

Indonesia 2011



Total: 55.35

Quick facts

Population:	245.6 million
Population growth:	1.07 %
Unemployment rate:	7.1 %
GDP:	1030 billion \$
GDP growth rate:	6.1 %
GDP per capita:	4200 \$

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 complied, by and large, with democratic standards. However, irregularities with voter lists have occurred, and the Supreme Court has 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, and 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. Although the authority of the Indonesian government is not directly challenged, there are some unconstitutional veto players who, to a certain degree, can influence political processes. Since 1999 the army has gradually retreated from politics, and may interfere only if national unity is threatened. Nevertheless, some high-ranking officers have done well in provincial elections, and this grants the army some sway over Indonesian politics. Radical Islamic forces are also another potential veto

player and, in the past, these groups successfully have pressured the government to pass legislation in their favour.

Freedom of Press : 4.7

The freedom of the press, a cornerstone of Indonesian democracy, has taken hits lately. Two journalists were killed and others have received death threats due to their reports about environmental issues. In a similar case, an army officer had allegedly assaulted a reporter for investigating rumours about the army's involvement in illegal logging activities. Regrettably, law enforcement agencies showed little enthusiasm to look into the matter.

At present, the government seems to consider the protection of freedom of the press as a matter of secondary importance; it has failed in keeping promises to change provisions of the Information and Electronic Transaction Law allowing criminal defamation charges to be pressed against journalists who distribute information over the internet. This step is regrettable, since access to the internet is generally unrestricted, and social media outlets can operate freely.

Rule of Law

Independence of the Judiciary : 4.66

The judiciary in Indonesia is not fully independent. The regime change of 1998 left the judiciary somewhat untouched, with the army and big business still remaining influential in this branch of government. Bribes are a common instrument to influence court decisions, with the rather low salaries of judges, attorneys and lawyers merely adding to the attractiveness of bribes. However, the newly established constitutional court seems to take its task seriously and, so far, has 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, namely the Commission for the Elimination of Corruption (KPK). In theory, with the existence of the KPK, Indonesia disposes of an effective mechanism to fight corruption. Many high-ranking government officials have been arrested on allegations of misconduct. However, as the KPK is somewhat overburdened, the problem still persists. Considering these circumstances, it comes as no surprise that Transparency International ranked Indonesia as only 110 out of the 178 countries in its 2010 Corruption Perceptions Index. This result, in turn, is also reflected in our relatively low score.

Protection of Human Rights : 4.19

There have been significant improvements in terms of human rights protection under the Yudhoyono administration, but some severe problems still exist. For one, Indonesia still adheres to

the death penalty. Also, Amnesty International published reports that accuse security forces of torture and murder, and 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 : 4.66

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. The otherwise welcome decentralisation of mining rights, which now can be decided on regional and local levels, has often produced contradictory and confusing contracts which may lead to social conflict. The often unclear ownership of land rights also poses a problem, most notably for the rural population. The enforcement of intellectual property is weak.

Size of Government: Expenditures, Taxes, and Enterprises : 7.58

Government spending (including consumption and transfer payments) is low, equal to about 19.2 percent of the GDP. Indonesia's fiscal deficit reaches 2.6 percent, whereas the country's public debt is rather low at 30 percent of the GDP. The low degree of public debt was one of the main reasons for rating agencies to give Indonesia investment grade for the first time in 14 years.

A fiscal reform brought taxes to average levels resulting in a top income tax rate of 30 percent and a corporate tax rate of 25 percent. Other taxes include a VAT and a property tax. Overall tax revenue equals 13.3 percent of the GDP.

Regulation of Credit, Labour, and Business : 6.32

Indonesia's financial system gradually has been restructured since the late 1990s, resulting in a reduction to about 130 banking institutions. Subsequently, the efficiency of the banking system has increased.

Various regulations hinder the freedom to start, run, and close a business. Starting a business takes 47 days, getting a business license requires a total of 14 procedures, and closing a business is both complicated and costly.

While restrictive labour regulations keep the non-salary cost of an employee at an average, they also make his dismissal costly.

Freedom to Trade Internationally : 6.87

Indonesia's weighted average tariff rate is 3.1 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.