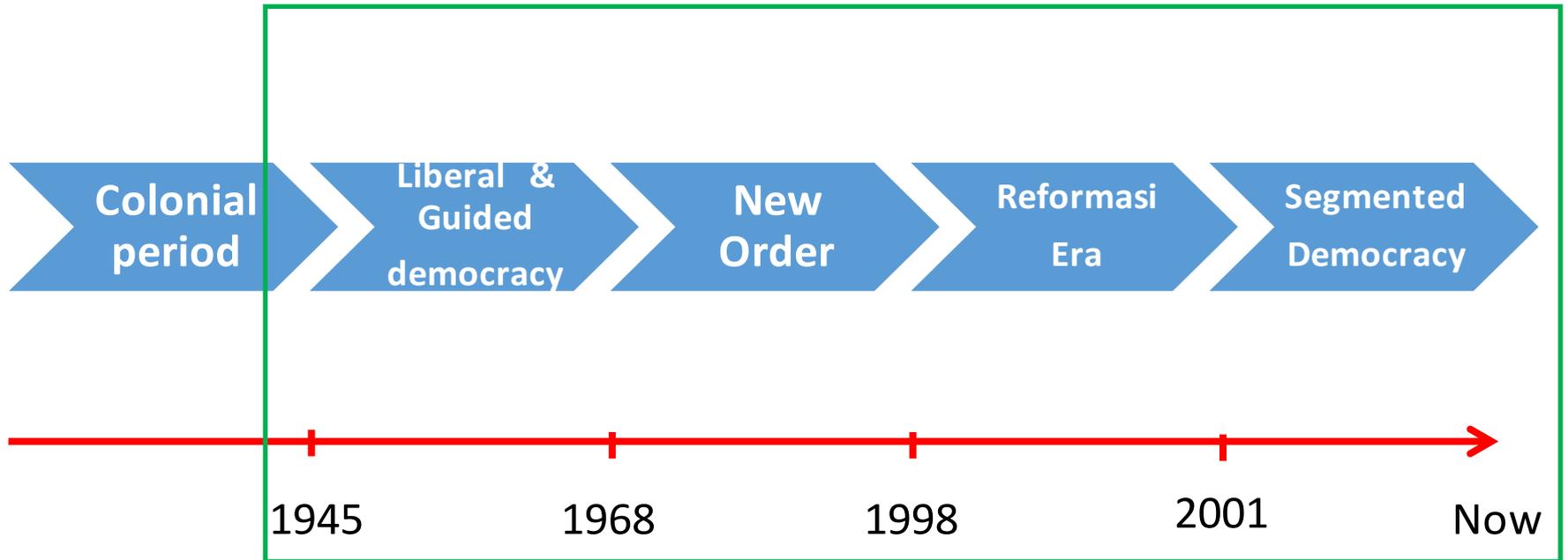




# INDONESIA POLITICAL ECONOMY

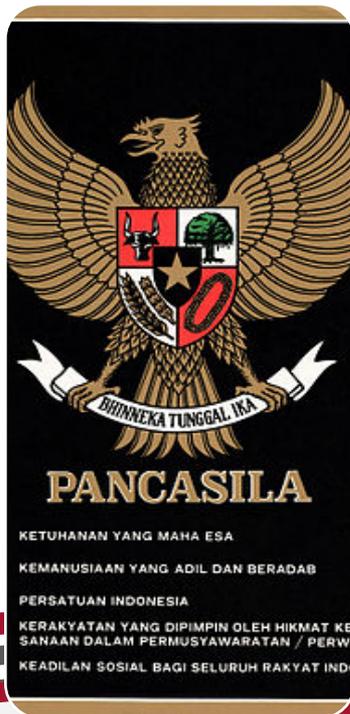
ANY THALITA, RICARDO LIZAMA, JADER ZEHEDON, DIANNA LIAO,  
CHING LIANG, GINA DOBLADO, ALEX BOUAKHASITH, PAUL LAFFONT

# The development of the Political



# Liberal democracy (1945-1958)

## Pancasila (Panca=5; Sila=principles)



- Belief in the one and only God
- Just and civilized humanity
- The unity of Indonesia
- Democracy guided by the inner wisdom in the unanimity of representative deliberations
- Social justice for all the people of Indonesia

