustainability.

The Singapore government also aims to **transform the financial services sector through technology and digitalization.** While half of the thought leaders noted the government's enthusiasm for investment in the cryptocurrency market, some have recognized nuances in the sector. Reuben Athaide emphasized that cryptocurrency regulations are rising, and that involvement in the sector is "not so much for speculation, but for other uses of blockchain in particular," demonstrating **the government's focus on [digital asset innovation](#) rather than cryptocurrency itself.** Other aspects of Singaporean life are also being transformed by digitalization. Accelerated by the COVID-19 pandemic, MSMEs were pushed to adopt and [implement digital initiatives that were already in existence pre-pandemic](#) such as **cashless payments with digital wallets**, as well as investment into e-commerce and automation, as noted by one quarter of thought leaders.

The International Institute for Management Development has ranked Singapore as the [top smart city](#) three years in a row and defines a smart city as "an urban setting that applies technology to enhance the benefits and diminish the shortcomings of urbanization for its citizens." **As the country aims to build itself as a smart city, there are opportunities for foreign engagement in the transportation industry**, such as building autonomous vehicles and efficient public transportation. Furthermore, the city-state makes continuous investments in agri-tech, particularly in areas like urban agriculture, vertical farming, and aquaculture, to achieve its [30 by 30 goal](#) to have 30 per cent of nutritional needs met locally.

Other areas of growth in technology and digitalization mentioned by most thought leaders include AI and biomedical technology.

Other sectors of interest

Aerospace

Four out of 13 thought leaders mentioned aerospace or the aviation industry as one of the city-state's rising sectors. Singapore's [aerospace industry](#) had an output of C\$11.4 billion in 2018, employed more than 22,000 people as of 2020, and has a compounded annual growth rate of 8.6 per cent over the past two decades. The city-state ranked first, for the third consecutive year, in fDi Intelligence's [Aerospace Cities of the Future rankings](#), having attracted 39 aerospace FDI projects between 2015 and 2019.

“Singapore's **aerospace industry would be something that the government would want to emphasize**, and we have indeed set up the Seletar aerospace technological park to address those questions of being able to provide for manufacturing capabilities in aerospace.” (Tin Tan Wee, October 13, 2022)

The [Seletar Aerospace Park](#) is an aerospace-industrial area set-up by the JTC Corporation, Singapore's lead government agency for industrial infrastructure development. The park hosts more than 60 multinational and local companies and aims to be the hub for aerospace R&D, engineering, and manufacturing in Southeast Asia. Singapore's geographic location further makes it an ideal location as it caters flights to multiple countries in the Asia Pacific.

Agri-industry

Currently, Singapore imports [over 90 per cent](#) of its food. Half of the thought leaders discussed agri-industry as a rising sector. The National Parks Board launched the [Garden with Edibles initiative](#) to strengthen Singapore's food resilience. A few thought leaders alluded to Singapore's focus on building self-reliance, but as Tan Tin Wee observed, that it is more about “securing our food sources and diversifying our food supply chain, because we are never going to be 100 per cent self-sufficient.” Most thought leaders said that **food security is an issue of focus in the city-state**:

“I think food sustainability is a huge issue right now in Singapore, that we learned through COVID, because they don't grow anything here. Through COVID, the government was subject to the vagaries of the local countries and what they were going to ship and send through . . . I think food sustainability on many levels, and now they put a lot of people into vertical farming, and even homeowners, you can go and get free seeds and you can start your gardens and they have government programs for that.” (Marlene Han, December 6, 2022)

Interestingly, **the drive for self-reliance in Singapore is guided by food security issues**, as observed by half of the thought leaders. Within the food industry, the thought leaders highlighted the sub-sectors of dairy products, protein, fish, plant-based proteins, and wheat and/or grains.

Pharmaceuticals and biotechnology

In the first nine months of 2021, businesses in the city-state signed deals focusing on well-being and public health worth more than C\$1.4 billion, pointing to Singapore's focus on this sector in the post- pandemic era. Pharmaceuticals and biotechnology were mentioned by most thought

leaders as a booming sector. In 2016, the sector produced more than [C\\$16.2 billion](#) worth of products for global markets. Singapore is currently focused on high-tech investments including medical devices and biotechnology, and strengthening the [pharmaceutical](#) sector.

“Singapore is already a health-care hub . . . [people] come to Singapore to get their medical treatments and so on. And then we back that up with a fairly active biomedical technology landscape including pharmaceutical manufacturing, medical technology, internationally reputable biomedical research institution, etc. For example, we were able to attract major pharmaceutical companies in the top 10 pharmas of the 2022 Fortune 500 list. . . the majority of pharmaceutical companies have a base in Singapore of some kind. This [in turn] addresses another fundamental security issue, if there should be another wave of pandemic, Singapore’s survival will depend on the ability to be able to tackle such threats.” (Tan Tin Wee, October 13, 2022)

Electric Vehicles

Singapore is focusing on a transition to a [green, digital, and efficient](#) urban city-state, carving out collaboration opportunities for foreign engagement, according to the thought leaders in this study. As of 2022, there were 3,000 public EV [charging points](#) across the city-state, a 50 per cent increase from 2021, and representing at least one charging station per two EVs and buses. A few thought leaders mentioned Hyundai’s EV [factory construction](#) project, with an investment of C\$4 million and a targeted production of approximately 30,000 EVs by 2025. The project uses Industry 4.0 smart technologies, including AI, Internet of Things, and robotics. Prime Minister Lee Hsien Loong, during the Hyundai Motor Group Innovation Centre ground-breaking ceremony, [stated](#) that “EVs have a different supply chain, fewer mechanical parts and more electronics, which plays to Singapore’s strengths.”

“I think Singapore will push aggressively, they’re an obvious choice to be leaders in autonomous vehicles because of the size of the country and the infrastructure . . . because they force people to take cars off the road in a regular manner.” (Ian Wilson, December 5, 2022)

Singapore is aiming to become a “[car-lite nation](#)” by 2030 and has been actively introducing and boosting sustainable and environmentally friendly modes of transportation, including cycling, trains, and public buses. Furthermore, the associated costs of owning a vehicle in Singapore, such as the ‘[certificate of entitlement](#),’ tends to deter most people.

Waste management

The amount of waste produced in Singapore has been increasing steadily over the past few years. In 2021, [3.83 million tonnes](#) of solid waste were recycled (of the 6.94 million tonnes



An electric vehicle (EV) charging bay at a Shell service station in Singapore is one of many popping up around the country as EVs become more popular, and better supported through policies and infrastructure. | Photo: Bryan van der Beek/Bloomberg via Getty Images

generated). Incineration plants and landfills require large areas of land, which is not sustainable for Singapore given its limited space. Among thought leaders, most discussed waste and/or wastewater management as a priority area of engagement.

“They are looking at ways of reducing waste given limited land available for landfills or to recycle. Hence, the use of incinerators to reduce volume of waste and to push it back into energy that can be consumed. It’s really about how do you maximize and optimize what you have, with little land and little space. So, things that are innovative from that perspective, I think would be very welcomed here.” (Reuben Athaide, October 17, 2022)

Athaide further went on to underscore Singapore’s focus on “water treatment,” in particular “greywater.” [Greywater](#) refers to “untreated used water which has not come into contact with toilet waste,” and greywater recycling is another step to take treated greywater and recycle it for other uses, such as irrigation.

Engagement with MSMEs

According to [Singapore’s Department of Statistics](#), the city-state had 290,300 small and medium enterprises (SMEs) in 2021.² Singapore is home to more than [3,800 startups](#) in the technology sector alone. In terms of access to and/or improved engagement with micro, small, and medium enterprises (MSMEs) in Singapore, thought leaders noted that the strategy may vary depending on the MSME’s sector, and portrayed MSME associations and/or committees as networking and informational resources. Thought leaders also mentioned the importance of digitalization and technology for MSMEs, not only in terms of transitioning the ways in which business transactions are conducted, but also regarding broader issues in Singapore, such as reducing the labour needed to ease stress on this limited resource.

The most recent [SME Policy Index: ASEAN 2018](#) identified Singapore’s main policy priorities regarding supporting SMEs – the city-state has a “service delivery” approach in providing **services to help enterprises increase competitiveness, specifically in the areas of productivity enhancement, technology, innovation, and access to market and internationalization.** Social enterprises and inclusive SMEs were the last priority, according to the Policy Index.

Accelerated digitalization and a transition to an increasingly cashless society and e-commerce have proven to be challenging for MSMEs, as noted by Carlos A. Kuriyama. Kuriyama believes MSMEs are embracing this development and that “those not doing that are falling behind.” At the same time, he also brought up potential challenges the aging population may face while adapting to the changes that come with digitalization.

² According to Statistics Singapore, SMEs (i.e. Small & Medium Enterprises) are defined as enterprises with operating revenue of no more than C\$101.45 million (SG\$100 million) or employment of no more than 200 workers.

One-quarter of thought leaders connected their discussions surrounding MSMEs to digitalization, and focused on the increasing connectivity through growing digital infrastructure and its advantages for small business growth.

“Digitalization, particular in the MSMEs sector, is one of the key pathways. The foreign labour issue has become a major political hot potato in Singapore. To the extent that digitalization automation, whatever reduces the demand for labour, that’s very welcomed from a political perspective, not just a business perspective. There’s that hope that this digital trade can allow Singapore companies to scale up in ways that they’ve not been able to.” (Manu Bhaskaran, October 19, 2022)

Although Singapore is known as home to [15 ‘unicorns,’](#) or startup companies with a value of more than C\$1.4 billion, Ian Wilson stated that “**Singapore has wrestled with building the entrepreneurial culture that they want.** They have never really launched a good unicorn. They’ve got Grab, but that’s heavily supported by the government, and it’s still not making money. So, there aren’t as many real success stories as they would like.”

Trade Agreements

Being a small island-state with limited resources, Singapore’s economy is heavily dependent on trade. The country is currently party to 15 bilateral [free trade agreements](#) (FTAs) and 12 regional FTAs. Thought leaders shared their opinions on the FTAs they thought were most important for Singapore.

Half of all thought leaders mentioned the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as an important trade agreement for Singapore. Carlos A. Kuriyama recognized that the **CPTPP increases Singapore’s interest in Canada.** Kuriyama sees Singapore as acknowledging the importance of having strong allies in North America, and **Canada as an alternate route to enter the North American market.** This alludes to Singapore’s stronger ties with the [U.S.](#) through bilateral agreements, and the U.S.’s presence in Singapore as the country’s largest foreign direct investor. The CPTPP has several [benefits for Singapore](#), including the elimination of tariffs for 94 per cent of its exports to 11 markets, including Canada, and it also establishes rules in areas like e-commerce and intellectual property to tackle trade issues in an increasingly digitalized global economy.

Building on the CPTPP, Singapore’s emphasis on the digital economy and trade is also highlighted by its initiative in developing the [Digital Economy Partnership Agreement](#) (DEPA) alongside New Zealand and Chile. While discussed only by five of 13 of thought leaders, **DEPA was seen as a “new form of FTA”** and Singapore having a “global order” in its “best interest” by facilitating end-to-end digital trade, enabling trusted data flows, and building trust in digital systems. The latest

“**One-quarter of thought leaders connected their discussions surrounding MSMEs to digitalization . . .**”

Organizations and resources to build networks mentioned by thought leaders

- ▶ [Canadian American Business Council](#)
- ▶ [Canadian Chamber of Commerce in Singapore](#)
- ▶ [Singapore - Export Development Canada](#)
- ▶ [Enterprise Singapore, Singapore Business Federation](#)
- ▶ [SPRING Singapore \(Standards, Productivity and Innovation Board\)](#)
- ▶ [Singapore National Employers Federation](#)
- ▶ [Trade Commissioner Services Canada](#)

update for Canada’s accession to the DEPA was in August 2022, when a working group was established for Canada’s entry.

Only two of 13 thought leaders commented on the [Regional Comprehensive Economic Partnership](#) (RCEP), which is an FTA among 15 countries in the Asia Pacific region. Canada is not a member of RCEP. Liang Kaixin noted that a regional agreement is important for Singapore due to its dependency on trade. RCEP gives businesses preferential access in the Asia Pacific, with streamlined rules of origin allowing greater flexibility for Singapore. However, Carlos A. Kuriyama noted that companies mostly prefer to leverage bilateral trade agreements instead.

Workforce and Labour

As of December 2022, Singapore’s [local workforce](#), consisting of citizens and permanent residents, had a 70 per cent labour force participation rate and included 2.4 million people. Singapore’s workforce is highly educated, with 73 per cent possessing post-secondary education. The [resident unemployment rate](#) sits higher than the overall unemployment rate, although it is still relatively low at a 3.5 per cent annual average in 2021.

While Singapore is known for its quality of labour, it lags in its workforce size. Tan Tin Wee notes that “if [Singapore] ever expands beyond five million people, we will still have issues of manpower limitations and the cost of living in Singapore would be relatively high.” As a result, foreign hires have made important contributions to Singapore’s economy, consisting of over [1.3 million workers](#) in June 2022, including 338,000 skilled workers and professionals on the ‘S Pass’ and ‘Employment Pass’ visas. **Making up just over a third of Singapore’s total workforce, Singapore’s economic growth relies heavily on foreign workers.**

Despite the limited workforce size, the government maintains a ‘Singapore-first’ attitude. The majority of thought leaders mentioned the difficulties of hiring skilled foreign talent in Singapore. In recent years, Singapore’s Ministry of Manpower has placed tighter restrictions on employers looking to bring skilled labourers into Singapore. These companies now experience trouble securing the Employment Pass, a visa that allows foreign professionals to work in Singapore under the condition that they earn a minimum of S\$5,000 (C\$5,170.49) per month and have “[fairly considered all job-seekers](#),” alluding to the local workforce.

“It seems like many Canadians will get an initial rejection first. And then the companies that employ them need to justify why they would require a foreigner to fill the job rather than hire locally. This creates a challenging and lengthy process in recruiting talent for companies in Singapore.”
(Anonymous, October 24, 2022)

“ Making up just over a third of Singapore’s total workforce, Singapore’s economic growth relies heavily on foreign workers.”

The limitations on hiring foreign workers due to difficulties in obtaining work visas may be relevant to the country's Chinese-Malay-Indian-Others (CMIO) classification, which is used as an administrative tool to manage policies, including immigration law, through an ethnic lens. Alternatively, this may also be due to the influx of foreigners in the 2000s and subsequent political backlash, notes Manu Bhaskaran. In the past half-century, the number of [foreign workers on temporary visas](#) has increased from 3.2 per cent of the [total workforce](#) in 1970 to 34.8 per cent in 2022. While this statistic includes mostly manual and domestic workers, skilled professionals are also included. Furthermore, foreign hires are also restricted by constrained supplies, including rising real estate costs and capacity limits at international schools, where foreigners tend to send their children.

