

prioritization of control instead of growth, with benefit going to a few or perhaps none of the investors at best, rather than going to national benefit. And regional autonomy and investment approvals, as they have been implemented, have been a disincentive for investment off of Java. So in a sense, regional autonomy has backfired in terms of attracting investments to the regions.

So the recommendations of the foreign Chambers of Commerce are that lawmakers should not rush through laws and regulations without meaningful and transparent consultation with all stakeholders. Checks and balances need to come from leadership and cooperation, extensive consultation, and the socialization of policies. It's better to have a well-drafted regulation that takes a little bit longer and is phased in more slowly, because this will cause less shock to the business community and therefore less shock to the economy. Excessive regulatory complexity means that it may take from twenty to thirty steps, dealing with multiple ministries, and from 180 to 365 days just to set up a limited liability company – this is in comparison to just two days and two steps in Canada. The overlapping and arduous reporting to multiple ministries also equals costs, which further decreases Indonesia's competitiveness. And the whole process was designed for \$100 million types of investment but is being applied to investments of \$100,000. This is inappropriate and unnecessary. This is the historical condition, and it has not been simplified yet. And this complexity unfortunately creates multiple opportunities for corruption.

Some of the negative impacts of regulatory complexity are slower growth and less investment, and businesses unable to respond rapidly to business opportunities in Indonesia or overseas. It is also a barrier to the growth of SMEs that may wish to transition into larger firms. They see a big cost barrier to formalizing their businesses, so for them it is better to stay small and below the radar. There is a very large underground economy in Indonesia, in fact, partially as a result of high regulatory complexity. And as a result of that, fewer taxes are paid and there are higher hidden costs that reduce the overall competitiveness of the country.

So in terms of generally understood needs, legal reform and regulatory complexity are areas that need urgent attention. Productivity needs to be increased if costs are going to be increased as well to cover those labour issues. And there needs to be a paradigm shift from control of business to the empowerment of business. A ten