# Liberal democracy (1945-1958)

**Sukarno, First president  
of Indonesia (1945-1967)**



**Provisional Constitution  
of Indonesia, 1950**



**The People's Consultative  
Assembly, 1955 election**



Political Party	% of vote	Ideology
Masyumi	20.9	Islam
Partai Nasionalis Indonesia (PNI)	20.3	Nationalist
Nahdlatul Ulama (NU)	18.4	Islam
Partai Komunis Indonesia (PKI)	16.4	Communist

# Guided Democracy (1958-1967)

- Democracy to Totalitarianism
- The confrontation policy against Malaysia
- The army as a “functional group “
- Veer Indonesia to the left
- Use communist PKI to counter-balance the army’s power

Sukarno, First president of Indonesia (1945-1967)



# 30<sup>th</sup> September movement

Suharto, President of  
Indonesia (1968-1997)



# New Order Muhammad Suharto (1967-1998)

- Depoliticize Indonesia.
- Reestablish the parliament, Golkar had full support from the army.
- Totalitarianism intensifies.
- The economy had a significant growth.
- In 1970 the oil booms.
- De-regulation of banking sector (1980).
- In 1997 Indonesia suffered the Asian Financial Crisis.
- Corruption Cases



# REFORMASI ERA

## Bacharuddin Jusuf Habibie (1998-1999)

- Introduction of freedom of the press
- Allowing the establishment of new political parties and unions.
- Oversaw Indonesia's democratic transition.
- Released thousands of political prisoners.
- Limiting the presidency to two terms of five years.
- Decentralization of power to the regions.
- Linked to a big corruption scandal involving Bank Bali.
- Because people started to question about Suharto's corruption he decided not to run for a full term.



# Abdurrahman Wahid (1999-2001)

- Term embroiled by a number of scandals and corruption cases, he was accused of accepting donation from Sultan of Brunei, and theft money from National Food Agency.
- Attempts to reform the military and remove its political power, but it was not taken kindly by the military.



# Megawati Sukarnoputri (2001-2004)

- Stabilized the overall democratization process.
- Did not make any major difference in her Presidency.



## Susilo Bambang Yudhoyono (2004-2014)

- The first president to be elected through a direct election.
- Corruption in his cabinet, and political party.



## Joko Widodo – Jokowi (2014-present)

- Improved transparency in order to prevent corrupt behavior.
- Prescribe the death penalty for some narcotics trafficking.



# Indonesia Corruption

## Suharto

- Built from a skein of companies, monopolies and control over vast sectors of economic activity -from oil exports to the kickbacks of government's contract.
- The wealth of Suharto's family uncovers a \$15 billion fortune in cash, property, art, jewelry, and jets.
- Control some 3.6 million hectares of real estate in Indonesia, an area larger than Belgium.
- Extorting money given to the Indonesian by IMF



# Wealth of Suharto's family



Son

Bambang Suharto  
38% of Bimantara Citra

Property: \$8.2 million  
Singapore apartment,  
\$12 million Los Angeles  
estate.



Son

Hutomo Putra Suharto  
60% of Humpuss Group

Property: Ranch in New  
Zealand, Mill Ride Golf  
Club, an 18-hole course  
he partly owns in Ascot,  
England



Son

Hutomo Putra Suharto  
40% of brother's  
Tommy's Humpuss  
Group

Property: Exclusive  
Hampstead area of  
London worth \$12  
million each, one in Los  
Angeles, one outside  
Geneva



Daughter

Siti Hardiyanti Suharto  
Citra Lamtoro Gung Group

Property: \$1 million house  
with tennis court and  
heated pool near Boston;  
house on London's Hyde  
Park Square

# Indonesia Corruption

## Corruption under ANTI-corruption

Anti Corruption: The “Shock therapy” campaign from President Susilo Bambang

BUT the cabinet, **Muhammad Nazaruddin**, treasurer of Yudhoyono’s, accept more than USD 350,000 from building the athlete village in Southeast Asian Games, 2011

Nazaruddin was sentenced to 4 years and 10 months in prison.