As a result of limitations on hiring foreign labour, some of the thought leaders emphasized the underlying opportunity in hiring local talent as a business advantage. Steven Okun said that foreign businesses should know when developing their human capital plans what will advance Singaporean public interests, such as hiring or upskilling of local talent, and in turn working with individuals who have the competency to fill gaps. However, Teymoor Nabili noted that there are also difficulties in hiring high quality local talent:

“[High-quality] local talent is very hard to come by [because] unemployment here is very low. Where you can find local talent, some of the problems that some companies have reported is that it's perhaps not of as high quality as they would hope, even though Singapore's educational attainment is extremely high.” (October 19, 2022)

Despite the emphasis on hiring locally, **the government unveiled a new work visa in September 2022 to ease a tight labour market called the [Overseas Networks and Expertise Pass \(ONE Pass\)](#).** While this seems to give foreigners a five-year visa to work in Singapore, the barriers of entry for businesses remain high since individuals with the ONE Pass must demonstrate a monthly income of S\$30,000 (C\$31,022).

Opportunities for Canada

Bilateral merchandise trade between Canada and Singapore increased from [C\\$2.2 billion](#) in 2021 to C\$2.8 billion in 2022. Canadian merchandise exports mainly comprised nuclear reactors, machinery and equipment, electronic equipment, and scientific and precision instruments. Singaporean exports were led by electronic equipment, scientific and precision instruments, and pharmaceutical products.

Consistent with the findings from APF Canada's [Asian Views on Economic Engagement with Canada](#) (2020), **Canada is perceived as a passive player in the region and its reputation lacks nuance; however, it is known to be generally friendly and politically neutral.** Thought leaders noted Canada's wealth of resources, and focused on providing ideas for engagement between Canada and Singapore. More specifically, five of 13 thought leaders said there is a lack of or a low awareness and/or interest toward Canada: “I don't think there's a degree of differentiation between developed nations. I think there's perhaps a perceived advantage of Canada over some of the other countries,” said Teymoor Nabili.

A Canadian government representative in the region agreed that Singapore does not have Canada on its radar due to a lack of publicity, meaning Singapore may lean towards stronger economies during expansion.

“Singaporeans are very brand-conscious. If you hear most Singaporean companies, if there’s an opportunity to expand to North America, they’ll go straight to the U.S. **Canada is great, but there’s not great branding.** And, honestly, I think this is something that GAC (Global Affairs Canada) and the Government of Canada has to do — develop a much stronger brand image for Canada . . . it’s kind of horrible, because it’s such a lost opportunity.” (December 7, 2022)

For most thought leaders, what stands out for Canada is its friendly nature.

“I think, in general, **Canada is perceived as a trusted country.** So [its] reputation is that we are reliable, and I guess maybe friendly as well. And we have very high standards when it comes to ESG (Environmental, Social, and Governance) and sustainability. And maybe worker rights and gender equality. Canada is perceived quite favourably in Singapore as well as Southeast Asia.” (Anonymous, October 24, 2022)

In terms of potential opportunities for Canadian engagement with Singapore, some thought leaders brought forth Canada’s wealth of natural resources.

“We don’t have huge sources of water or hydroelectric power, or anything of consequence; neither do we have land area for water catchment, or for collecting solar energy, like what Canada has. Since Canada has an incredibly huge reservoir of resources that Singapore doesn’t have access to, is there any way that you could export energy to us? Can we export computational capability to you given the possibility of data centres being remotely connected by high speed links? These [are] big questions.” (Tan Tin Wee, October 13, 2022)

Canada quickly established [diplomatic ties](#) with Singapore after the latter’s independence in 1965.

Canada also supported Singapore in becoming an observer for the [Arctic Council](#) in 2013, an intergovernmental forum that advances Arctic interests. Nevertheless, some thought leaders

discussed the lack of staying power of many Canadian companies and encouraged Canadian companies to establish long-term and consistent engagement with Singapore.

For engagement opportunities, Dr. Faizal Yahya proposed **linking up with Singaporean universities to establish programs such as Canadian Studies for Singaporeans to learn more about Canada.** He also proposed the possibility of Canadians being present in the Asian Research Institute at the National University of Singapore to discuss not only Canadian industries, but the history of Canada and its Indigenous Peoples to connect to Singapore’s cultural lineage.



Singapore is increasingly looking to urban farming to bolster its food security, as this rooftop garden of edible plants above the expansive Raffles City mall demonstrates. | Photo: Roslan Rahman/AFP via Getty Images

An ASEAN business expert suggested the possibility of Canada, one of the world's largest agricultural food producers under difficult weather systems, exploring opportunities to share Canadian agri-tech to support Singapore's development of its urban and vertical farming. Similarly, Reuben Athaide proposed the possibility of establishing Canada as a preferred partner to export, for instance, fish to Singapore.

Some of the popular Canadian businesses mentioned by thought leaders included: Bombardier, Manulife, Blackberry, McCain's, Tim Hortons, and Cirque du Soleil. Thought leaders' knowledge about Canadian industries is modest with the exception of the mining sector. **As one thought leader observed, there is a lack of "Canadian brand" in Singapore, since Canadian companies often come forward with their strong provincial over national identities:**

"When I speak to stakeholders in Singapore that I'm from Canada or these are some of the Canadian companies, they tend to see them as reliable. **They don't seem to care about which province the company comes from . . . as long as you brand yourself as a Canadian company that would help you get a bit further.** We often have the question like, 'Where's Saskatchewan?' . . . 'Is your product name Saskatchewan?'" (October 24, 2022)

Other products or sectors of interest for Canada-Singapore engagement that thought leaders mentioned include waste management, timber, infrastructural development, and wheat and/or grains.

Conclusion

The project *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives* offers a better understanding of the Singapore market for Canadians, especially businesses and policymakers. While Canada continues to stand in the shadow of other foreign economies such as the U.K., Australia, and the U.S., this report highlights one critical issue that needs to be addressed head-on — the need to build a specific 'Brand Canada.' Canada's Indo-Pacific Strategy promises an increased presence in Southeast Asia, which will certainly help Canada solidify its long-term commitment to the region. However, to maximize the power of a 'Brand Canada' presence, Canada needs to present a unified front across all provinces, as repeatedly noted by Singaporean thought leaders.

The study also highlights rising sectors in Singapore and underscores the need to focus on those prioritized by the Singapore government. As noted above, the sectors that prosper are the ones the city-state's government wants to prosper. Singapore has made significant investments in technology and digitalization, renewable energy and sustainable development practices, better waste and water management, and public health. These sectors have given rise to Singapore's status as a leading smart city, with thought leaders also noting technological advancements in agri-industry, as well as the sustainable development driving the pharmaceutical, biotechnology, and aerospace industries.

But engaging with Singapore is not without challenges. As the surveyed thought leaders explained, Singapore's geographic size impacts the availability and distribution of resources in the country, driving up the costs of living and business operations. Additionally, the economy is dependent on foreign labour because of its aging population and limited workforce, but the government's heavy oversight and policy priorities mean that hiring skilled foreign labour is complex and expensive. Still, these myriad challenges may be spaces of opportunity for collaboration in the island country, particularly as Singapore continues to invest in technology and digitalization and more broadly in sustainable development.

As a starting point for Canadian businesses and policy-makers, thought leaders suggest a long-term commitment to Singapore, including interacting with Singaporeans, businesses and government organizations; having a physical presence; and, conducting due diligence to identify how Canadian businesses and products can directly benefit the Singapore market. Such research, including network-building exercises, an assessment of the city-state's infrastructure needs, and leveraging the Singapore government's abundant resources, could benefit Canadian MSMEs that hope to make an impact in Singapore and the broader Southeast Asia region.

Despite Southeast Asia's significant presence in Canada's IPS, at the time of this report's interviews, this forward-looking strategy had yet to resonate with the thought leaders engaged in the study. This suggests that the timing of the IPS is optimal, and that a solid Canadian presence in the region and an effective 'Brand Canada' strategy are long overdue.

Indeed, the subsequent announcement of the Canadian Trade Gateway in Southeast Asia, with a funding injection of C\$24.1 million from the Government of Canada, has already received attention in the region, and stakeholders are optimistic about its prospects. The Gateway initiative — a tangible outflow of the IPS — further underscores a commitment on the part of Canada to engage on a long-term basis with the region, a factor that will help build trust in Canada as an engaged partner.

While Canada currently has a small presence in Singapore, opportunities for Canadian traders and investors will only grow as the Singapore market becomes more knowledgeable about Canada and gains interest in collaborating with a fair-trading nation ripe with innovation and rich in resources. And as Canada begins to attract awareness in Singapore, the city-state will ultimately prove an important partner and a valuable springboard to the dynamic markets in the broader region.

Methodology

The *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives Syndicated Study* project started taking shape in 2021, with the intention of better understanding developed and developing Southeast Asian economies to strengthen Canadian engagement in the region. It was built around some of the key takeaways from APF Canada's 2020 study, [Asian Views on Economic Engagement in Canada](#). Following multiple consultations with Canadian government representatives and high-level Canadian and Asian thought leaders, the study was conceptualized as a quantitative survey designed for a sample of thought leaders from Singapore and Indonesia. Thought leaders for this study are defined as: "academics, researchers, political advisers, public servants, media professionals, and senior business executives with established regional expertise."

APF Canada commissioned Green Technology Asia Pte. Ltd. (GTAsia) to undertake the data collection for the project. While the project began in March 2022 as a survey of thought leaders, there was a low response rate that could be primarily attributed to the complex nature of the survey itself, and the survey delivery timing of summer 2022, when travel restrictions worldwide started to relax following more than two years of various levels of physical isolation due to the COVID-19 pandemic. As a result, the project pivoted to gather in-depth and rich qualitative data through personal interviews. In total, 13 thought leaders with strong backgrounds and experience in Singapore, its foreign policy, and engagement were interviewed. The fieldwork spanned October to December 2022. Thought leaders were asked for their voluntary participation and were contacted through personalized emails, LinkedIn messages, WhatsApp, and phone calls. Interviews with informed consent were conducted through online video calls. The interviews were complemented with research and analyses of various policy reports, government documents, statistical data, public opinion surveys, and a review of research on the Southeast Asian business environment conducted by international and local organizations, consultancies, and think-tanks.

Interviewees came from firms of various sizes: seven from small firms (0-99 employees), one from a medium-sized firm (100-499 employees), and four from large firms (500+ employees). Of the 13 interviewees, four identified as female. The direct quotes from the thought leaders have been edited for grammatical and structural errors. Two thought leaders were interviewed together and have been treated as a single unit for data analysis purposes. Details of interviewees are listed in the [List of Singaporean Thought Leaders](#) section. Some interviewees requested to remain anonymous and therefore have not been identified in this report.

The current project has also opened up doors to future research opportunities looking into other high-potential economies in Southeast Asia, including Malaysia and Vietnam, to better understand the nuances of engagement. The study also highlights a need to conduct similar research in each target market on a regular basis to keep pace with change.

List of Singaporean Thought Leaders

APF Canada thanks the following thought leaders for agreeing to be interviewed for this very timely project, their invaluable time, insight, and experience. This study was made possible because of them:

Carlos A. Kuriyama

Senior Analyst at Policy Support Unit,
Asia-Pacific Economic Cooperation

Dr. Faizal Bin Yahya

Senior Research Fellow, Institute of
Policy Studies, National University of
Singapore

Liang Kaixin

Associate Director of Public Affairs,
Institute of Policy Studies

Ian Wilson

CEO, Wilson Innovation Lab,
Regional Head of Hospitality for the
line, NEOM Saudi Arabia; Adviser and
Mentor, Singapore Tourism Board

Manu Bhaskaran

Partner, Centennial Asia Advisors Pte
Ltd; Adjunct Senior Research Fellow,
National University of Singapore

Marlene Han

Director, Kyi Hla Han Ventures,
Executive, Canadian Chamber of
Commerce in Singapore

Nicky Lung

Executive Director, Canada-ASEAN
Business Council

Reuben Athaide

Head of Cyber Security Advisory,
Standard Chartered Bank

Steven Okun

Senior Adviser, McLarty Associates;
Chair, AmChams of Asia Pacific;
Founder and CEO, APAC Advisers

Tan Tin Wee

Chief Executive, National
Supercomputing Centre, Singapore;
Associate Professor, National
University of Singapore

Teymoor Nabili

News Anchor, CNBC; Media and
Communications Consultant,
Asian Development Bank; CEO and
publisher, Tech for Impact Asia

Acknowledgments

LEAD RESEARCHERS

Dr. Sreyoshi Dey

Program Manager, Perspectives Asia and CAST-South Asia, Asia Pacific Foundation of Canada

Gloria Liu

Project Specialist, Perspectives Asia (former), Asia Pacific Foundation of Canada

Ingrid Wong

Data Analyst, Asia Pacific Foundation of Canada

STRATEGIC ADVISERS

Jeff Nankivell

President and CEO, Asia Pacific Foundation of Canada

Dr. Jeffrey Reeves

Vice-President, Research & Strategy, Asia Pacific Foundation of Canada

EDITORIAL REVIEW

Dr. Charles Labrecque

Director, Research, Asia Pacific Foundation of Canada

Michael Roberts

Director, Communications, Asia Pacific Foundation of Canada

Ted Fraser

Editor, Communications, Asia Pacific Foundation of Canada

COMMUNICATIONS

Michael Roberts

Director, Communications, Asia Pacific Foundation of Canada

Camille Point

Communications & Social Media Specialist, Asia Pacific Foundation of Canada

CREATIVE DESIGN

Chloe Fenemore

Graphic Designer, Asia Pacific Foundation of Canada

PROJECT MANAGEMENT

Rosie Bolderston

Program Manager, Grants and Proposals, Asia Pacific Foundation of Canada

Dr. Sreyoshi Dey

Program Manager, Perspectives Asia and CAST-South Asia, Asia Pacific Foundation of Canada

