

# Indonesia 2013



**Total: 55.53**

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## Quick facts

Population:	251 million
Population growth:	0.99 %
Unemployment rate:	6.1 %
GDP:	1237 billion \$
GDP growth rate:	6.2 %
GDP per capita:	5100 \$

## Political Freedom

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### Free and Fair Elections : 8.57

Indonesia became an electoral democracy in 1999 after the resignation of General Suharto. Since 2004, the president and the 2 legislative chambers of parliament are directly elected every five years. The last elections in 2009 can be largely considered fair and free, although some irregularities in voter registration led to a partial recounting of votes. The parliamentary elections were won by the Democratic Party, with the Golkar Party (established by General Suharto during his military rule) coming in second ahead of the Indonesian Democratic Party—Struggle (PDI-P) of former president Megawati Sukarnoputri. President Susilo Bambang Yudhoyono was able to secure a second term.

Indonesia has a diverse political landscape, including various religion-based parties. The vote threshold which parties have to clear in order to move into parliament has been raised from 2.5% to 3.5%.

Indonesia is host to numerous civil society organisations covering a wide variety of topics. Although they can generally operate freely, some human rights groups are subject to government monitoring. Independence groups as well as political activists in some regions also remain targets of regular civil rights abuses. Trade unions are legal and politically active. Corruption is endemic in Indonesia and plays a significant role in politics.

## Absence of Unconstitutional Veto Players : 5

The Indonesian government effectively holds executive power. The army has become much less visible in Indonesian politics but to a certain extent it still qualifies as a veto player. It retains the right to interfere with government decisions if it deems national security and stability under threat. In conflict zones such as Papua, these broad prerogatives of the army have led to the undermining of civil liberties and political rights and shows civilian control over the military is clearly not established.

Additionally, a number of radical Islamist groups have set their mind on establishing a theocratic Islamic state. Such groups have lately gained more support and try to pressure the government to pass favourable legislation.

## Freedom of Press : 5.1

The press in Indonesia is partly free and a wide variety of newspapers, radio and TV stations operate in the country. Nonetheless freedom of speech is somehow marred by blasphemy and strict libel laws. A recent case saw a civil servant arrested over a Facebook posting stating that “God does not exist”. He was additionally charged with “disseminating information aimed at inciting religious hatred or hostility” and eventually sentenced to 30 months in prison and a fine of around US\$10,300. Broadcasting of foreign media through local stations, as well as foreign broadcasting ownership, is banned.

Journalists also often face physical threats, and harassment, by both national authorities and private actors. In 2012 two journalists were killed. One was about to cover regional elections, while the second one had been critical about a regional police force. Murders such as these are often not adequately prosecuted. Apart from many other cases of threats, six journalists were attacked by military personnel while reporting on the crash of a military jet. The province of West Papua continues to be especially dangerous for reporters, and only few national press members can enter under strict supervision, while foreign journalists are entirely banned from the region.

## Rule of Law

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## Independence of the Judiciary : 4.28

The Indonesian judiciary acts fairly independent but there are areas of concern. Army, big business, and politicians still influence decision making. Comparatively low salaries of judicial officials mean that bribes often decide the outcome of criminal and civil cases.

The Constitutional Court has on several occasions demonstrated its independence. In 2009 it scrapped two articles of the election law which would have discriminated against former political prisoners of the Suharto era. And in 2011 it annulled controversial articles in a law passed by parliament which would have curtailed the court’s powers.

## Corruption : 3.2

Indonesia's government has significantly improved measures to combat corruption over the past decade. Indonesia is trying to break a long tradition of corruption by implementing transparent and accountable governance. It still remains and several politicians, legislators and former ministers have been sentenced on corruption charges under the current President Susilo Bambang Yudhoyono.

A Coalition party chairman has been arrested for allegedly receiving bribes to ensure higher quotas of beef imports, while other officials have been accused of orchestrating a payoff of more than US\$1 million intended for the party's 2014 legislative election campaign. Other high profile cases from both the public and private sector continue to surface as a result of this concerted attempt to expose corruption. In the 2012 Corruption Perception Index, Indonesia was ranked at number 118 out of 176 countries.

## Protection of Human Rights : 3.93

Indonesia's willingness to accept numerous recommendations from the 2013 UN Universal Periodic Review (UPR) report comes amid a growing set of checks and balances and overall increases in human rights levels. Indonesia's democratic consolidation has seen a rise in civic participation and a vibrant independent media, but many serious problems remain. Indonesia still retains the death penalty, although executions are infrequent.

A lack of accountability for abuses by police and military forces continues in Papua and West Papua provinces. Violence and discrimination against minorities in these areas is deeply concerning and a blight on the otherwise encouraging signs in the rest of the country. The implementation of some laws in line with Sharia in Aceh has also seen human rights levels in regional contexts distort national advances.

Criticism has been directed at President Susilo Bambang Yudhoyono's unwillingness to amend existing laws that discriminate against religious minorities and uphold religious freedom as embodied in both Indonesia's constitution and International law. There are still dozens of political dissidents in prison, again most of whom are Papuan and Moluccan activists.

## Economic Freedom

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### Security of Property Rights : 4.59

A deficient legal framework, ineffective administration and patronage networks affect the security of property rights. Land ownership is often unclear, which poses problems for farmers. Court rulings can be arbitrary. Judges tend to rule against foreigners in business disputes. Indonesia ranked 81st out of 131 countries in the 2013 International Property Rights Index by Americans for Tax Reform, an advocacy group. The main concerns regarding Indonesia of the index are a deficient legal and political environment as well as weak intellectual property rights protection (evident in a growing market for counterfeit goods).

## **Size of Government: Expenditures, Taxes, and Enterprises : 7.79**

Government spending (including consumption and transfer payments) has increased to about 19% of GDP (up from 16.7%). Indonesia's fiscal deficit has slightly increased to 1.6% (from 1%), whereas its public debt is rather low, having fallen to 25% of GDP.

Taxes are on average levels. The top income tax rate is 30% and the corporate tax rate 25%. Other taxes include value added tax and property tax. Overall tax revenue equals 11.6% of GDP.

## **Regulation of Credit, Labour, and Business : 6.29**

Indonesia's financial system has been gradually restructured since the late 1990s. More than 120 commercial banks (four of which are state-owned) dominate the efficient banking system. Additionally, more than 1,800 (mostly smaller) banks cater to a predominantly rural clientele. The Indonesian Central Bank functions as a supervising and monitoring body.

A weak regulatory framework impedes the freedom to start, run and close a business. Starting a business takes 9 procedures and 47 days according to the World Bank's Doing 2013 Business Report. Getting a business license requires a total of 13 procedures and 158 days. Closing a business is both complicated and costly.

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

## **Freedom to Trade Internationally : 6.78**

Indonesia's weighted average tariff rate stands at 2.6%. To meet requirements of the WTO, ASEAN Free Trade Area and Asia-Pacific Economic Cooperation, 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, deficient enforceability of contracts and property rights, and a corrupt customs office.