# Indonesia Corruption

## Corruption Scandals 2017

- The felon of Constitutional Court Judge Patrialis Akabar, taking USD150,000 kickbacks from meat importer, Basuki Hariman
- Theft on e-KPT case
  - National Electronic Identity Card
  - KPK put two suspects on trial and is looking into claims that at least 37 people benefited with \$170 million



# Indonesia Corruption

## Judicial System

Corruption limits the judicial system's professionalism and objectivity. Many laws are open to interpretation by judges, particularly the commercial code is inconsistently applied.

- Constitutional Court Chief Justice, Akil Mochtar Scandal

## Police

The Indonesian police is plagued by corruption, and bribery is widespread, presenting companies with high risk.

- Budi Guanawan under investigation



KEPOLISIAN NEGARA  
REPUBLIK INDONESIA

# Indonesia Corruption

## Public service

Companies should be aware of a high-risk of corruption when dealing with Indonesia's public administration.

## Natural Resources

The lack of law enforcement in Indonesia promotes an enabling environment both for irregular activities and for opaque financial reporting by petroleum and mining companies.

## Civil Society

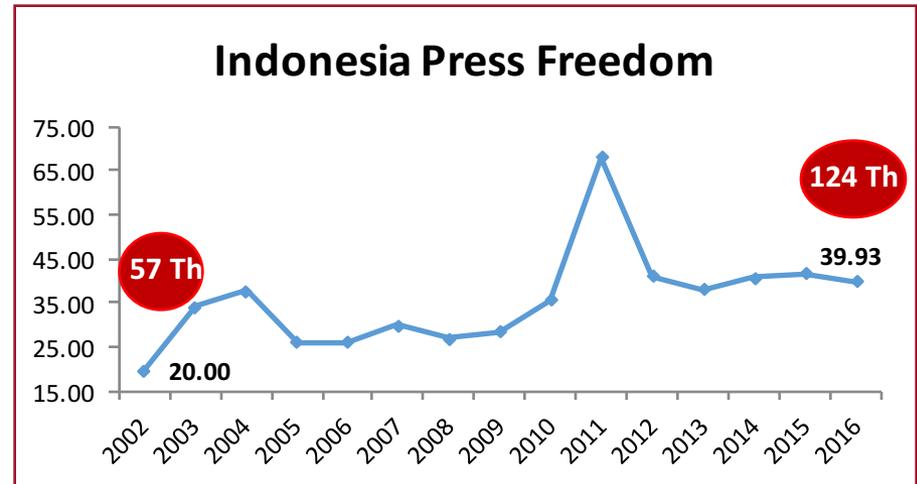
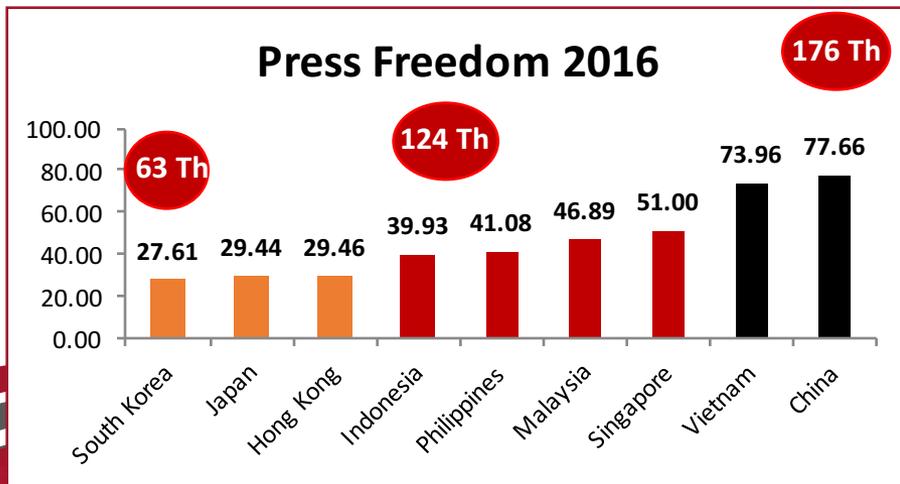
Indonesia's constitution provides freedom of speech and press, but elements within the government seek to limit these rights.