FRENCH TRANSLATION

Eva Moreta

French Translator, Communications, Asia Pacific Foundation of Canada

RESEARCH PARTNERS

Brady Fox

Senior Partner and SVP Research, Greentech Asia

David Wynne

Founding Partner and CEO, Greentech Asia

Chad Rickaby

Managing Partner and SVP Business Development, Greentech Asia

Yahe Li

Senior Researcher, Greentech Asia

Special note of thanks to

APEC Business Advisory Council

Bart W. Édes

Policy Analyst, Author, and Professor of Practice at McGill University

Canada-ASEAN Business Council

Canadian Chamber of Commerce in Singapore

Hafimi Abdul Haadii

Executive Director of LVK Group of Companies

Justin Kwan

Senior Program Manager, APEC-Canada Growing Business Partnership, APF Canada

Md. Chatib Basri

Economist and former Minister of Finance (Indonesia)

Sean Chan

Corporate Finance Advisor, Singapore and Canada

Stephanie Lee

Program Manager, CAST-Southeast Asia, APF Canada

Suryo Nugroho

Program Manager, Networks and Partnerships, APF Canada

Republic of Singapore Country Profile



Geography of Singapore

- City-state located at the southern tip of the Malay Peninsula, about 137 kilometres north of the equator, consisting of one large island with 60 small islets
- Year-round high temperatures and nearly constant precipitation; seasons are defined by rainfall with the wettest and windiest period being the northeast monsoon from November to March
- Singapore is characterized by urbanization, but has preserved some rainforest

Quick facts

Capital	Singapore
Population	5,637,000 (Sing Stat, 2022)
Total area	718 square kilometres
Major religions	Taoism, Buddhism, Islam, Christianity, Hinduism
Life expectancy	83.5 years
Currency	Singapore dollar (1C\$ = 1.02 SGD) (January 2023)
Major ethnic groups	Chinese, Malay, South Asian, and Eurasian
National holiday	Independence Day, August 9, 1965

Languages

Official languages	English, Mandarin Chinese, Malay, Tamil
Majority languages	English and Malay
Minority languages	Cantonese, Hokkien, Hainanese, Hakka, Teochew, Indonesian, Javanese, Japanese, Korean, Punjabi, Telugu, Urdu

Greetings

Mandarin	“Ni Hao”
Indian	“Vannakam” (Tamil); “Namaste” (Hindi)
Malay	“Selamat Pagi” for good morning, “Selamat Tengah Hari” for good afternoon, “Selamat Malam” for good night
‘Singlish’ is a mixture of English, Mandarin, Tamil, Malay, and other Chinese and South Asian languages	

Modern History of Singapore

19th century	Modern Singapore founded
1941	Singapore's prosperity suffers under Japanese occupation
1946	Singapore becomes British Crown Colony
1963	Singapore becomes independent from the U.K. and joins a merger with Malaya, North Borneo, and Sarawak to form Malaysia
1965	Singapore seeks independence from Malaysia and becomes a parliamentary republic

Politics of Singapore

Head of State	President Halimah Yacob
Head of Government	Prime Minister Lee Hsien Loong
Last election	July 2020
Next election	2025
Three separate branches of government	Legislative, executive, and judiciary
Multiparty political system in parliament	Ruling party is the People's Action Party (PAP), with Singapore Democratic Party (SDP), Singapore Democratic Alliance (SDA), Workers' Party (WP) in opposition
Key concerns	Criminal justice system, freedoms of peaceful assembly and expression, sexual orientation and gender identity, migrant workers and labour exploitation, human rights advocacy

Key media sources

- ▶ [Channel News Asia](#)
- ▶ [Business Times](#)
- ▶ [The New Paper](#)
- ▶ [The Straits Times](#)

Canada-Singapore Relations

Selected public opinion polls

Canada-Singapore trade agreements (in force)

- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Agreement on Trade-related Investment Measures (TRIMS)
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- General Agreement on Tariffs and Trade 1994 (GATT)
- General Agreement on Trade in Services (GATS)
- World Trade Organization Agreement on Government Procurement (GPA)
- World Trade Organization Agreement on Trade Facilitation (TFA)
- World Trade Organization Information Technology Agreement (ITA)

Canada-Singapore common interests

- Open trade
- Rules-based international order
- Gender equality
- Climate change and sustainability
- Support for inclusive societies

Canada-Singapore bilateral co-operation areas

- Cybersecurity
- Infrastructure
- Education
- Science and technology
- Trade
- Defence
- People-to-people exchanges

- ▶ [The State of Southeast Asia 2022 Survey Report](#), the ASEAN Studies Centre
- ▶ [Our Singapore Values: Key Findings From the World Values Survey](#), Institute of Policy Studies
- ▶ [IPS – Post-Election Survey 2020](#), Institute of Policy Studies
- ▶ [Singapore’s perceptions of key societal issues and how this affects their political choices](#), Quad Research

Appendix: In-depth Interview Guide For Thought Leaders

The interview guide below was designed to guide the interviewer toward the key topics and pertinent issues within each topic. The interviewer had the independence of driving the interviews based on the conversation and interviewees' areas of expertise to generate in-depth data for analysis.

General Introduction

Thank you for your time and consent to be interviewed for this crucial project that can help inform Canada-[Respondent's country]'s economic relations and promote bilateral partnership. This study is being conducted by a Canadian think-tank, Asia Pacific Foundation of Canada, that aims to build a bridge between Canada and the Asia Pacific. Your perspectives about [Respondent's country]'s socio-political, cultural, and economic outlooks will provide insight that can be useful to both [Respondent's country] and Canadian policymakers, businesses, and other stakeholders to build economic engagement between the two countries.

Your answers will remain confidential and anonymous and will not be linked to your personal information unless you expressly agree to the attribution. With your consent, this interview will be recorded, transcribed, and shared with APF Canada. APF Canada may share the completely anonymized transcripts with its funding partners and the Canadian government to inform their decision-making process. This interview will last approximately 30 to 45 minutes. Your opinion and experience are deeply appreciated.

Note: The emails and introductions were typically personalized for each interviewee

Engagement

- 1 In your experience, what do foreign countries need to know about [Respondent's country] before considering forming business relations with [Respondent's country]?
 - a. Do you see any potential challenges or barriers to foreign engagement with [Respondent's country]?

Sectoral Opportunities

- 2 Thinking about [Respondent's country] specifically, what are the key sectors that you envision [Respondent's country] will import more goods and services in the next ten years? What are the rising sectors or industries of the future for [Respondent's country]?
- 3 What are the key sectors for FDI growth in [Respondent's country]?
- 4 Are there industries with stricter or easier FDI regulations for entry into [Respondent's country]? What are these sectors? Can you elaborate on the restrictions/opportunities?

- 5 Are there any areas/regions (provinces/cities/municipalities) in [Respondent's country] that will be much easier or more beneficial for foreign businesses to locate? If yes, can you list a few of them? In what ways can foreign businesses benefit from locating in these areas? What industries do the regions/provinces/areas you listed focus upon?

Key Sectors of Focus

6 Environment and Sustainability

Within the area of clean technology, which sectors have the most potential for economic growth in [Respondent's country]?

7 Digitalization

Do you think digitalization has impacted [Respondent's country]'s ways of engaging with foreign partners? Can you please elaborate?

- a. How are MSMEs in your country coping with the rapid digitalization and increase in digital trade?

8 Education

Is education or education-related opportunities something that [Respondent's country] is interested in and actively seeking from foreign partners? What are the suggested approaches for such academic partnerships?

Trust in Foreign Economies

- 9 Do [Respondent's country]'s businesses prefer regional partners that are culturally and geographically closer over partners based in distant economies like in the Americas (North and South)?
- 10 Would you say [Respondent's country]'s businesses are more trusting of ASEAN economies compared to non-ASEAN economies? If yes, why? If not, what are some of the non-ASEAN economies that are more trusted and why?
- 11 How are Canadian businesses perceived in [Respondent's country]? Do [Respondent's country] businesses/government find the Canadian economic environment different from the US? If yes, how?
- 12 To your knowledge, is there an active interest in building Canada-[Respondent's country] economic relations from [Respondent's country]'s end?

Awareness Building

- 13 What would be the most optimal way (online and offline) of building awareness of a foreign economy or business in [Respondent's country]? Do you have any specific suggestions for ways or networks that should be used to approach [Respondent's country]'s business community/environment?
- a. Who do you think will be more effective in building such awareness – domestic government, domestic businesses/private sector, foreign government, or foreign businesses/private sector?

- 14 What are the best online and offline methods of foreign engagement with [Respondent's country]'s MSMEs?

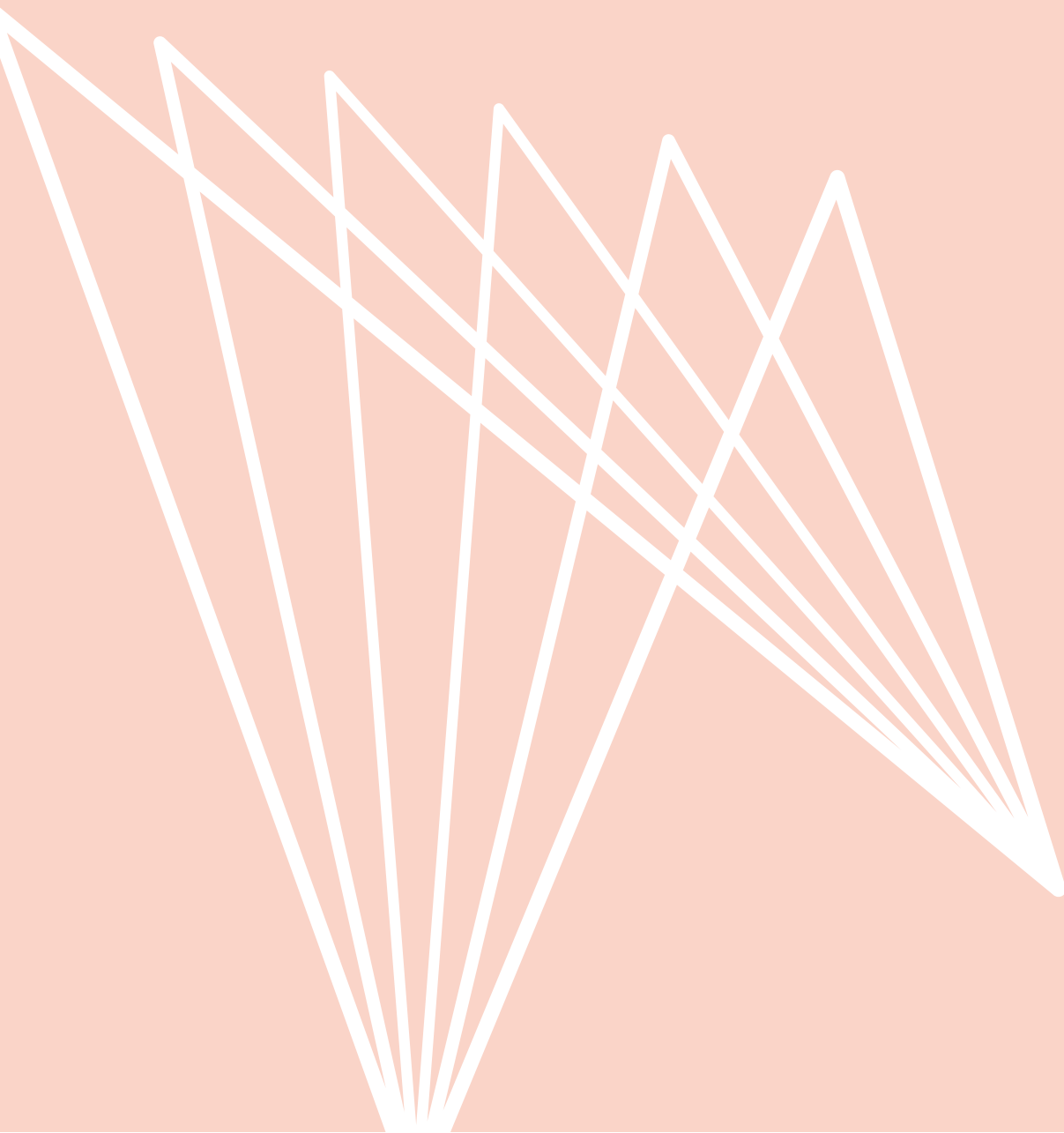
Trade Agreements

- 15 Which multilateral trade agreement is the most important for your country's growth?
- 16 We have a list of relevant agreements to Canada-[Respondent's country]'s relations. What's the first thing that comes to your mind when you hear these agreements, and how would you summarize the potential impact (positive, negative, or none) on [Respondent's country]'s growth?
- CPTPP
 - DEPA (Singapore only) | CEPA (Indonesia only)
 - Canada-ASEAN FTA

Thank you for your time and insight into this study. At this point, please indicate whether you would like to remain anonymous in the final report or would like your responses anonymized.

- Please keep my name anonymous for all responses, but you can add me to the list of participants in the final publication
- Please keep my name wholly anonymous and do not add me to the list of participants in the final publication
- If you quote my responses in the final report, you can cite my name and add me to the list of participants

If you have consented to provide your name, we will share a pre-publication draft report to ensure you are comfortable with the quotes being added to the report.



Stay in touch



THOUGHT LEADERS' PERSPECTIVES SYNDICATED STUDY

COUNTRY OF FOCUS:

INDONESIA

Building Economic Engagement
with Singapore and Indonesia



March 2023

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About APF Canada

The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada.

APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, Digital Media, and a regular Asia Watch newsletter that together support these thematic areas.

Thematic areas

- ▶ [Business Asia](#)
- ▶ [Perspectives Asia](#)
- ▶ [Strategic Asia](#)
- ▶ [Digital Asia](#)
- ▶ [Engaging Asia](#)
- ▶ [Sustainable Asia](#)

Executive Summary

As one of the world's fastest growing economies, with a burgeoning, young, increasingly educated, middle-class population, Indonesia is brimming with opportunities for foreign engagement, and yet, it is not without its challenges. As Canada builds bridges with Southeast Asia through its [Indo-Pacific Strategy](#), released in November 2022, to address this global economic, demographic, and strategic shift towards the region, it is an optimal time to analyze Canada's engagement strategy for Indonesia. The world's largest archipelago, made up of more than 17,500 islands, Indonesia has a rich history that informs its political, cultural, social, and linguistic diversity. Often, Indonesia is treated as a homogenous unit even though the country is home to more than 300 ethnic groups and 700 living languages.

Located at the crossroad of two major oceans —

Indian and Pacific — the country plays a critical economic, political, and geostrategic role in the world. Considering the growing importance of the country, the Asia Pacific Foundation of Canada launched the *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives Syndicated Study* to better gauge the opportunities in Indonesia. The study not only identifies the prospects but also elaborates on necessary engagement strategies, such as improving Canadians' understanding and appreciation of Indonesia's local politics, business culture, and its nuances to ensure shared mutual growth. In this report, 12 thought leaders experienced with the Indonesian market, its people, and its politics were interviewed to inform the recommended strategies for Canada to build economic engagement with Indonesia.

