

investors. And the negative experiences are causing existing investors to consider relocating. Fifty Percent of the firms that were surveyed in 2003 were considering relocating to another country. That is significant. One may ask why they have not left yet. The pain has to get fairly bad before you consider the cost of relocating, but these firms are actually considering doing that, and Indonesia has to take note of that.

What we have from a psychological point of view are unfulfilled expectations of the business community. Following the fall of the Suharto Regime, expectations were high that *reformasi* would result in rapid, positive changes. I, myself, and most of friends thought that within one or two years things would be much better. But these expectations are still largely unfulfilled. Positive changes tend to be small and incremental in nature, whereas negative changes have been more numerous and more significant, such as onerous manpower regulations, and social insurance cost - often involving higher costs, more restrictions and fines.

*Reformasi*, as a policy or as an ideology, actually resulted in more regulatory complexity, confusion, and overlap instead of less. This appears to be caused by the prioritization of politics instead of best practices in an environment that has had weak central leadership. This behaviour is not really surprising though. If you consider that after thirty years of strong central control we now have an environment where every functional group - whether they be regional or central, fundamentalist, Islamic, or otherwise - they are all testing the bounds of their newfound authority. This is perfectly natural when you remove a strong authority figure; in a sense, this is what I call that "democratic adolescence." It has resulted in a few processes happening which are of concern, one of which I would call the flawed process of legal and policy development. Ministries have been rapidly creating new laws to gain power or to regain power lost due to decentralization. These new laws are pretty thin on details, which minimizes discussion and debate in the parliament and speeds up their passage. But the new laws are thick on conferring power to the respective ministries. The details come out later implementing regulations with little or no discussion with stakeholders. This is a great concern if you are trying to achieve a mutually agreed business environment.

Investment in the context of regional autonomy has been a tug-of-war over who gets control, because in Indonesia who gets control determines who can secure benefits. The result has been a functional