# Indonesia Corruption

## Free press

- Increased after the end of President Suharto's rule.
- The number of printed publications increased significantly from 1998 (79 news papers) to 1999 (172 news papers).
- A 2011 Constitutional Court decision to uphold a law prohibiting blasphemy.



# Indonesia Corruption

## Land Administration

Corruption is a high risk within the land management sector in Indonesia.

- Giving gifts in order to obtain a construction permit
- Property rights are inadequately protected
- Lack of clear land title
- Ariesman Widjaja, General Director of Agung Podomoro Land Scandal

## Tax Administration

Corruption risks in Indonesia's tax administration are high.

- Expects to give gifts when meeting with tax officials
  - Encounter corruption during routine interactions with Indonesian public servants
  - President Jokowi's brother scandal
- 

# Indonesia Corruption

## Strategies for preventing corruption

At the 53rd Annual Meeting of the World Bank and the IMF, it was suggested a four-pronged strategy for minimizing corruption.

- An honest and clear commitment.
- Establish a zero tolerance policy.
- Reduce all the conditions leading to the creation of corruption.
- Monitor political party funding.

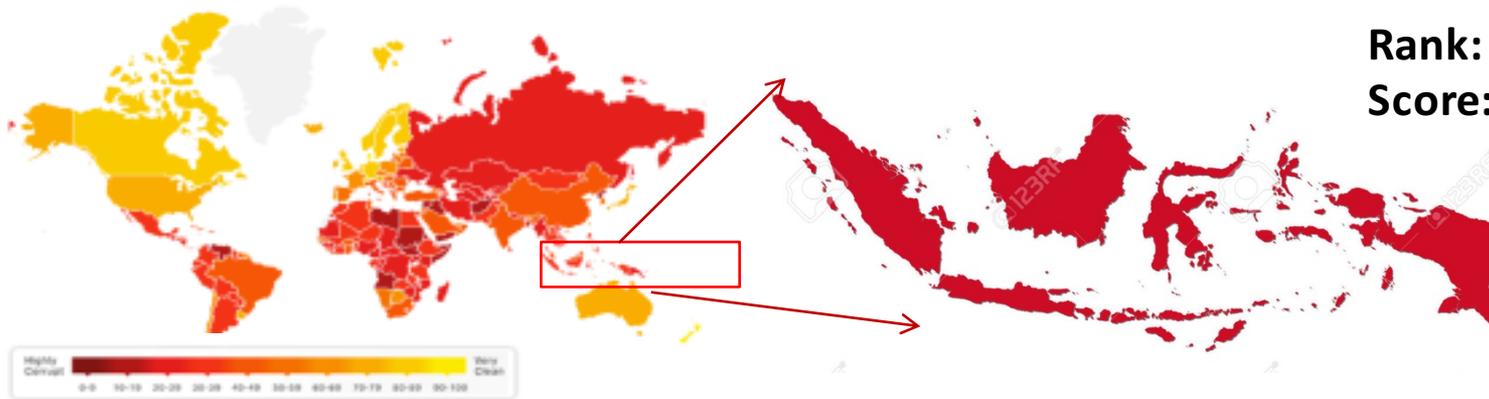
According to Professor Natasha Hamilton-Hart from National University of Singapore there are:

- Reducing the scope for corruption through policy change.
- Increasing the costs of corruption through external monitoring and sanctioning.
- Devising systems to induce self-restraint within government organizations.