Key takeaways

1 Consider provincial differences

With 38 provinces and a multilevel governance structure, Indonesia can be complex to navigate. Provinces often differ in terms of language, religion, culture, Indigeneity, and sectoral opportunities. Typically, foreign engagement is heavily focused on the economically vibrant island of Java, home to the country's capital, Jakarta. But as the Indonesian government pushes to diversify businesses and economic activity away from Java and establishes special economic zones throughout the country, it is crucial to recognize the vast diversity and differences across provinces and act accordingly.

2 Explore opportunities for youth and education

The majority of Indonesia's 276 million people are below the age of 30, making it an attractive consumer economy. As the proportion of youth increases, more than 50 per cent of its population will join the workforce, but these young Indonesians lack access to vocational education and skilled knowledge. The education sector, with a particular emphasis on vocational training, will be an area of focus in the coming years and a potential opportunity for foreign engagement.

3 Support catalyzing digitalization

Indonesia has one of the world's largest internet consumer markets. Social media is actively used by the government, businesses, and civil society to disseminate information, communicate with various communities, and build relations. E-commerce and digital services have gained a lot of traction in the country and boosted its digital economy. However, there is a vast digital divide as the development of

technological infrastructure has failed to keep up with increasing demand. While rapid digitalization is an attractive feature of the Indonesian economy, the gap in investment and collaboration on innovative tech infrastructure development to connect thousands of islands must not be underestimated.

4 Support sustainable infrastructural development

The current Indonesian government is prioritizing investment and spending on building the country's infrastructure, particularly its transportation and connectivity across the country's many islands. Indonesia is also facing increasing challenges due to climate change and rising sea levels, prompting the government to emphasize sustainable development, as highlighted most dramatically in the creation of the new capital city of Nusantara. As a result, there is not only a demand for foreign investment but also for skilled services.

5 Explore renewable energy focus

With a pledge to reach its net-zero emissions target by 2060 and source at least two-thirds of its energy needs through renewables by 2050, Indonesia is also focused on its renewable energy sector. In particular, this focus has been on solar energy, given the country's geographic location at the equator, but also hydropower, depending on the province in question and its access to water. However, energy is a deeply political issue and requires further exploration of land ownership as well as improved relations with Indonesia's state-owned electricity company.

6 Build competency through local networks

It is important to build local networks and nurture local partnerships. Local and reliable partners can equip foreign companies with much-needed knowledge of the country's governments, politics, and culture. Government resources in the country can often be confusing or lacking compared to the competency brought by a local partner.

7 Consider politics, corruption, and human rights issues

While Indonesia has been working to identify and stamp out corruption, red tape is a common barrier to engaging with the Southeast Asian economy. The country has also been the subject of numerous past human rights issues and continues to be in the spotlight due to controversial criminal codes that can jeopardize foreign business operations and economic investments.

8 Leverage 'Brand Canada'

Indonesia lacks awareness, knowledge, and interest about and toward Canada. A more visible presence coupled with consistent and effective branding will allow Canada to be recognized as a trustworthy foreign partner in Indonesia, particularly as Canada pursues a free trade agreement (FTA) with the Association of Southeast Asian Nations and a comprehensive economic partnership agreement (CEPA) with Indonesia.

While Indonesia still presents some challenges in terms of being an attractive location for business growth, the country is paving the way through changes to its laws and regulations to better enable foreign engagement. The following report expands on the takeaways above and the challenges in building a Canadian strategy to engage with Indonesia.

Introduction

In 2020, APF Canada conducted a multinational survey of business leaders in six Asian countries — China, India, Japan, Singapore, South Korea, and Vietnam — to gauge their attitudes towards Canada, especially their perspectives on engaging with Canada as a potential economic partner. Titled, [Asian Views on Economic Engagement in Canada](#), the 2020 study polled 6,600 business leaders and found, for example, that seven out of 10 Asian business leaders did not understand the Canadian business operating environment. The project also revealed a lack of Canadian presence in priority markets, as well as a lack of knowledge and awareness about Canada.

Building upon these results, APF Canada is taking a closer look at the booming economies of Singapore and Indonesia. The project, *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives Syndicated Study*, supported by subscribers Invest in Canada, Global Affairs Canada, and Export Development Canada, aims to understand the socio-political, cultural, and economic outlooks of Singapore and Indonesia, and to explore how these changing outlooks impact Canadian engagement. The project obtains insights through in-depth interviews with thought leaders from the private and non-profit sectors, academia, and even government. It seeks to gain a better understanding of economic engagement with these specific Asian economies through the voices of those with professional experience of foreign engagement with Singapore and/or Indonesia.¹

More specifically, the project aims to understand the business culture as well as businesses' opportunities, challenges, and barriers to entry in these two markets. Such a cross-cultural understanding can help promote trade and investment with emerging markets, support exporters and communities in need of investments, and fuel the growth of micro, small, and medium enterprises (MSMEs).

In this report, we explore the findings from Indonesian thought leaders. Indonesia has been actively diversifying its trade and investment relations globally. As the world's fourth most populous nation and third largest democracy, Indonesia boasts more than 700 spoken languages. Its more than 17,500 islands host over 300 ethnic groups. Despite being a secular state, Indonesia is the world's largest Muslim-majority country, with Muslims accounting for 86 per cent of the population. As Southeast Asia's largest economy and the only G20 member from the Association of Southeast Asian Nations (ASEAN), Indonesia is [Canada's fourth largest trading partner in ASEAN](#).

“ . . . the 2020 study polled 6,600 business leaders and found, for example, that seven out of 10 Asian business leaders did not understand the Canadian business operating environment.”

¹ Please see [Methodology](#) for further details

Indonesia's Operating Environment

As the world's 10th largest economy in terms of purchasing power, Indonesia has been steadily developing its economy, making it a desirable source country for both goods and services, despite recently banning the export of some commodities. Indonesia is the world's largest palm oil and nickel producer, and has a growing young population. The country managed to cut its poverty rate by half over the last two decades (from 23.4% in 1999 [to 9.8% in 2020](#)). The country has also experienced significant growth in the post-COVID-19 pandemic era — its real GDP growth was [5.4 per cent](#) (year-over-year) in 2022.

Indonesia's economy comprises [five primary sectors](#): manufacturing, agriculture, wholesale and retail trade, construction, and mining. But before engaging in these spaces, it is important to recognize that Indonesia's operating environment is unique and can be challenging for foreign businesses to navigate. As most thought leaders observed in this study, Indonesia's operating environment is governed by the complexity of the country's political and economic environments. Two thought leaders, for instance, highlighted the oligarchic and parochial nature of Indonesian politics. The thought leaders also acknowledged issues such as of corruption, lack of transparency, and red tape, which will be discussed further in the section on 'Barriers to Engagement.' According to an experienced sustainability adviser:

"I think there has been a lot of progress in terms of the transparency of, for example, tax and immigration services. Obviously, there is still a lot of red tape in some of the permits, but I think it was one of the key priorities of the new administration." (October 4, 2022)

The thought leaders also noted the importance for foreigners to be aware of the local business culture, politics, and partners to ensure a successful relationship.

"How transparent is the local government . . . because we still have corruption issues, even in Jakarta. So, if you don't have any idea who your local business partner is and how to deal with the local government, then basically they'll eat you alive." (Gerald Ariff, Adviser to Rector, Asia Cyber University, and lecturer, Institut Teknologi Sepuluh Nopember, October 11, 2022)

Indonesia's recent [rise to the G20 presidency](#) in 2022 speaks to the country's vast transformation in the last two decades into a relatively stable and open economy. Indonesia ranked 9th out of 26 Asian countries in [Lowy Institute's Asia Power Index 2021](#), a ranking that evaluates eight types of power, including defence networks, cultural influence, resilience, and economic capability (Indonesia ranked the highest in diplomatic influence).

// Indonesia's economy comprises five primary sectors: manufacturing, agriculture, wholesale and retail trade, construction, and mining."

Indonesia's Relations with ASEAN and Foreign Economies

Thought leaders' perceptions of Indonesia's foreign relations vary. The most frequently mentioned economies in terms of their foreign and economic relations with Indonesia were Japan, South Korea, and China, and there is generally no *strong* preference between ASEAN and non-ASEAN economies for collaboration. But some thought leaders said Indonesians may prefer business partners who come from a similar or familiar background.

More specifically, most thought leaders mentioned both South Korea and Japan as active investors and affordable partners. China came up in interviews with a majority of the thought leaders; some thought leaders see the country as a strong, familiar, and affordable investor.

“There is an impression that the [Indonesian] government is more comfortable with China. I heard people talk about perceptions because of practical reasons, like proximity, because China gives Indonesia a good deal in terms of trade. It is the conditionalities from other countries [Western economies] that the Indonesian government may have some reservations [about]. For example, the labour law, the humanitarian standards, the environmental standards, Chinese companies don't really talk about it.” (Binny Buchori, Treasurer, PRAKARSA Governing Body, and communications and engagement consultant, Landscape Indonesia, November 3, 2022)

But, thought leaders also noted that Indonesia views China as a geopolitical and security threat, and some pointed out that Indonesians hold some prejudices toward China because of political and social differences. Gaining trust in foreign economies is a gradual process and Indonesia does have some preferences for business partners:

“Give it time because it doesn't happen overnight. You can't just walk in and have a meeting and expect that conversation to [generate] business opportunities and your plan of implementation for setting up a company. A lot of it comes down to building that relationship . . . people want to get to know you, they want to know that you're actually somebody that they want to build a rapport with.” (Jim Webb, President Director, Hatfield Indonesia, October 11, 2022)



People pose with the newly set up logo of the Association of Southeast Asian Nations (ASEAN), as Indonesia officially assumes the group's chairmanship following a ceremony in Jakarta on January 29, 2023. | Photo: Goh Chai Hin/AFP via Getty Images

Importance of Indonesian Provinces

With the creation of Southwest Papua at the end of 2022, Indonesia is now home to 38 provinces, of which 24 will be led by [interim governors](#) appointed by President Joko Widodo until the 2024 elections. The provinces vary in terms of their culture, language, opportunities, and politics, presenting a challenge to foreign businesses. When asked about the subnational differences in Indonesia for the entrance of foreign partners, thought leaders mainly noted differences in terms of sectors, particularly in Java (including Jakarta), Sumatra, Kalimantan, and Bali.

The majority, 11 of 12 thought leaders, mentioned **Jakarta** when discussing foreign engagement. Most thought leaders described the special capital region as a political, financial, and administrative centre that is no stranger to **electric vehicle (EV) charging stations, investments, startups, SMEs, venture capital firms, and private equity firms**. Christopher Bendl, CEO and Country Manager for Indonesia at Zurich Insurance, said it is easier for foreigners to enter Jakarta since there is more infrastructure, “better legal systems and more orderliness around the investment process.”

Java, the island where Jakarta is located, was mentioned in the context of foreign engagement by nine of 12 thought leaders as it continues to be a thriving region. Bret Mattes, Director at PT Numada, said that all parts of Java are continuing to be developed and boast different attractions for investors. Ana Saleh, Senior Vice President for Advisory and Trade at Edelman Global Advisory, said that it is always the “go-to place” for investment. Rino Sa’danoer, Director of Global Business Development at Asia Mediterranean Network, highlighted the abundance of **garment industries** in West Java, East Java, and Central Java.

However, Indonesia is attempting to diversify business and economic activity away from Java, which currently generates 60 per cent of the country’s GDP. There were **19 Special Economic Zones (SEZ)** in Indonesia as of 2022, of which 12 are already operating. In the next decade, Indonesia hopes to attract more than [C\\$67 billion](#) in investment through these SEZs.

“Indonesia has set up these SEZs across the country and that could be industry-specific, they tend to be more flexible and accommodating in terms of land area for setting up factories and storage and other location-specific facilities. Of course, the ones in Java are most accommodating because they have better infrastructure and particularly better energy supplies.” (Adi Abidin, Senior Analyst and Insight, Indovibrant Strategic Advisory Group, October 20, 2022)

Sumatra and **Kalimantan** were both mentioned by more than half of the thought leaders in the context of foreign engagement, mainly as green-energy hubs and agricultural centres with arable land and other resources. These two regions are known for their [wealth of natural resources](#) and attract industries that use wood, minerals, palm oil, rubber, and coal. **Bali**, mentioned by half of the thought leaders, is portrayed primarily as a **hospitality- and tourism-focused region** with an abundance of EV charging stations and friendly business environment for foreign startups.

The future capital in **East Kalimantan, Nusantara**, was mentioned by most thought leaders: “Of course, investors for the new capital is something the government is looking at,” said Binny Buchori. However, Bret Mattes noted that “the capital’s move . . . even President Jokowi acknowledges is a political movement. The structure of the economy is not going to change significantly, and investors are not going to want to be in Nusantara, they’re going to want to be in Jakarta.”

Aside from sectoral differences in opportunities across the Indonesian provinces, businesses also need to be aware of the importance of local language(s) for navigating the different provinces.

“Language is key. The local language is also important because even myself as an Indonesian, I’m still learning. Whenever I go to Sulawesi to Makassar, Kalimantan, I go to Sumatra, the local people, they have different nuances. If you know Bahasa, that is just the starting point. But understanding the nuances in the different regions, that is key [to] whether you can get the trust and full co-operation of the local partner.” (Gerald Ariff, October 11, 2022)



Sepaku Semoi Dam under construction at the country’s new capital Nusantara, known as IKN, in Penajam Paser Utara, East Kalimantan province, Indonesia, Wednesday, March 8, 2023. Indonesia is offering more tax cuts and looser terms for land acquisitions under a new rule as it seeks to attract more investors to its US\$34-billion new capital project. | Photo: Rony Zakaria/Bloomberg via Getty Images

Building Engagement with Indonesia

While Indonesia looks to conduct business as it shapes itself to take on a leadership role regionally and globally, there are optimal practices and numerous challenges that foreign businesses should be aware of before engaging with the market. According to thought leaders in this study, engagement with the Indonesian market largely revolves around understanding the country and building local networks. The methods to best learn about Indonesia vary and include hiring a local partner, attending local events, reaching out to business and trade organizations, and analyzing public opinion on social media. And despite Indonesia’s market potential, there are several challenges that foreign businesses should be aware of, primarily the complexity of politics and corruption, which impact the ease of conducting business.

