

Indonesia 2010



Total: 55.08

Quick facts

Population:	242.97 million
Population growth:	1.1 %
Unemployment rate:	7.1 %
GDP:	1330 billion \$
GDP growth rate:	6 %
GDP per capita:	4300 \$

Political Freedom

Free and Fair Elections : 8.57

President and Vice-President, the House of Representatives, the Regional Representative Council and the local Houses of Representatives are directly elected every five years. Candidates running for president and vice-president need an absolute majority of votes to be appointed. The last general elections in 2004 and 2009 by and large complied with democratic standards. However, irregularities with voter lists occurred and the supreme court ordered a partial recounting of votes. Political pluralism and participation is generally free and unrestricted in Indonesia. A great variety of NGOs and local interest groups are involved in communal politics. The rights of assembly and association are generally respected.

Absence of Unconstitutional Veto Players : 5

Compared with other countries in the region, Indonesia achieves an average score. Even though the authority of the Indonesian government is not directly challenged, there are some unconstitutional veto players which influence politics to a certain degree. The army has gradually retreated from politics since 1999 and may interfere in politics only if national unity is threatened. But some high-ranking officers have done well in provincial elections. This grants the army some sway over Indonesian politics. Radical Islamic forces are another potential veto player. In the past, these groups successfully pressured the government to pass legislation in their favour.

Freedom of Press : 4.8

The freedom of the press is a cornerstone of Indonesian democracy. A great variety of TV and radio stations reports freely on political matters. The internet is also relatively free but there are restrictions regarding content perceived to threaten moral norms. However, a few flaws still remain: Foreign journalists need special permissions to travel to some regions such as Papua and West Papua and some journalists faced threats and violence when reporting on controversial issues.

Rule of Law

Independence of the Judiciary : 4.72

The judiciary in Indonesia is not fully independent. The regime change of 1998 left the judiciary to some extent untouched and the army and big business still remain influential in this branch of government. Bribes are a common instrument to influence court decisions. That the salaries of judges, attorneys and lawyers are rather low also adds to the attractiveness of bribes. But the newly established constitutional court seems to take its task seriously and has so far proved to be a valuable contributor to the process of democratisation. Nevertheless, the quality of the judiciary in Indonesia remains a little lower than average.

Corruption : 2.8

Corruption is widespread in Indonesia. President Susilo Bambang Yudhoyono made the fight against corruption a central element of his election campaign in 2004 and, once in office, established an anti-corruption commission. Many high-ranking government officials have been arrested on allegations of misconduct ever since but the problem still persists as these measures have merely scratched the surface. Considering these circumstances, it does not come as a surprise that Transparency International ranked Indonesia only 111 out of 180 countries in its 2009 Corruption Perceptions Index. This result in turn is reflected in our score which is relatively low.

Protection of Human Rights : 4.17

There have been significant improvements in terms of human rights protection under the Yudhoyono administration. But there are still some severe problems: For one, Indonesia still adheres to the death penalty. Amnesty International published reports that accuse security forces of torture and murder. Religious minorities continue to experience discrimination, intimidation and violence. All in all, the situation of human rights in Indonesia is not as bad as in other countries in the region but there is still room for improvement.

Economic Freedom

Security of Property Rights : 4.44

A deficient legal framework, ineffective administration, and patronage networks affect the security of property rights. In many cases, court rulings are arbitrary and judges tend to rule against foreigners in business disputes. Contracts are often ignored. A lack of land titles also poses a problem, most notably for the rural population. The enforcement of intellectual property is weak.

Size of Government: Expenditures, Taxes, and Enterprises : 7.45

Government spending (including consumption and transfer payments) is low, equaling about 19.1 percent of the GDP. The state controls considerable parts of the economy. Sound fiscal management has meant that Indonesia could deal well with the challenges of the global financial crisis. A fiscal reform brought taxes to average levels, resulting in a top income tax rate of 30 percent and a corporate tax rate of 28 percent. Overall tax revenue equals 11.3 percent of the GDP.

Regulation of Credit, Labour, and Business : 6.08

Indonesia's financial system has been gradually restructured since the late 1990s, resulting in a reduction of banks to about 130 institutions. Subsequently, the efficiency of the banking system has increased. The state owns five banks and has taken steps to establish a financial services authority. Various regulations hinder the freedom to start, run, and close a business. Starting a business takes more than the world average of 35 days. Getting a business license takes a total of 18 procedures. Closing a business is complicated and costly. Restrictive labour regulations keep the non-salary cost of an employee on average but make dismissing him costly.

Freedom to Trade Internationally : 7.05

Indonesia's weighted average tariff rate is 3.6 percent. To meet requirements of WTO, AFTA, and APEC, Indonesia will have to continually reduce tariffs until 2020. At present, international trade suffers from a complicated system of licensing requirements, lacklustre implementation of trade policies, a deficient enforceability of contracts and property rights, and a corrupt customs department.