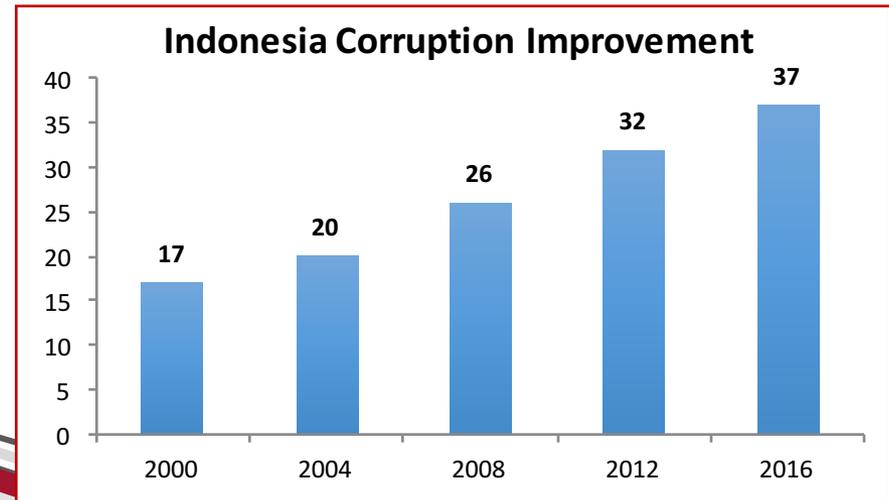
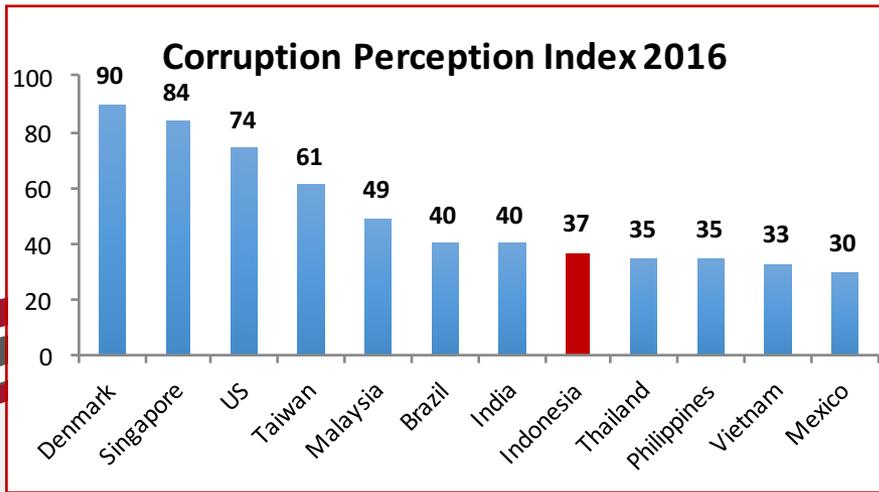
# Indonesia Corruption

## Corruption Index

- There are improvements , but corruption has always been part of Indonesian government culture



Rank: 90/176  
Score: 37/100



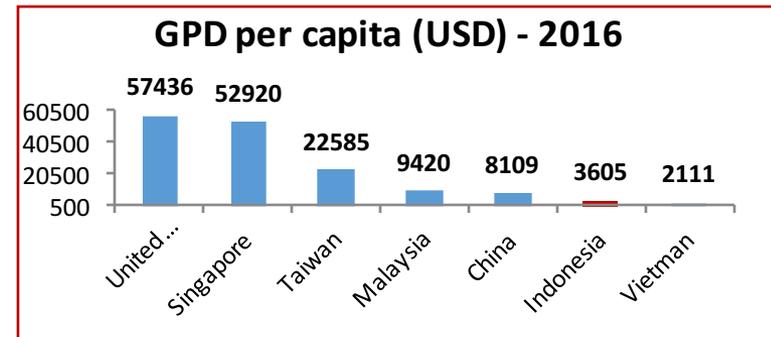
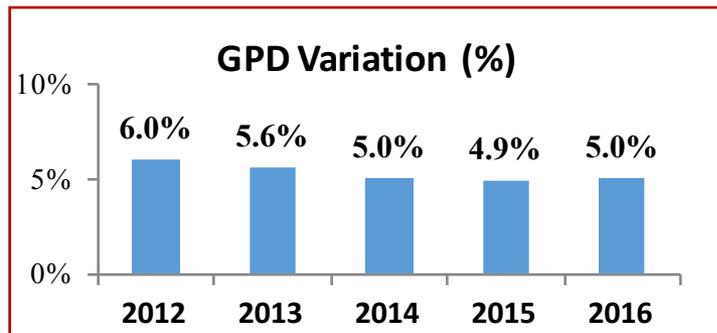
# Indonesia Mixed Economy Improvements

- Decentralized governance system, free and strong private sector.
- Good correlation between companies taxation (25%) and economic growth.
- Indonesia social programs include health care, free education, low cost housing, subsidized community markets, free transportation.
- Indonesia Stock Exchange market capitalization with a growth trend. 2016 ended in \$428 billion USD.