“ The methods to best learn about Indonesia vary and include hiring a local partner, attending local events, reaching out to business and trade organizations, and analyzing public opinion on social media.”

Optimal methods of engagement

Thought leaders discussed the best ways to engage and build relations with Indonesia's market, focusing largely on having a detailed understanding of the country, including its government and business culture. They also observed optimal areas of engagement, including building local networks within various sectors.

Understanding the Indonesian context

A majority of thought leaders, 11 of 12, emphasized the importance of understanding Indonesia before engaging with the country. Foreign firms hoping to engage with Indonesia were encouraged to understand the country better, such as by **hiring a local partner with a physical presence** or **using social media to scan public opinion and discourse** since internet penetration is high in Indonesia. Tom Shreve, President Director at PT Numada, said foreign investors should **conduct research and understand Indonesia's business culture and environment** properly before engaging because there is a tendency to assume that conducting business in Indonesia may be the same as conducting business back in one's home country, which is not always the case:

"Oftentimes, things are the same, but oftentimes, the differences are overlooked, and they're not investigated, because they're simply assumed to be the same. It's the importance of having a good understanding and not to assume that the things that you're not looking at carefully are going to end up exactly the same, and that you've actually focused on the only things that are different from the home country. And lots of things are different, but not everything." (October 27, 2022)

Thought leaders Ana Saleh and Gerald Ariff, who have spent a significant part of their professional lives working in and with Indonesia, recognized that they are still learning about the country, demonstrating Indonesia's complexity:

"Me being a local consultant, for example, I am still studying every day because when the local government changes, I need to study it quickly. To know: 'What are the approaches? What is the approach that I can advise my client?' The dynamic changes have to be anticipated wisely." (Ana Saleh, Edelman Global Advisory, December 14, 2022)

Some thought leaders also suggested **identifying government and civil society agencies** to understand policy formulation and monitor the political landscape, but others emphasized less frequently mentioned factors like the need to understand Indonesia's socioeconomics and culture.

Building local networks

Half of the thought leaders emphasized the importance of **building trust with local networks and ensuring that foreign investors choose the right partner during collaboration**. Jim Webb indicated that it takes time to gain trust in local communities in Indonesia, and that Indonesians will want to know their potential partner before conducting business.

"That's the initial step of them getting to know you, you're getting to know them, and then you're deciding what your communications and your dialogue are going to look like. And then you can start talking about business . . . keep in mind here that you're coming in and you want to understand those people, they want to understand you." (Jim Webb, October 11, 2022)

Rino Sa'danoer, founder of Indonesia Real, and Ong Hock Chuan, Managing Partner at Maverick Indonesia, emphasized picking the right partner, suggesting that **foreign firms should do their due diligence and thorough research on potential collaborators before investing**. Indonesia competency and sectoral knowledge, they said, will be crucial to business success.

“You cannot go through a formal channel [to create networks or form a partnership]. Let’s say if you don’t know that person or that company [but] you have a contact, the outcome of your communication could be positive, but you don’t know what’s behind that. You really have to know who these people are to have a business relationship with them. I think the challenge is how to get to know people that you trust and [who] knows his or her way around Indonesia, especially [when] investing in a certain sector.” (Rino Sa’danoer, October 6, 2022)

Another oft-mentioned method of building a local network in Indonesia is through attending events. Ana Saleh emphasized the usefulness of not only **attending national, but also smaller, local** events since they have the potential to attract national levels of government. Furthermore, foreign firms need to engage with local, sub-national levels of government, depending on their sector of interest. More than half of all thought leaders listed organizations to break into local networks and leverage existing connections, including chambers of commerce, business and trade associations, and embassies. Organizations include the [Indonesian Chamber of Commerce and Industry](#), the [Indonesia Canada Chamber of Commerce](#), [International Business Association](#), and the [ICC Indonesia](#) (the National Committee of Indonesia to the International Chamber of Commerce).



Arsjad Rasjid, Chairman of the Indonesian Chamber of Commerce and Industry (KADIN Indonesia), delivers a speech during the opening of the B20 Summit as part of the G20 dialogue, in Nusa Dua on the Indonesian resort island of Bali on November 13, 2022. | Photo: Bay Ismoyo/AFP via Getty Images

Barriers to engagement

Indonesia placed 73rd out of 190 economies in the World Bank’s [Ease of Doing Business ranking 2020](#), suggesting that it is not an easy country to conduct business in compared to some of its ASEAN neighbours, such as Singapore, Malaysia, and Thailand. The barriers to engagement that thought leaders identified remain mostly political, ranging from complexities within policies, government structures, government resources, and politics, to corruption and red tape.

Complexities within governance and politics

The Center for International Forestry Research’s [2016 study](#) on Indonesia’s multilevel governance structure found that there is political tension regarding land use partly based on “confusion over legal jurisdiction.” This confusion is not only in the forestry sector. **Multilevel governance** and understanding which stakeholder to contact in Indonesia may be dizzying and difficult to navigate for foreign partners.

“The politics can get extremely murky and unpleasant. I can’t remember any investors or visitors failing to follow the religious structures, [but] they sometimes fail to read the social structure, and that can cause major problems. They sometimes misunderstand the legal structure and the way the laws work and [are] applied.” (Bret Mattes, November 23, 2022)

Thought leaders observed that there is at times a lack of clarity in the information provided through government websites, which makes **information navigation a complex process**.

“You need to know people here that are reliable and knowledgeable to take your hands to invest in Indonesia. Even if you go to the websites, some of the information may not be up to date. And that would be something not very profitable for investors.” (Rino Sa’danoer, October 6, 2022)

The inconsistency between data provided across different regions of Indonesia is also a barrier to potential investors. As an experienced sustainability adviser noted during the interviews, many districts and provinces often don’t have enough data to provide to investors, which can be a bottleneck. He further suggests, “You need to have clarity on the data of the businesses before you can attract investors.”

Corruption and red tape

Bribery is [against the law in Indonesia](#), which ratified the [United Nations Convention against Corruption](#) in 2006; however, corruption remains a key deterrent for foreign businesses. Among thought leaders, four of 12 observed that red tape in governance is still an issue and most thought leaders provided examples of current or past forms of corruption in Indonesia.

“The high-cost economy is not as bad as the last 20 years, but still, under the table paying money to an official, I won’t say bribe, but an official payment to certain parties in Indonesia, it still is the rule of the game, I would say. In many cases, what’s written on the menu is not always what you pay, you might have to pay more. For example, if you do licensing, even though there is one-stop service at the moment, there are informal ways to get permits for certain activities in Indonesia. I would say that the improvement has been significant.” (Rino Sa’danoer, October 6, 2022)

Other thought leaders said corruption has improved over the past years.

“There is corruption in this market, although it’s better and improved a lot, I’ve worked here for more than 25 years . . . it still exists. So, things like contractual disputes, commercial disputes with your partner, engaging with the government for licensing and permitting. Depending on the type of business that you’re in, if you have to import goods, ensuring that you can import the raw materials or mechanical goods, to be able to build your business, those are things that you take for granted in Canada, taxes as well . . . but if you get on the wrong side of the [Indonesian] tax department, then

“ Among thought leaders, four of 12 observed that red tape in governance is still an issue and most thought leaders provided examples of current or past forms of corruption in Indonesia.”

you will have issues with them. So, this market has those types of institutional risks that are still there.” (Christopher Bendl, October 4, 2022)

Signs of improvement are also evident in government efforts. Indonesia established the [Corruption Eradication Commission \(KPK\)](#) in 2003 with the [mandate](#) of preventing, fighting, and investigating corruption cases while monitoring governance activities. In its first 13 years, its conviction rate was [100 per cent](#). In 2022, President Joko Widodo gave state-owned enterprises two years for a major cleanup and to make [fundamental changes](#). Despite these amendments, Indonesia’s rank in Transparency International’s [Corruption Perception Index](#) has fallen to 110th out of 180. While this is better than its rank of 122nd in 2003, the country’s ranking improved significantly during the 2010s before a decline began in 2020, suggesting that Indonesia has a long way to go in combating corruption.



This aerial picture taken on September 24, 2021 shows the Corruption Eradication Commission (KPK) building in Jakarta. | Photo: Bay Ismoyo/AFP via Getty Images

Cost of business operations

Due to [underinvestment](#) in sufficient infrastructure, Indonesia faces high logistical costs. “An island economy without good port facilities makes things expensive,” notes James Castle, Commissioner and Adviser at PT TVS Motor Company Indonesia. The high cost of logistics, labour, and/or running a business in the country, was among the most frequently observed barrier to foreign engagement.

The lack of infrastructure and logistical support also implies that there is a concentration of operations in certain provinces, which can eventually lead to greater competition and push the cost of operations higher. According to a sustainability policy expert:

“I think a lot of companies tend to look at regions where infrastructure is better. Because Indonesia is an archipelago, a lot of the cost, the logistical costs and cost of labour, vary greatly between provinces. So that’s why a lot of labour-intensive industries tend to locate in Central Java, because they have access to international ports like Surabaya and Semarang, where infrastructure is good and not overloaded. And the cost of labour in these provinces is still relatively low compared to other regions of Indonesia.” (October 4, 2022)

Rising Sectors of Interest

Throughout the interviews, two sectors dominated discussions: renewable energy and technology and digitalization.

Although renewable energy is a policy priority for Indonesia and the government has set an ambitious [net-zero emissions](#) by 2060 target, there are regulatory challenges, including heavy government subsidies on energy. Meanwhile, as technology and digitalization are rapidly sweeping across Indonesia, thought leaders emphasized the need to focus on growing connectivity and developing digital infrastructure in Indonesia.

Renewable energy

Indonesia is committed to exploring the potential of renewable energy to reduce its heavy reliance on fossil fuel and improve energy efficiency along the country's power grid. Currently, Indonesia's renewable energy accounts for 14 per cent of the country's total energy mix. The [Indonesian Energy Transition Outlook](#) aims for this coverage to reach two-thirds by 2050. A majority of thought leaders described *energy* as a booming sector and a third of thought leaders discussed **energy transition to sustainable, renewable, green, and/or clean energy sources**. The majority of thought leaders believe renewable energy is a key rising sector in the country.

Indonesia offers a wealth of natural resources and/or energy resources, according to thought leaders. In particular, at least half of thought leaders note the high [potential](#) of solar power in the country, which is located close to the equator. However, **solar power comes with implementation challenges** including “complications in land ownership, lack of local experience, and unattractive tariffs” ([German-Indonesian Chamber of Industry and Commerce](#)). Some thought leaders also spoke of other renewable energy sources, such as hydro and biomass. Bret Mattes observed that certain provinces are ahead of others in this regard, such as North Kalimantan and its focus on hydropower generation. In 2021, hydropower contributed about eight per cent within renewable energy's share of [electricity generation](#) (18.19%).

What's more challenging is trying to collaborate with Indonesia's state-owned electricity-supply company and local state-owned electric companies, such as Perusahaan Listrik Negara (PLN), which regulate the country's power supply, as mentioned by one-quarter of thought leaders:

“There's a lot of resistance from the state electricity company, and you can only sell power through the electricity company, even if I put up a power plant and connect it to your house it would still have to go through the books of the state electric company. They're very pro-coal, Indonesia is a coal exporter . . . Indonesia has tremendous geothermal resources that are only moderately exploited, but again, they run into a regulatory area. And part of the problem is that power is subsidized in Indonesia, and when you come in with alternative energy, you pay more. You don't get the benefit of the subsidy. But that's because of the monopoly and the attitude of the PLN.” (James Castle, October 18, 2022)

Despite the **monopoly of the state-run electricity company**, thought leaders observed that there is potential to build relationships and pitch renewable energy options that are more environmentally sustainable and align with the country's 2060 goals.

“There seems to be a lot of potential over their [waste management], production of renewable energy product, whether of solar panels, wind turbines. There’s a lot of talk about utilizing the ocean . . . you have to deal with state electricity company, they may or may not be receptive in certain areas. There’s a lot of potentials . . . to develop that.” (Adi Abidin, October 20, 2022)

Technology and digitalization

Indonesia’s digital economy hit C\$104 billion in 2022, and is estimated to reach C\$176 billion by 2025, according to the [2022 ‘e-Conomy’ SEA report](#) by Google, Temasek, and Bain and Company. Broadly speaking, a majority of thought leaders recognized the benefits of growing digitalization in Indonesia. Thought leaders were focused on the **increasing connectivity through growing digital infrastructure**, and the advantages it is giving businesses, particularly MSMEs, in the country. Impacts on MSMEs will be discussed further in the section on ‘Engagement with MSMEs.’

The country’s digitalization initiatives mean that more Indonesians have access to information through the internet than ever before. Among thought leaders, half connected increasing digitalization with the growth of the information technology and communications sectors, and how this access is transforming Indonesia, such as small Indonesian farmers transitioning to digital payments using the [PemPem platform](#) and [Gojek](#) working with the Indonesian government to digitize millions of MSMEs by 2024. But despite a 77 per cent [internet penetration](#) rate in Indonesia (220 million internet users), some thought leaders said **digital infrastructure still needs to be improved**. Binny Buchori noted that digital services work well for those living in major cities like Jakarta, but this situation is different in the rest of Indonesia due to poor infrastructure.

“If you look at figures on internet penetration and internet usage, as well as social media usage, Indonesia is just off the charts, right. Indonesians have adopted technology, wholesale, and we are already seeing it in banking — digital banking is making things much easier. So, you see all these changes. Gojek, which is now one of the big tech firms that also does motorcycle ride-hailing and food deliveries, etc. So now, most urban Indonesians are ordering out, getting it delivered . . . within 15 minutes. All of this is changing Indonesia.” (Ong Hock Chuan, October 11, 2022)

Social media usage is also high in Indonesia. According to We Are Social’s [2022 Digital Report](#), Indonesia ranked 9th in terms of longest time spent on social media, with 69 per cent of Indonesians spending an average of eight hours and 36 minutes daily on social media, compared to the world average of six hours and 58 minutes. The five [most popular social media platforms](#) are WhatsApp, Instagram, Facebook, Tiktok, and Telegram, with over 80 per cent of Indonesians between ages 15 and 64 using the first three platforms. One-third of the thought leaders observed that the high level of social media engagement was partly due

“**But despite a 77 per cent internet penetration rate in Indonesia (220 million internet users), some thought leaders said digital infrastructure still needs to be improved.**”

to growing internet connectivity, and its increased use by government, businesses, and civil society. According to thought leaders, **social media engagement appears in various forms:** dissemination of information, communication between individuals and public organizations, and ways to express public opinions. And as Binny Buchori noted, public opinion on social media has the power to influence Indonesian public policies, making it a crucial consideration for foreign businesses.

