

for any single chamber to keep up with all these changes. And there was an intent to share information to build and represent a common front to the government of Indonesia for discussion and consultation on the issues. So for the rest of the presentation, we will look at certain issues from the perspective of the foreign chambers in Indonesia, both the Indonesia-Canada Chamber and the International Business Chamber. I am going to touch on issues related to legal reform, the investment climate overall, decentralization, some of the impediments to economic growth, and a few general macro issues, but also some specific recommendations on things that can be achieved within the next five years. Before making any specific recommendations, a brief SWOT analysis is in order to look at Indonesia's economic strengths, weaknesses, opportunities and threats.

The strengths have been touched on by some of the previous speakers, so it's just a recap. Indonesia has a large and growing population of 220 million people. With a middle class around 30 million which is equivalent of another Canada in terms of market size, there is affluent upper class with significant wealth who are going about buying BMWs and Mercedes. And Canadian companies can tap into that potential. Indonesia is also a very rich and diverse country in terms of natural resources. It has a large trainable workforce and a fairly open economy and culture. It is in a strategic geographical location covering many shipping lines in Southeast Asia. And it is new, fledgling democracy with a positive growth rate. As previously mentioned, the domestic economy is starting to boom. A booming domestic economy will eventually attract more foreign investment, but foreign investment has been down significantly and by some measure has been negative. And in this presentation, I will try to share with you some of the reasons why from a qualitative perspective and perhaps from a psychological perspective as to why investment figures have not moved more rapidly, and perhaps some things that could be done to allow the new government of Indonesia to improve the situation.

Weaknesses, which are perceived by investors as risks, are several. Legal uncertainty has been mentioned. Tax administration and the relatively small tax base is an issue of concern. Some people have described the way taxes are collected as "hunting in a zoo," given that there is a fairly limited number of people who are being approached for sizable amounts of tax payments. Infrastructure concerns are potentially high. At the moment, there is adequate electricity but many