

including our oil, footwear, textiles, garments, electronics and so on - are often very labour intensive. So when exports are not growing significantly, this means that unemployment is also becoming a problem.

Looking sector by sector at data from the second quarter of 2004, we can see that transportation and communication are growing at 13.3%. This is not an economic problem as the growth is so high, but this is simply a reflection of the rapid growth of the mobile phone industry worldwide. When you look on the construction sector, you can see that it grew 7.5% in the second quarter. This figure is certainly down compared to before the crisis, but still in a place like Jakarta you can see the outcome of increasing construction activity. Construction may still be limited to certain strategic locations, yet the improvements in growth were significant overall, about 7.5%.

Manufacturing for the whole year improved from 4.5 to 5% but in the second quarter of the 2004 manufacturing grew by about 6%. When you listen to manufacturers from industries like textiles or garments or footwear they always tell you the same sad story: about problems with labour, problems with taxations, and problem with local government, and they would like to move to China and Vietnam. Those are the stories of the kind of people in these industries, but when you talk to people in the banking sector or in capital markets, or especially when you talk to people in the automotive and motorcycle industries, they will tell you that there has never been a better situation than now. These are the industries that have been growing significantly. Just recently, Honda decided to develop a new factory in greater Jakarta for the motorcycle production. But when you look to where Indonesia is supposed to have the greatest advantage, in the mining sector, the growth was only -7% in second quarter. Last year, the mining sector only grew by something like -2%. This is a problem. It is sad, because oil prices are high, as are prices for commodities such as gold, copper, tin, and so on. But because of the problem of legal constraints, our mining sector has not been able to grow significantly.

So the macro-economic indicators on the whole are good. Look at the situation with inflation that has in the past been about 10%. Our inflation right now on a year on year basis until September, 2004, is 6.4%, but looking at just the period from January to September, it is only 3.8%. By the end of the year, inflation will probably be seen to be only about 6 to 6.5%. From the Canadian point of view, this may