Other sectors of interest

Besides renewable energy and digitalization, thought leaders frequently spoke about four other sectors: EVs, agri-industry and natural resources, infrastructure, and FinTech.

Electric Vehicles (EVs)

Part of its net-zero emissions target, Indonesia is investing heavily in the transition to EVs — the country aims to have [400,000 units](#) on the road by 2025 and 5.7 million by 2035. The majority of thought leaders described the EV manufacturing supply-chain as a key rising sector:

“Of course, the government is big in trying to develop EVs. Indonesia is one of the biggest nickel-producing countries. So, especially the current government, despite them being in their last leg, is keen on at least establishing industry-based facilities so that at least they can get into a better position to be a big player in the electricity storage business, establishing battery factories and production of other facilities to build the supply chain for what is needed in producing EVs at this point.” (Adi Abidin, October 20, 2022)

Abidin further notes that Indonesia also has a large market for electric motorcycles and two-wheelers. The country currently has more than [115 million motorcycles](#) and only 21,000 are electric. As a result, the Indonesian government is prioritizing electric two-wheelers and local production of battery packs to not only cut down carbon emissions but also reduce fuel imports and associated costs. Given the government’s push for EV development, Rino Sa’danoer raised the question of whether it is sustainable and environmentally friendly:

“At the moment the government is pushing [for] EVs, you know, which there was also discussion, whether this is the right direction or not, because if you were to, let’s say, develop EVs or buses . . . the source of electric [power] is also fossil-based energy or, for example, oil or coal. But then, if you look at . . . how to turn waste into energy and how to manage waste, that will be beneficial for energy as well as for the environment.” (October 6, 2022)



An employee works on an engine at the Sunter 1 Plant, an engine manufacturing facility operated by PT Toyota Motor Manufacturing Indonesia, a subsidiary of Toyota Motor Corp., in Jakarta, Indonesia, on Friday, Aug. 23, 2019. Indonesia boasts the world’s largest trove of nickel, a crucial metal for making electric vehicles, and which it hopes will attract auto industry investment and transform the islands into a hub for EV technology. | Photo: Muhammad Fadli/Bloomberg via Getty Images

Evidently, the push for EVs also requires an overhaul of the energy generation system and a move towards more sustainable modes of energy production, as discussed under ‘renewable energy,’ a significant priority for the Indonesian government.

Agri-industry and natural resources

The agri-business industry contributed [13.3 per cent](#) to Indonesia’s 2021 GDP, which was the second highest following the manufacturing sector. **Agri-industry** is quickly growing and has strong potential for both domestic and foreign investment, according to more than half of the thought leaders interviewed in this study. Plantation crops and food crops such as rubber, coffee, and palm oil, play a significant role within this industry in Indonesia and are important trade crops.

Palm oil, in particular, was mentioned by one-quarter of the thought leaders in the context of also playing a role in the global supply chain. Despite the environmental impacts of deforestation due to palm oil production, as a sustainability policy expert noted, Indonesia’s palm oil industry “is not going to go away.” Indonesia and Malaysia are the largest producers of palm oil, which currently accounts for approximately 35 to 40 per cent of the global vegetable oil market and is essential to many commodities across the world. In 2020, Indonesia’s top five exports were palm oil, coal briquettes, gold, petroleum gas, and ferroalloys. However, as Indonesia faced cooking oil [supply shortages](#) in 2022, it imposed a brief ban on exports of edible oil and, in [December 2022](#), imposed restrictions on export quantities, raising concerns about impacts on global supply chains and surging global food inflation.

Half of the thought leaders mentioned nickel in discussions surrounding Indonesia’s natural resources. As the largest **nickel** producer in the world, thought leaders noted that Indonesia is uniquely placed to meet global demands to manufacture nickel-dependent goods, particularly rechargeable batteries for EVs. Indonesia has restrictions against the export of nickel ore and requires it to be processed domestically for export. As a consequence, according to the Indonesian Chamber of Commerce and Industry, the export value of the country’s [nickel exports](#) reached C\$26.2 billion in 2021 and is expected to exceed C\$39.05 billion in 2022, from only C\$1.21 billion at the end of 2014. Indonesia is also in ongoing negotiations with Tesla to build facilities in the country with a production capacity of [one million vehicles](#). In 2022, Tesla signed contracts worth [C\\$6.4 billion](#) to buy nickel for lithium batteries from nickel processing companies in Indonesia.

Infrastructure

Indonesia’s lack of infrastructural development is a barrier to engagement, as mentioned above, but it also presents an opportunity as the country is beginning to look for heavy investment and support to help meet its long-term interests. As a result, infrastructure is currently a flourishing sector. As Ong Hock Chuan noted, “Indonesia has about 17,000 islands and the infrastructure is pretty bad, so that spending will continue to go there.”

“The most obvious subsector, for the last few years, has been **transportation infrastructure, trains, roads, and airports**. [A] humongous number of airports have been built or refurbished and a couple of 1,000-km toll roads have been built. And there’s a new high-speed rail between Jakarta and Bandung and another one being built along the east-

west axis of Java. So, infrastructure is definitely a growth sector, (and) now there is a bit of politics with infrastructure. So, whether President Jokowi is very focused on infrastructure, it's part of the legacy that he's wanted to leave, whether his replacement in 2024 has the same fixation on infrastructure, I don't know. But that has been a huge growth area, and it's presented enormous opportunities for foreign service providers in the last few years." (Bret Mattes, November 23, 2022)

Bret Mattes further observed Indonesia's goal to **build smart cities**. With two new capital cities in the making, one the country's capital and the other in the province of West Java, he noted that the demand is high for skilled designers and services related to smart urban planning, sustainable development, and infrastructure growth. These are growing areas and it is pertinent for foreign partners to recognize these opportunities, keeping in mind the need for sustainable infrastructural development as the country increasingly faces challenges due to climate change and rising sea levels.

Financial technology (FinTech)

Aside from e-commerce and digital payments and wallets, which will be elaborated upon in the 'Engagement with MSMEs' section of this report, one-third of thought leaders believe that the FinTech sector is quickly growing in Indonesia. As Christopher Bendl noted, "anything that is digital, FinTech, Indonesia has really opened up all of those areas for investment, they used to have a restricted list for ownership."

FinTech has a larger impact beyond e-commerce and digital payments. It can also benefit the agricultural sector, as noted by Ong Hock Chuan.

"Right now, everyone's coming in FinTech, crypto, trading, everything else, e-banking . . . Indonesia has . . . six 'unicorns.' So, it's a big source of pride so I think a lot of that action will continue. And tech is being seen as one of those things that might solve a lot of existing problems from agriculture to farming to distribution."
(Ong Hock Chuan, October 11, 2022)



Gojek online driver travels past an advertisement for the crypto-asset exchange Pintu Kemana Saja PT in Jakarta, Indonesia, on Thursday, April 12, 2022. Indonesia began taxing crypto transactions on May 1, 2022, along with some financial-technology services. | Photo: Dimas Ardian/ Bloomberg via Getty Images

Engagement with MSMEs

Employing 97 per cent of the country's total workforce, a sector of business that has benefited from digitalization is Indonesia's [64 million MSMEs](#). The COVID-19 pandemic accelerated various forms of digitalization, including the e-commerce and mobile commerce (m-commerce) space as consumer-shopping behaviour shifted online.

Among thought leaders, most referred to **digital transactions and their benefits for MSMEs and businesses in remote areas**, including e-commerce and m-commerce, but also digital payments and wallets. Ana Saleh and Ong Hock Chuan noted the importance of social media platforms, such as WhatsApp, which also has a [business function](#):

“For MSMEs, there’s a lot of technology there . . . [WhatsApp] introduced [WhatsApp for Business] in the middle of COVID to a lot of market vendors, small vendors who have adopted it to their business model. Small businesses are using WhatsApp business to sell and market their products to carry out transactions. And now Indonesia is going quite cashless with QR codes, so you can pay using QR codes through your hand phones. You see even mom and pop shops, right down in the villages, using QR codes.” (Ong Hock Chuan, October 11, 2022)

Digitalization has also benefited Indonesian startups. This is especially true for ‘unicorns,’ which are startups with a total valuation of at least C\$1.4 billion. With nine companies added to Indonesia’s list of unicorns during the [COVID-19 pandemic](#) and a total of 13 unicorns as of mid-2022, most thought leaders emphasized how **the growing digital economy correlates with the rise of these startup companies**. Gojek, Indonesia’s only ‘decacorn’² (company valued at over C\$14 billion), was mentioned by most thought leaders as a success story. The company got its start as a ride-hailing app but has since expanded to include other digital services, such as digital wallets and various types of delivery. Other unicorns mentioned included Tokopedia and Traveloka, which are involved in e-commerce and online travel services, respectively.

// . . . [Now] Indonesia is going quite cashless with QR codes, so you can pay using QR codes through your hand phones. You see even mom and pop shops, right down in the villages, using QR codes.” - Ong Hock Chuan

Trade Agreements

Indonesia is currently signed to 16 [free trade agreements](#) (FTAs), including FTAs that Indonesia participates in as an ASEAN member. Recent FTAs signed into effect include the Regional Comprehensive Economic Partnership and the Indonesia-South Korea FTA. While few thought leaders had in-depth knowledge to thoroughly discuss Indonesia’s current trade agreements, some had insightful comments on trade agreements’ impacts on the country.

Bret Mattes noted that the [preferential trade agreement](#) (PTA) among the Group of Developing Eight (D-8) tends to slip under the radar compared to other FTAs, and explained how the agreement is important for the country because “it was one of Indonesia’s first forays into a real mixed bag multilateral trade agreement.” The D-8 consists of eight Islamic countries: Bangladesh, Indonesia, Iran, Malaysia, Egypt, Nigeria, Pakistan and Turkey, and the PTA was designed to promote inter-country trade among its members by reducing tariffs and other barriers to trade.

² Decacorns are startup companies that are valued at more than US\$10 billion (C\$13.37 billion)

In reference to the ongoing negotiations for the Canada-ASEAN FTA, Christopher Bendl referred to the European Free Trade Association's CEPA with Indonesia, and noted that **free trade negotiations should solely focus on business, and much less on social issues:**

“I think the Swiss are really good . . . took them six years to get this free trade deal. But it was all about business, trade, and development, and doing it sustainably. They kind of played down the social issues. I think Canada needs to do the same. Because, you know, you've got countries like China, Korea, Japan who are investing here [in Indonesia]. And for them, it's 100 per cent business.” (Christopher Bendl, October 4, 2022)

As Indonesia begins to take a larger role in global trade, Christopher Bendl also noted:

“Indonesians, like a lot of these increasingly confident Southeast Asian countries, they don't want to be lectured on [social issues]. They understand that they have to do it. You know, it took us many, many hundreds of years to get used to all the rights that we have today, they will get there. But what they really need is technical know-how on investment trade.” (October 4, 2022)

Bret Mattes added how trade agreements are important to Indonesia because the country “wants to see itself . . . the people living here want to see it happen as well, Indonesia takes on leadership in [ASEAN], and getting its trade under control is an important aspect of that.”

Workforce and Labour

Indonesia's workforce sat at [138 million](#) in 2021, about 50 per cent of the total population. This figure is expected to grow as more young Indonesians enter the job market. Despite this increase in the workforce, Indonesia often faces scrutiny due to the country's lack of protection of human rights (even when the government dedicates efforts to improve the situation). The government's efforts are adversely impacted by laws such as the Job Creation Law, commonly referred to as the Omnibus Law, which has negative implications for labour rights and the environment. However, Indonesia has had a long journey in dealing with ethnicity, religion, and politics-based human rights violations, and the government is seen to be making efforts. In January 2023, President Joko Widodo [acknowledged 12 historical incidents](#) of human rights violations by the government. Most notably, the acknowledged incidents include mass killings during the anti-communist crackdown in Indonesia during the 1960s, the deaths of pro-reform protesters during the 1980s, and forced disappearances of pro-democracy activists during the 1990s. The violent incidents cumulatively resulted in the deaths of more than 500,000 people, according to some [estimates](#), and as some critics note, a mere recognition without any commitment to pursue accountability may not be enough.

Younger demographics

Generation Z, or those born between 1997 and 2012, make up [Indonesia's largest subgroup](#), sitting at 28 per cent of the country's total population, followed closely by millennials, those born between 1981 and 1996, at 26 per cent. With young people making up a significant proportion of Indonesia's population, the country boasts a **large workforce potential**.

Thought leaders like Ana Saleh also highlighted other demographic opportunities, such as **providing better education for Indonesian youth**, which was supported by the majority of thought leaders who made references to education in Indonesia, including opportunities for potential investors to tap into the market and why firms should invest in the sector.

"I think investment or programs that can have the youth education will be very key when you are entering Indonesia, not only because it is part of the international agenda, the Sustainable Development Goals, but you are helping the future generation. That's a good and very positive social investment for the country, because Indonesia has a lot of younger [people], and the country itself doesn't really know how to take care of it properly."
(Ana Saleh, December 14, 2022)

Half of the thought leaders mentioned opportunities to engage with Indonesia through education, either by noting Indonesia's interests in bringing better education or explaining potential ways to approach partnerships. Thought leaders listed methods for engaging in the **higher education sector, such as sponsoring scholarships or offering a joint degree with an Indonesian institution**. Binny Buchori mentioned that it would be useful to identify Indonesian universities' needs and explore how foreign investors could help advance the Indonesian education system. To that end, she raised the significance of the IAIN Indonesia Social Equity [Project](#), initiated by Canada's Department of Foreign Affairs and International Trade (now Global Affairs Canada) and the Government of Indonesia in 2001. The multi-year project, which was also referenced by Bret Mattes, partnered McGill University with three Indonesian universities — State Islamic University Jakarta, State Islamic University Yogyakarta, and Ar-Raniry State Islamic University Banda Aceh — to address social equity and religious pluralism in Indonesia and institutional reform in the education sector. Despite the initial impetus, the project has not been active since 2006.

