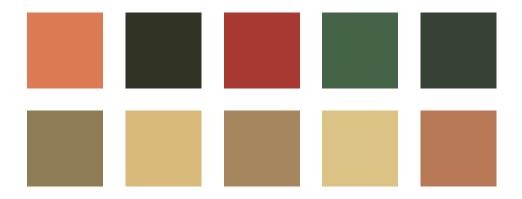
# The Indonesian Update

Monthly Review on Economic, Legal, Security, Political, and Social Affairs



Main Report :

The Reorientation of the Post- Century Coalition





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# **FOREWORD**

The partner parties of the coalition of the Susilo Bambang Yudhoyono administration - Golkar, PKS, and PPP - shared a different stance with the government in a vote in the Plenary Meeting of the House of Representatives (DPR) on the final conclusions of the Century Bank Scandal. These political parties stand on one leg in the coalition with the government and on another leg in the opposition group in the DPR. This phenomenon is also not uncommon during the five-year period of the Yudhoyono-Kalla government. The coalition built has never been solid. There have always been rifts, although in percentage the coalition of the governing parties has a bigger number of supporters in the parliament.

Rather than closing this weak point - elite communications - some Democratic politicians in the DPR have done counterproductive things that actually have undermine the communication channels between the president and the political elite. This matter has worsened the coalition ties. The idea of cabinet reshuffle proposed by several Democratic politicians has also exacerbates the relationships amongst the coalition parties. The ones that are really need the coalition are Yudhoyono and Democratic Party.

This edition of the Indonesian Update raises a main topic on the Reformulation and Reorientation of the Post-Century Coalition. The Indonesian Update also raises some important topics from several fields. In the economy and finance, it talks about tax and development, the global economic situation in the first quarter of 2010, and the rupiah. In politics, it discusses the participation of the wives of the incumbents in direct regional elections. In social affairs, it raises themes on the engineered cases by some police and on the polemics over the smoking banning.

The regular publication of the Indonesian Update with its actual themes is expected to help policy makers in the government and the business sector, academicians, and international think tanks get actual information and contextual analyses on economic, political, social, and cultural developments in Indonesia.

Happy reading!



# The Reorientation of the Post- Century Coalition

The partner parties of the coalition of the Susilo Bambang Yudhoyono administration - Golkar, PKS, and PPP - shared a different view with the government in a vote in the Plenary Meeting of the House of Representatives (DPR) on the final conclusions of the Century Bank Scandal. These parties have actually signed a coalition contract and gotten ministerial positions in the cabinet.

The other political parties stand on one leg in the coalition with the government and on one leg in the opposition group in the DPR. This phenomenon is also not uncommon during the five-year period of the Yudhoyono-Kalla government. The coalition built has never been solid. There have always been rifts, although in percentage the coalition of the governing parties has a bigger number of supporters.

#### The Source of Rifts

At least, there are four factors that have become the sources of the rifts in the context of the coalition in the Century case. The *first* factor is the vulnerability of the combination of the presidential-multiparty system. The presidential government system was proven incompatible with the multi-party system, because in the fragmented multiparty system, it would be difficult for the majority party to form a strong government alone with the coalition.

An unusual coalition in the presidensial tradition becomes a fundamental equirement, and it is difficult to avoid in a multiparty situation. This coalition in presidential system is often disturbed by forces and maneuvers of coalition partners in the parliament, as shown in the Century case.



The second factor is the non-partisan ideology and party interests in the upcoming 2014 Elections. The ideologies of our parties are weak and pragmatic. This has caused the partner parties in the coalition to be undisciplined, very opportunistic, and pragmatic, thereby making the coalition is very fragile and liquid. This happens because the coalition is built on the foundation of the interests of political pragmatism of power, rather than on ideological closeness or equality of political platform. In addition, the two-legged politics played by the coalition partners - as well as the opposition in parliament - has been performed to make a political investment for the 2014 Elections.

Third, the flexibility of the coalition contract. The coalition contract is not binding and has become normative. The coalition contract should set more concrete substance. As a result, it is no surprise that the coalition members have multiple interpretations, and each has implemented the commitment assumed in the coalition contract. The Democratic Party has accused Golkar, PKS and PPP to step outside the corridor of the coalition contract, while the PKS thinks that it has implemented the commitment in the coalition contract to ensure the clean government. The flexibility of interpretation of the substance of this coalition contract has made the government coalition susceptible to rifts, because each party has its own interpretation of the points in the coalition contract.

