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December 9, 1991

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Mr. Don Campbell
Deputy Minister for International Trade
Department of External Affairs
Government of Canada
Ottawa, Ontario

F A X E
Dec 9 10:12

Fax: (613) 990-8493

Dear Mr. Campbell:

Re: Canadian Bilateral Aid to Indonesia

I am writing to convey information we have just received on an urgent basis from OIC's Director for Southeast Asia, who is currently in Jakarta, Indonesia on a business trip.

I understand that the Government of Canada is seriously considering the withdrawal of \$1 million of aid to Indonesia to protest the Indonesian government's recent handling of the East Timor situation. I understand that an announcement by the Government of Canada on this matter is planned for today.

Our Director for Southeast Asia reports that should Canada withdraw this aid, the Indonesian government will likely invoke punitive counter measures which will severely threaten Canada's (in large part, Ontario's) commercial interests. At stake are major contracts for thermal power plants involving Ontario-based consortia members, and representing substantial potential revenue and value-added to this Province. Punitive action by Canada could well result in the Indonesian government discriminating against Canadian suppliers of thermal power plant equipment and expertise, and jeopardize major investments that have been made by Canadian firms in the Indonesian market.

Apparently the Australians are being severely criticized in the local media over "their clumsy handling of the affair." There is no reason to believe that the media attention to Canada as a result of invoking punitive measures, even though the measures may be largely symbolic, would be less damaging to Canada's commercial and political interests.

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I assume Babcock & Wilcox's letter dated November 28, 1991 to Michael Wilson outlining the major commercial implications of this matter, has already come to your attention. I am attaching a copy in case you have not yet seen it.

I would appreciate your calling me at (116) 314 8247 to discuss this matter further.

Yours truly,


Gordon W. Gow
President and Chief Executive Officer

Attach.