The [attainment of higher education](#) for Indonesians between the ages of 25 and 34 stood at 19 per cent as of 2021. However, Statistics Indonesia data from February 2022 reveals that among the 5.8 per cent of the unemployed population, 14 per cent consist of [tertiary graduates](#), or people with college diplomas and bachelor's degrees. The data, alongside thought leaders' observations, indicates that university graduates are unable to fill the current needs of the Indonesian labour market due to a lack of technical skills. Rino Sa'danoer and Adi Abidin both said that **foreign investors could explore vocational education**, since there is a

// **Generation Z, or those born between 1997 and 2012, make up Indonesia's largest subgroup, sitting at 28 per cent of the country's total population . . ."**

lack of investment in that category compared to university education. Adi Abidin added, “the government is already aware of the situation, but as per my observation they haven’t had any new ideas on how to solve that.” The International Labour Organization (ILO) has stated that one reason for unemployment in Indonesia is a [skills mismatch](#), and has highlighted the need to promote quality apprenticeships and better understand the goals of vocational education.

Omnibus Law

Half of all interviewees discussed the impacts of Indonesia’s Omnibus Law on labour relations and foreign investment in the country. The [Omnibus Law](#) was passed in October 2020 and was introduced by President Jokowi to boost Indonesia’s economy and job opportunities by improving the ease of business and attracting foreign investment. It has since raised concerns among environmental and rights activists due to changes in land certification and acquisition framework that could negatively impact [Indigenous Peoples’](#) rights and minimize environmental protections. However, the Omnibus Law reportedly brings benefits to foreign investors because it accelerates procedures for [acquiring or renewing land titles](#) in SEZs.

Among the thought leaders, eight of 12 mentioned the potential opportunities emerging from the Omnibus Law that has opened industries to foreign investment, implying a positive outlook on the law:

“Indonesia is, relative to Canada, a low wage country, but there’s a lot of protection for basic human and civil rights. It’s [one of] the largest single-payer medical system in the world. They have infrastructure to support the poor classes. This [Omnibus Law] was meant to make Indonesia more competitive, especially in industries like manufacturing. They’ve been able to come more in line with [Vietnam and Thailand](#), and those countries are making an effort to stimulate investment here [in Southeast Asia].” (Christopher Bendl, October 4, 2022)

For Indonesia’s foreign investors, the Omnibus Law helps create a flexible and open market.

The new law replaced the [negative investment list](#), which was a list of 20 sectors that were restricted from foreign investment. The Omnibus Law reopened 14 of those sectors, but as Bret Mattes noted, even the closed sectors are not fully closed due to the necessity of foreign direct investment (FDI):

“They’re not distinctly preventing foreign investment. And this is partly ideological. Jokowi just believes that those sorts of negative lists shouldn’t exist. Yes, he favours his state-owned enterprises, but he [also] thinks they should be competitive. So, it’s partly ideological, but it’s also economic. He wants FDI throughout his administration, and I very much doubt that his successor will change that. FDI is necessary. In some sectors, it’s absolutely essential.” (Bret Mattes, November 23, 2022)

Despite the law’s emphasis on the importance of FDI, Tom Shreve noted the Omnibus Law as continuing to be problematic because it ultimately prioritizes Indonesians, perhaps a logical assumption considering its goal of boosting the national economy:

“They bragged about the elimination of all of the restrictions on foreign investment, and for example you can absolutely develop a mine [referring to ore or mineral excavation] of any kind with a 100 per cent foreign-owned company. But they still want you to sell it to Indonesian companies over time. And that’s always been problematic because of the lack of

demand, lack of interest in the domestic economy for the gradual purchase of these foreign mining company assets. So, there are a few areas that are problematic, but almost all the ones we used to complain about are gone now.” (Tom Shreve, October 27, 2022)

Critics of the Omnibus Law have emphasized the **impacts of relaxed labour rights due to revised employment policies, including minimum wage and working hours**. A few examples of changes include abolishing the [sectoral minimum wage](#) in lieu of hourly pay for part-time workers, and increasing the [maximum overtime hours](#) for workers. Despite this, Indonesia is known for its strong labour laws, with Indonesia being the [first Asian country](#) to ratify all core ILO conventions.

“The government has also passed laws that are extremely favourable to employees rather than employers. If I hire someone [who] doesn’t work out [and] I fire them, I have to compensate them. Even worse, [even] if they did something wrong and we terminate their employment, we’d still have to compensate them.” (Ong Hock Chuan, October 11, 2022)

Beyond the labour laws themselves, **geography impacts how businesses interact with the workforce**. For example, Indonesia’s labour laws vary subnationally. As thought leader Ong Hock Chuan noted, minimum wages are higher in Jakarta than the rest of the country, something that businesses need to be mindful of due to the attractiveness of Jakarta as a business hub. Furthermore, Adi Abidin noted that operations can be extremely expensive in terms of labour depending on the location of investment because some firms may have to transport their workers across the country.

It is pertinent to note that the Omnibus Law has received significant criticism and backlash since its introduction in 2020, including over its lack of transparency. On November 25, 2021, the [Constitutional Court of Indonesia](#), the highest court in the country, ruled that the Omnibus Law, or Job Creation Law (officially Law No. 11 of 2020), was “contrary to the principles of good legislation” and deemed it “conditionally unconstitutional.” The Indonesian government was given until November 25, 2023, to amend the procedural flaws of the law. One of the procedural conditions includes more meaningful public participation in the law’s creation. Despite being unconstitutional, the Omnibus Law of 2020 remains in effect until a revised law is passed or the deadline of November 25, 2023, is reached, whichever comes first. Jokowi has pushed through a Job Creation Regulation in Lieu of Law (Perpu) to push through revisions faster, despite [legal](#) appeals against such a move. It is relevant for foreign investors to recognize that if the Indonesian government fails to enact a revised law by the proposed deadline, the Omnibus Law and its changes will cease to exist.



Labour activists hold placards during a protest against the government’s controversial ‘omnibus’ or job creation law in Surabaya on November 29, 2021. | Photo: Juni Kriswanto/AFP via Getty Images

“ It is relevant for foreign investors to recognize that if the Indonesian government fails to enact a revised law by the proposed deadline, the Omnibus Law and its changes will cease to exist.”

Opportunities for Canada

Canada and Indonesia established diplomatic relations in 1952 and have maintained strong [partnerships](#); since 2000, Canada has provided more than C\$1 billion in official development assistance to Indonesia. In 2022, two-way trade in merchandise amounted to [C\\$6.1 billion](#), a 31 per cent increase since 2021, and Indonesia was Canada's largest export destination in Southeast Asia.

Canada's main [exports](#) to Indonesia include fertilizers, cereals, wood pulp, oilseeds, nuclear reactors, and boilers and machinery (gas turbines, parts or mining equipment, particle accelerators, etc.), while its main [imports](#) from Indonesia include nuclear reactors, boilers and machinery (machinery for liquefying air or other gases), electrical and electronic machinery and equipment, knitted and woven apparel, rubber, and footwear. Overall, Canada is perceived by thought leaders as a [passive and low-profile player](#) and seen as a country without any interests-based conflicts with Indonesia. Its image is generally neutral or positive; however, there is a lack of interest in Canada and a lack of knowledge about Canada's sectoral strengths.

For most thought leaders, Canada does not stand out and is not visible enough or well-known in Indonesia. One-quarter of the thought leaders surveyed for this study said there is no major distinction between Canada and the U.S. in Indonesia. Ong Hock Chuan, for instance, was familiar with Indonesia's relations with Australia and the U.S., but not its relations with Canada. Binny Buchori said Canada needs to be more aggressive in promoting its brands. The only Canadian brand one thought leader mentioned was BlackBerry.

Adi Abidin noted that Indonesian's lack of knowledge about Canada could be used as an advantage and suggested the following sectors as **potential Canada-Indonesia engagement opportunities: higher education, renewable energy, technology, and health care.** However, there was a lack of interest and awareness about Canada across the board: "I'm struggling to think, what are the major sectors in Canada that Indonesia, [that] we are more or less familiar in terms of profile? Right? You have timber, you have oil and gas? Education?," said one of the thought leaders.

Jim Webb, while unsure of opportunities in the Canadian market, pointed to energy transition as an opportunity for Canada-Indonesia collaboration:

"I think, you know, that transition away from the traditional power generation is a sector that's going to rise, because the government is wanting to move closer towards their green, sustainable targets. And you know, by 2030, there's a goal to reduce carbon emissions by 29 per cent, which is going to be super, super difficult to achieve. We want the country in another seven, eight years to get there. And [it] still has a [long] way to go, quite honestly. But it's possible, but it needs that technology, needs that support. So, if we have anything we can export there, I think that would be an opportunity for Canada." (October 11, 2022)

“ Overall, Canada is perceived by thought leaders as a passive and low-profile player and seen as a country without any interests-based conflicts with Indonesia.”

Conclusion

The project *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives* seeks to provide Canadians with a better understanding of the Indonesian market during an important period as Canada endeavours to reinforce its engagement with the country and broader region. While Asian economies like Japan, South Korea, and China tend to dominate engagement discussions in Indonesia, this report signals opportunities for possible Canadian business entry into the country by highlighting optimal methods and challenges.

Indonesia is making a space for itself globally and rising as a regional leader, as noted by the thought leaders interviewed for this study. It is relaxing regulations to ease foreign business operations with laws such as the Omnibus Law and increasing co-operation with foreign economies. With a growing workforce due to a relatively younger demographic, and efforts in industrial development, particularly in the sectors of renewable energy and digitalization, which are both potential drivers of economic growth, Indonesia has the potential to realize its aspirations. Digitalization has boosted e-commerce and social media usage in the country, which has not only given Indonesians access to abundant information, but has also transformed consumer behaviour to the benefit of Indonesian MSMEs. Other rapidly growing sectors include EVs, agri-industry, infrastructure, and FinTech.

Despite these gains and opportunities, foreign investors should be aware of potential barriers when conducting business in Indonesia, such as complexities within governance and politics, corruption and red tape in the Indonesian bureaucracy, and noticeable differences within the country's regions that could impact foreign firms' ability to successfully scope the business landscape. To ensure that foreign investors are successful, thought leaders noted that it is important to have an excellent understanding of Indonesia's context, from laws and regulations to culture and geography, and to ensure they spend sufficient time and resources to build local networks carefully, with trust on both sides. Foreign firms should also be on the lookout for Indonesia's [new criminal code](#), which takes effect in 2025. While legislators have made assurances that the code will apply only to Indonesians, foreign investors remain concerned about the [introduction of corporate crime](#) and other potential impacts of the code.

Canadian firms hoping to enter the Indonesian market should make connections with local partners and tap resources such as business organizations, chambers of commerce, and embassies to establish and sustain networks. Furthermore, given the growing workforce potential, firms should consider exploring any opportunities to provide skills and capacity training for young Indonesians. Overall, there is a long road ahead for Canada to be recognized as a competitive player in the Indonesian economy, but this report offers insights that will help stakeholders seize the existing opportunities and navigate a vast, diverse, and complex country.

Methodology

The *Building Economic Engagement with Singapore and Indonesia: Thought Leaders' Perspectives Syndicated Study* project started taking shape in 2021, with the intention of better understanding developed and developing Southeast Asian economies to strengthen Canadian engagement in the region. It was built around some of the key takeaways from APF Canada's 2020 study, [Asian Views on Economic Engagement in Canada](#). Following multiple consultations with Canadian government representatives and high-level Canadian and Asian thought leaders, the study was conceptualized as a quantitative survey designed for a sample of thought leaders from Singapore and Indonesia. Thought leaders for this study are defined as: "academics, researchers, political advisers, public servants, media professionals, and senior business executives with established regional expertise."

APF Canada commissioned Green Technology Asia Pte. Ltd. (GTAsia) to undertake the data collection for the project. While the project began in March 2022 as a survey of thought leaders, there was a low response rate that could be primarily attributed to the complex nature of the survey itself, and the survey delivery timing of summer 2022, when travel restrictions worldwide started to relax following more than two years of various levels of physical isolation due to the COVID-19 pandemic. As a result, the project pivoted to gather in-depth and rich qualitative data through personal interviews. In total, 12 thought leaders with a strong background and experience in Indonesia, its foreign policy, and engagement were interviewed. The fieldwork spanned October to December 2022. Thought leaders were asked for their voluntary participation and were contacted through personalized emails, LinkedIn messages, WhatsApp, and phone calls. Interviews with informed consent were conducted through online video calls. The interviews were complemented with research and analyses of various policy reports, government documents, statistical data, public opinion surveys, and a review of research on the Southeast Asian business environment conducted by international and local organizations, consultancies, and think tanks.

Interviewees came from firms of various sizes: seven from small firms (0-99 employees), one from a medium-sized firm (100-499 employees), and four from large firms (500+ employees). Of the 12 interviewees, two identified as females. The direct quotes from the thought leaders have been edited for clarity. Details of interviewees are listed in the [List of Indonesian Thought Leaders](#) section. Some interviewees requested to remain anonymous and therefore have not been identified in this report.

The current project has also opened up doors to future research opportunities looking into other high-potential economies in Southeast Asia, including Malaysia and Vietnam, to better understand the nuances of engagement. The study also highlights a need to conduct similar research in each target market on a regular basis to keep pace with change.

List of Indonesian Thought Leaders

APF Canada thanks the following thought leaders for agreeing to be interviewed for this very timely project, their invaluable time, insight, and experience. This study was made possible because of them:

Adi Abidin

Senior Analyst and Insight, Indovibrant Strategic Advisory Group; Research Fellow -Public Opinion, Populi Center

Gerald Ariff

Adviser to Rector, Asia Cyber University; Lecturer, Institut Teknologi Sepuluh Nopember

Christopher Bendl

CEO and Indonesia Country Manager, Zurich Insurance

Binny Buchori

Treasurer, PRAKARSA Governing Body; Communications and Engagement Manager, Landscape Indonesia

James Castle

Commissioner/Adviser, PT TVS Motor Company Indonesia; Board Member, American Chamber of Commerce in Indonesia

Ong Hock Chuan

Managing Partner, Maverick Indonesia

Bret Mattes

Director, PT Numada; Director of Business Development, PT Penta Asia; Founding Secretary, Yayasan Tunas Hijau Lestari

Rino Sa'danoer

Director of Global Business Development, Asia Mediterranean Network; Founder, Indonesia Real

Ana Saleh

Senior Vice President for Advisory & Trade, Edelman Global Advisory

Tom Shreve

President Director, PT Numada; Non-Executive Director, Clean Coal Technologies Inc.