Fourth, the accumulation of erroneous patterns of political communications of Yudhoyono and the Democrats. Yudhoyono is a figure who is very skilled in building public communications (political image), but he is weak in managing elite communications. The elite communications are not as good as five years ago in the SBY-Jusuf Kalla administration. In the current SBY-Boediono administration, they look rushed and messy. This function is rather difficult for Boediono who has no political base as Kalla to perform. Kalla had the control over a party that won the elections. Democratic Party politicians should assume the role.

Rather than closing this weak point - elite communications - some Democratic politicians in the DPR have done counterproductive things that actually have undermine the communication channels between the president and the political elite. This matter has worsened the coalition ties. The idea of cabinet reshuffle proposed by several Democratic politicians has also exacerbates the relationships amongst the coalition parties. The ones that really need the coalition are Yudhoyono and Democratic Party.



#### The Reformulation of the Coalition

The policies of Yudhoyono and the Democrats to do reformulation of the coalition to give sanctions to the coalition parties that are considered defected will be determined by the stance of the PDIP. The stance taken by the PDIP after the April Congress will determine whether or not there will be a cabinet reshuffle. If the PDIP decided to join the coalition, then the maneuvering room for Yudhoyono and the Democrats would be bigger. The opportunities for a cabinet reshuffle will become bigger.

There are several alternatives of the policy of coalition reformulation that can be done by Yudhoyono and the Democratic Party if the PDIP decides to join the government. *First*, keep the composition of the coalition as before plus the PDIP (the Democratic Party, Golkar Party, PKS, PAN, PPP, PKB and PDIP). If this option is the case, then the government coalition will grow larger (92.26 percent).

Second, the Golkar Party will step out of the coalition, and the PDIP will replace Golkar. If this option is taken, the percentage of the coalition is relatively fixed, which is about 73 percent. However, this option seems unlikely to be chosen, because Yudhoyono still needs Golkar. Golkar has the experience and expertise in executing lobbying and political negotiations in order to secure the government in the next five years.

Third, the PKS and/or the PPP leave the coalition. If the PDIP joined, this option might be selected by Yudhoyono. This would be a risky option, because after all SBY still needs one of the two parties in the government as a representation of the Islamic constituency.

But on the other hand, if the PDIP still chose to be outside the government (opposition), the possibility for Yudhoyono to do a cabinet reshuffle (reformulation of the coalition) would also be small. If we see the character of Yudhoyono who believes in the great importance of balance and political harmony and who tends to want to embrace and satisfy all sides, it is very unlikely to exclude a member of the government coalition. Thus, the strongest tendency would be Yudhoyono expanding the coalition by inviting the PDIP to join - or keeping the current composition of the coalition. Another option would be for Yudhoyono to reduce the number of the coalition partners.



#### The Recrientation of Coalition

The error of coalition orientation that SBY and the Democratic Party has done is that they have been to be focused on quantity (the percentage of seats in the parliament), rather than the quality (cohesiveness and coalition solidity). This condition is caused by SBY's characters that put too much importance on balance and political harmony and that tends to embrace and satisfy all sides.

The desire to satisfy and please all sides is to accommodate almost all political parties in the cabinet. This has caused Yudhoyono and Democrats to be caught in the logic of quantity rather than quality, which is busier in increasing the number of coalition members rather than building solidity among them. For any coalition, without improving the solidity and rules in the coalition, the parties will be tempted to do the two-legged politics, joining the government coalition and acting as the opposition in the parliament.

The method of Yudhoyono to meet the political security for the next five years would be changing as much as possible the orientation of the coalition. The reorientation needs to be done in order to manage the next coalition to be more oriented to quality (solidity and rules) rather than embracing the parties in the coalition that are not solid in building the coalition.

Recommendations

There are several steps that need to be done to rearrange the coalition to be more solid and effective. *First*, President Yudhoyono and Democrats must change the orientation of the political security, from the quantity orientation (percentage) to the quality orientation (solidity and cohesiveness). It is also necessary to form a communication forum for the coalition members that is led by the President.

Second, Yudhoyono and Democrats must improve the political communications and political strategies in managing the coalition, which treats the coalition partners equally (symmetrical communications). Third, the coalition contract (MoU) should be made more concrete, clear and not too normative. The contract should also be equipped with rules and sanctions. Fourth, there should be a communication forum for coalition members. The President needs to lead this forum directly.