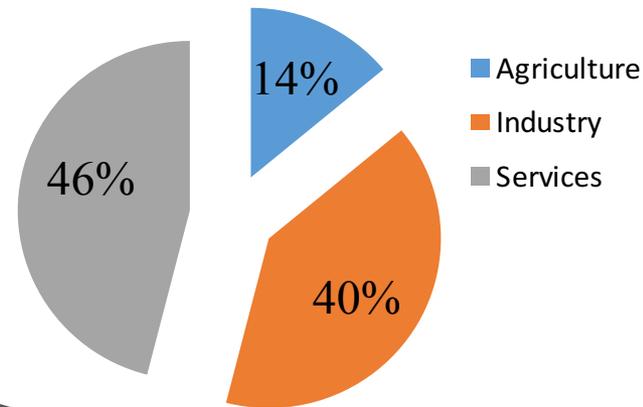


# Indonesia Mixed Economy Improvements

- Indonesia's GDP growth average is about 5% per year.



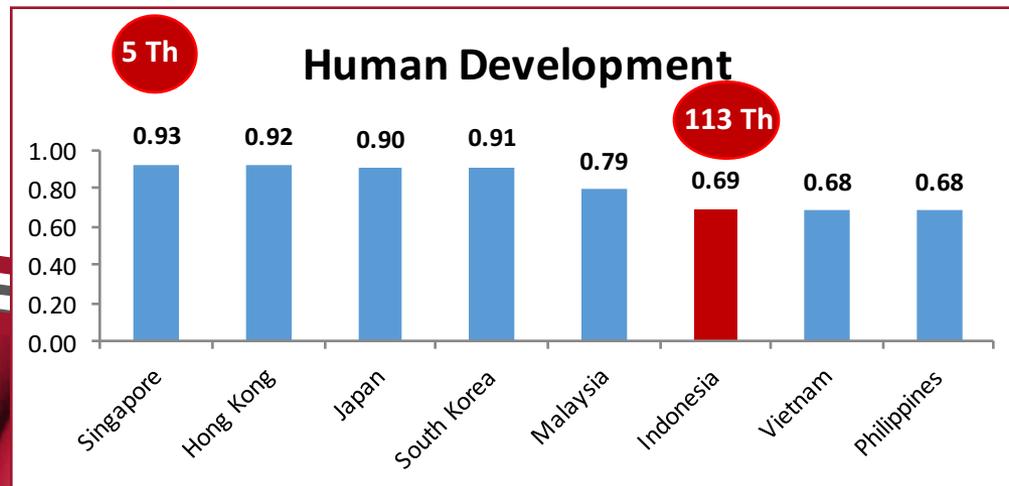
- GDP by Sector.



# Indonesia Mixed Economy Improvements

## Human Rights

- Indonesia was consider a low human development country (Score of 0.5/1.0 HDI) by the United Nations, forcing Indonesia to stabilized human rights in 1993.
- According to the Human Development Index Indonesia is now consider medium human development.



# Indonesia Mixed Economy SOE

## State-owned Enterprise (SOE)

- 120 SOEs, Twenty listed on the Indonesian stock exchange.
  - Market capitalization around \$80 billion USD, more than 20% of the total capitalization of shares listed on the Stock Exchange.
  - Presence in almost every sector (Wholesaler, Retail trade, Banks, Utilities Supply, Transportation, Agriculture, Manufacturing and others).
  - Indonesia doesn't have any active privatization program.
- 