Jim Webb

President Director, Hatfield Indonesia

Acknowledgments

LEAD RESEARCHERS

Dr. Sreyoshi Dey

Program Manager, Perspectives Asia and CAST-South Asia, Asia Pacific Foundation of Canada

Gloria Liu

Project Specialist, Perspectives Asia (former), Asia Pacific Foundation of Canada

Ingrid Wong

Data Analyst, Asia Pacific Foundation of Canada

STRATEGIC ADVISERS

Jeff Nankivell

President and CEO, Asia Pacific Foundation of Canada

Dr. Jeffrey Reeves

Vice-President, Research & Strategy, Asia Pacific Foundation of Canada

EDITORIAL REVIEW

Dr. Charles Labrecque

Director, Research, Asia Pacific Foundation of Canada

Michael Roberts

Director, Communications, Asia Pacific Foundation of Canada

Ted Fraser

Editor, Communications, Asia Pacific Foundation of Canada

COMMUNICATIONS

Michael Roberts

Director, Communications, Asia Pacific Foundation of Canada

Camille Point

Communications & Social Media Specialist, Asia Pacific Foundation of Canada

CREATIVE DESIGN

Chloe Fenemore

Graphic Designer, Asia Pacific Foundation of Canada

PROJECT MANAGEMENT

Rosie Bolderston

Program Manager, Grants and Proposals, Asia Pacific Foundation of Canada

Dr. Sreyoshi Dey

Program Manager, Perspectives Asia and CAST-South Asia, Asia Pacific Foundation of Canada

FRENCH TRANSLATION

Eva Moreta

French Translator, Communications, Asia Pacific Foundation of Canada

RESEARCH PARTNERS

Brady Fox

Senior Partner and SVP Research, Greentech Asia

David Wynne

Founding Partner and CEO, Greentech Asia

Chad Rickaby

Managing Partner and SVP Business Development, Greentech Asia

Yahe Li

Senior Researcher, Greentech Asia

Special note of thanks to

APEC Business Advisory Council

Bart W. Édes

Policy Analyst, Author, and Professor of Practice at McGill University

Canada-ASEAN Business Council

Canadian Chamber of Commerce in Singapore

Hafimi Abdul Haadii

Executive Director of LVK Group of Companies

Justin Kwan

Senior Program Manager, APEC-Canada Growing Business Partnership, APF Canada

Md. Chatib Basri

Economist and former Minister of Finance (Indonesia)

Sean Chan

Corporate Finance Advisor, Singapore and Canada

Stephanie Lee

Program Manager, CAST-Southeast Asia, APF Canada

Suryo Nugroho

Program Manager, Networks and Partnerships, APF Canada

Republic of Indonesia Country Profile



Geography of Indonesia

- Indonesia is the world's largest archipelago, consisting of five major islands and about 30 smaller groups, with a total of around 17,500 islands inhabited by some 300 ethnic groups
- Proximity to major tectonic plates and access to two faunal realms has created a highly diverse environment but the islands are united by seismic and volcanic activity, and the country's tropical climate
- Major cities include Jakarta, Surabaya, Bandung, Medan, and Semarang

Quick facts

Capital	Jakarta. Nusantara will be the capital in August 2024
Population	275,773,800 (December 2022 projections), the world's fourth most populous nation
Total area	1,900,000 square kilometres
Major religions	Islam, Christianity
Life expectancy	72.32 years
Currency	Rupiah (Rp)
Main ethnic groups	Javanese, Sundanese, Indonesian (Malay), Madura
National holiday	Independence Day, August 17, 1945

Languages

Official languages	Indonesian (Bahasa)
Major local languages	Javanese, Sundanese, Maduranese, Bahasa Bugis, Minangkabau, Banjar, Acehnese, Balinese

More than 700 living languages are spoken. Indonesia is the second-most linguistically diverse nation in the world

Greetings in Bahasa

Good morning	Selamat pagi
Good day	Selamat siang
Good afternoon	Selamat sore
Good evening	Selamat malam

Modern History of Indonesia

Early 1900s	Then known as the Dutch East Indies or Netherlands East Indies, Dutch colonial state extended control over most of the land
1942	Japan occupied Indonesia after the surrender of the Dutch colonial army
1945	Japan surrendered to the Allied Forces and Indonesian national leaders proclaimed Indonesia's independence
1966-98	Suharto becomes the second president and the era of the 'New Order' emerges, characterized by significant economic and social development alongside political oppression
May 1998 riots	In the background of the Asian Financial Crisis, unemployment and food shortages led to mass civil unrest

Politics of Indonesia

Head of State and Government	President Jokowi Widodo
Last election	April 2019
Next election	2024
Three separate branches of government	Legislative, executive, and judiciary Two elected chambers in the People's Consultative Assembly (legislative branch): People's Representative Council (DPR; lower house) and non-partisan Regional Representative Council (upper house)
Political system	Multiparty
Key concerns	New criminal code, rights of women and girls, freedoms of religion and belief, sexual orientation and gender identity, land rights, rights abuses in West Papua, climate change policies

Key media sources

- ▶ [Antara News Agency](#)
- ▶ [Jawa Pos](#)
- ▶ [Jakarta Post](#)
- ▶ [Kompas](#)
- ▶ [Sinar Indonesia Baru](#)
- ▶ [Suara Merdeka](#)
- ▶ [Pikiran Rakyat](#)

Key political parties

DPR Coalition

Indonesian Democratic Party of Struggle, Golkar Party, Great Indonesia Movement Party, Nasdem Party, National Awakening Party, National Mandate Party, and United Development Party

DPR Opposition

Democratic Party and Prosperous Justice Party

Canada-Indonesia relations

Canada-Indonesia bilateral co-operation areas

- Trade and investment
- Good governance
- Human rights
- Religious freedom and pluralism
- Poverty reduction
- Counterterrorism and security capacity building
- Prevention of human smuggling and illegal migration

Canada-Indonesia trade agreements (in force)

- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Agreement on Trade-Related Investment Measures (TRIMS)
- General Agreement on Tariffs and Trade 1994 (GATT)
- General Agreement on Trade in Services (GATS)
- World Trade Organization Agreement on Trade Facilitation (TFA)
- World Trade Organization Information Technology Agreement (ITA)

Selected public opinion polls

- ▶ The State of Southeast Asia 2023 Report, the ASEAN Studies Centre
- ▶ Indonesian consumer sentiment during the coronavirus crisis, McKinsey & Company
- ▶ Charting their own course: How Indonesians see the world, Lowy Institute
- ▶ The Indonesia National Survey Project: Economy, Society and Politics (2022), ISEAS-Yusof Ishak Institute

Appendix: In-depth Interview Guide For Thought Leaders

The interview guide below was designed to guide the interviewer toward the key topics and pertinent issues within each topic. The interviewer had the independence of driving the interviews based on the conversation and interviewees' areas of expertise to generate in-depth data for analysis.

General introduction

Thank you for your time and consent to be interviewed for this crucial project that can help inform Canada-[Respondent's country]'s economic relations and promote bilateral partnership. This study is being conducted by a Canadian think-tank, Asia Pacific Foundation of Canada, that aims to build a bridge between Canada and the Asia Pacific. Your perspectives about [Respondent's country]'s socio-political, cultural, and economic outlooks will provide insight that can be useful to both [Respondent's country] and Canadian policymakers, businesses, and other stakeholders to build economic engagement between the two countries.

Your answers will remain confidential and anonymous and will not be linked to your personal information unless you expressly agree to the attribution. With your consent, this interview will be recorded, transcribed, and shared with APF Canada. APF Canada may share the completely anonymized transcripts with its funding partners and the Canadian government to inform their decision-making process. This interview will last approximately 30 to 45 minutes. Your opinion and experience are deeply appreciated.

Note: The emails and introductions were typically personalized for each interviewee

Engagement

- 1 In your experience, what do foreign countries need to know about [Respondent's country] before considering forming business relations with [Respondent's country]?
 - a. Do you see any potential challenges or barriers to foreign engagement with [Respondent's country]?

Sectoral opportunities

- 2 Thinking about [Respondent's country] specifically, what are the key sectors that you envision [Respondent's country] will import more goods and services in the next ten years? What are the rising sectors or industries of the future for [Respondent's country]?
- 3 What are the key sectors for FDI growth in [Respondent's country]?
- 4 Are there industries with stricter or easier FDI regulations for entry into [Respondent's country]? What are these sectors? Can you elaborate on the restrictions/opportunities?

- 5 Are there any areas/regions (provinces/cities/municipalities) in [Respondent's country] that will be much easier or more beneficial for foreign businesses to locate? If yes, can you list a few of them? In what ways can foreign businesses benefit from locating in these areas? What industries do the regions/provinces/areas you listed focus upon?

Key sectors of focus

6 Environment and Sustainability

Within the area of clean technology, which sectors have the most potential for economic growth in [Respondent's country]?

7 Digitalization

Do you think digitalization has impacted [Respondent's country]'s ways of engaging with foreign partners? Can you please elaborate?

- a. How are MSMEs in your country coping with the rapid digitalization and increase in digital trade?

8 Education

Is education or education-related opportunities something that [Respondent's country] is interested in and actively seeking from foreign partners? What are the suggested approaches for such academic partnerships?

Trust in foreign economies

- 9 Do [Respondent's country]'s businesses prefer regional partners that are culturally and geographically closer over partners based in distant economies like in the Americas (North and South)?
- 10 Would you say [Respondent's country]'s businesses are more trusting of ASEAN economies compared to non-ASEAN economies? If yes, why? If not, what are some of the non-ASEAN economies that are more trusted and why?
- 11 How are Canadian businesses perceived in [Respondent's country]? Do [Respondent's country] businesses/government find the Canadian economic environment different from the US? If yes, how?
- 12 To your knowledge, is there an active interest in building Canada-[Respondent's country] economic relations from [Respondent's country]'s end?

Awareness building

- 13 What would be the most optimal way (online and offline) of building awareness of a foreign economy or business in [Respondent's country]? Do you have any specific suggestions for ways or networks that should be used to approach [Respondent's country]'s business community/environment?
- a. Who do you think will be more effective in building such awareness – domestic government, domestic businesses/private sector, foreign government, or foreign businesses/private sector?

- 14 What are the best online and offline methods of foreign engagement with [Respondent's country]'s MSMEs?

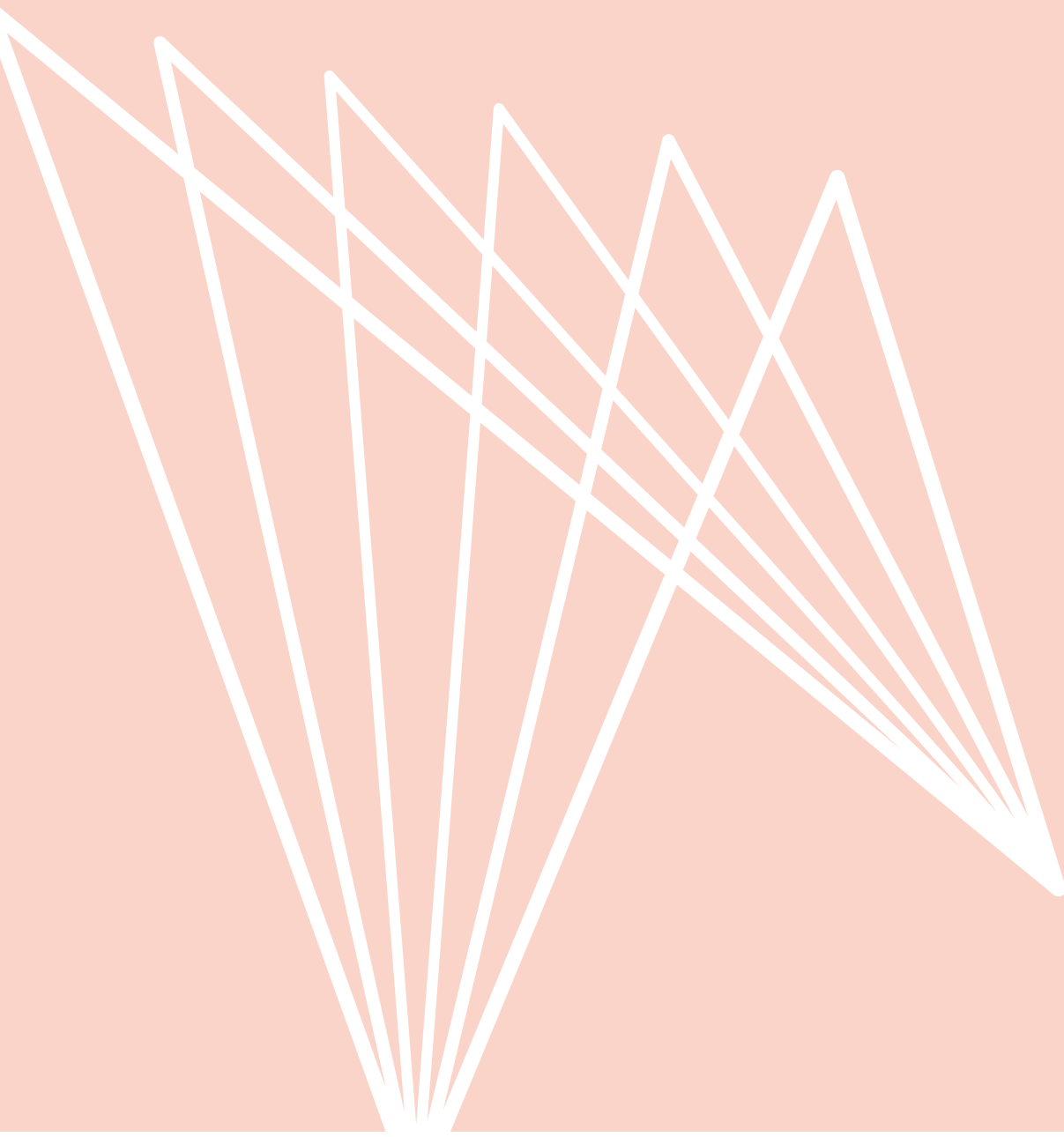
Trade agreements

- 15 Which multilateral trade agreement is the most important for your country's growth?
- 16 We have a list of relevant agreements to Canada-[Respondent's country]'s relations. What's the first thing that comes to your mind when you hear these agreements, and how would you summarize the potential impact (positive, negative, or none) on [Respondent's country]'s growth?
- CPTPP
 - DEPA (Singapore only) | CEPA (Indonesia only)
 - Canada-ASEAN FTA

Thank you for your time and insight into this study. At this point, please indicate whether you would like to remain anonymous in the final report or would like your responses anonymized.

- Please keep my name anonymous for all responses, but you can add me to the list of participants in the final publication
- Please keep my name wholly anonymous and do not add me to the list of participants in the final publication
- If you quote my responses in the final report, you can cite my name and add me to the list of participants

If you have consented to provide your name, we will share a pre-publication draft report to ensure you are comfortable with the quotes being added to the report.



Stay in touch