# Indonesia Mixed Economy Challenges

## Property Rights

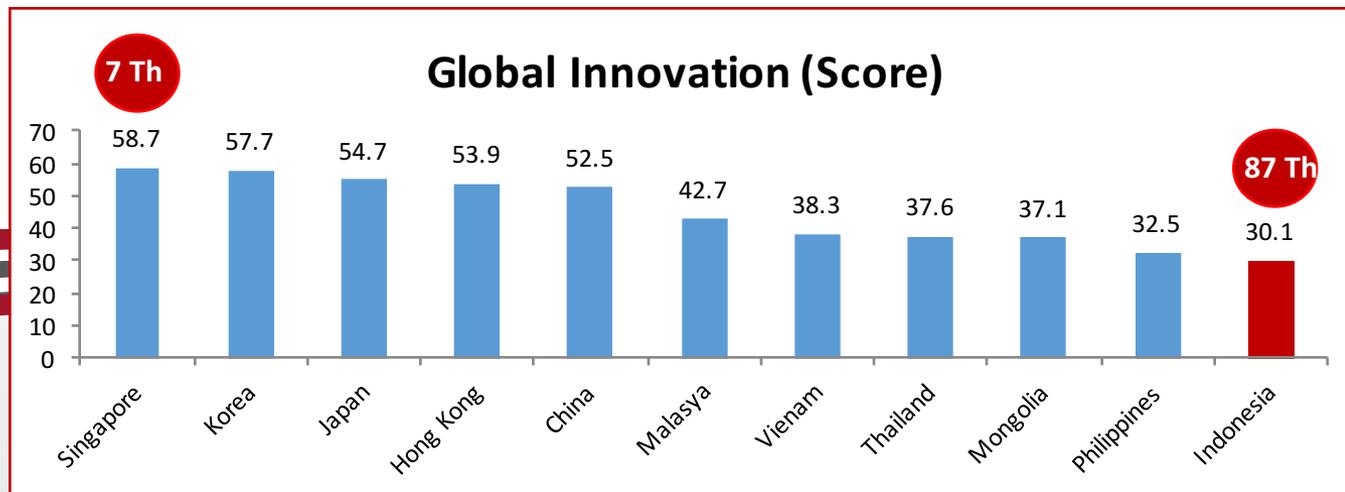
- Indonesia is on the U.S. Trade Representative's (USTR) Special 301 priority watch list for intellectual property rights (IPR) protection.
- According to USTR, around 18 million copies of pirated films, music, and software are circulating in Indonesian physical and online markets per month.
- Indonesia laws haven't been effective.



# Indonesia Mixed Economy Challenges

## Entrepreneurship and Innovation

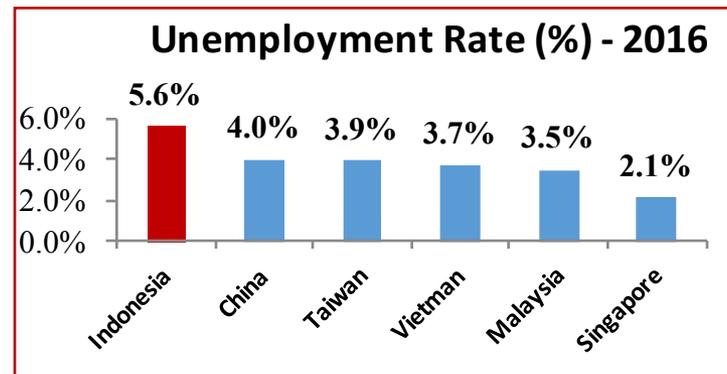
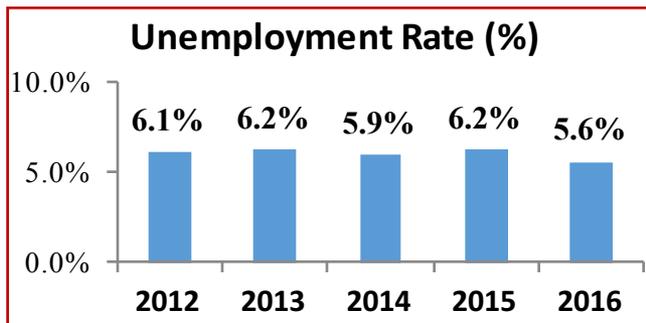
- Data from the Central Statistics Agency (BPS) shows that entrepreneurs has increase from 22.7 million to 26.7 million from 2006. Innovation rate is still low.
- Low uncertainly avoidance in Indonesia's culture.
- Overall low level education and low budget on research and development (0.2% of GDP).



# Indonesia Mixed Economy Challenges

## Unemployment

- Indonesia unemployment has improve, but is still high compared with other Asian countries.



- Is the fourth most populated country, this growing population is continuously demanding more jobs.

**Thank You!**  
**Q&A**