— Hanta Yuda AR —

The method of Yudhoyono to meet the political security for the next five years would be changing as much as possible the orientation of the coalition. The reorientation needs to be done in order to manage the next coalition to be more oriented to quality (solidity and rules) rather than embracing the parties in the coalition that are not solid in building the coalition.



## Tax and Development

Tax has given a significant contribution to the state revenue. It has also seen an upswing in trend. Nowadays, the tax contribution has reached a level of around 80 percent of the total state revenue. The implication is that the funding of public service and other government expenditures has become depended on tax revenue. Within the next four years, the government aims to increase the tax revenue to a level of Rp 1,000 trillion (around double that of today).

Tax revenue continued to increase between 2007 and 2010. The realization of tax revenue in 2007, for example, was Rp 490.988 trillion. This realization increased in 2008 to Rp 658.701 trillion. In Annual State Budget (APBN) of 2010, tax revenue is assumed to reach a level of Rp 729.165 trillion.

The ratio of tax to state revenue has also shown an increasing trend. In 2007, the ratio reached a level of 69.53 percent. In 2010, it is assumed to grow to a level of 80.12 percent. On the other hand, the ratio of the non-tax revenue to the tax state revenue has decreased from a level of 30.47 percent in 2007 to 19.88 percent in the 2010 APBN.

#### Tax Composition and the Government's Target

The tax revenue in Indonesia is dominated by: (1) income tax; (2) value added tax; and (3) excise duty. In the 2010 APBN, the income tax is assumed to contribute 46.67 percent. The value added tax and the excise duty are calculated to contribute 36.62 percent and 7.82 percent, respectively.

Within the next few years, the government plans to continue to increase the tax revenue. This basically could be achieved by: (1) expanding the ratio of tax to the gross domestic income (PDB) to reach a level of approximately 15-16 percent; (2) increasing the nation PDB. In 2013, the Director-General of Taxation has to fulfill



a target tax revenue level of above Rp 1,000 trillion, Rp 1,058.23 trillion to be exact.

The Directorate General of Taxation has the capacity to perform intervention in the first point. The policies that could be carried out are the intensification policy by increasing the tax revenue in sectors that have contributed and the intensification policy by taxing new sectors that could become potential sources of tax revenue.

The identification of the opportunity of the increase in tax revenue could also be seen from the number of registered taxpayers. On March 31 2009, the number of registered taxpayers was at a level of 11.167 million people. In March 2010 the number had grown to a level of around 16 million. The opportunity to increase the tax revenue could be achieved through: (1) the optimization/the increase in payments from the registered taxpayers, (2) the increase in the number of registered taxpayers.

Meanwhile, the growth in PDB would be determined by a number of variables, both internal and external. The target of achieving tax revenue of more than Rp 1,000 trillion in 2013, for example, would need a PDB increase from Rp 5,491 trillion to Rp 10,000 trillion. The assumptions are economic growth would be at an average annual level of 6.4 percent and the average annual inflation rate would be at 5.3 percent.

#### Tax and Development

Taxation has a trade-off with economic growth. In the PDB composition, tax could be considered as a leak that will reduce consumption and the PDB. But, on the other side, the tax revenue would be used to finance government expenditures, thereby increasing the PDB. The final results would really depend on how far government expenditures could bring a multiplier effect, for example, through the development of infrastructure. The tax revenue would also be used to finance public service and subsidies.

Ritonga (2009) mentions the function of the Laffer Curve to show the relations between the tax and PDB. The curve shows that if tax rate is zero percent, then the government cannot finance its public services and development. If the tax rate is 100 percent, the community would not be willing to work, and there would be no economic activities. What should therefore be done is to carefully determine: (1) the subjects of taxation; (2) the correct tax rate that would be optimal for the development that equally distributes welfare and the development that grows the economy.



In addition to considering the trade-off between tax and economic growth, we should also achieve good governance in tax management in order to optimize the function of tax to support development. This good governance includes two matters:

The good governance in tax collection includes sound administration that ensures certainty and eradicates all forms of corruption.

The good governance in allocating and utilizing tax revenue includes development planning and eradicating corruption in the implementation of development programs.

#### **Policy Recommendations**

The government must take the following steps in order to maximize the function of tax to boost development:

In the Short Run (in one year)

- (1) The Director-General of Taxation and the Department of Finance should improve administration, restitution and the settlements of tax disputes with a clear target.
- (2) The Director-General of Taxation and the Department of Finance should conduct effective communications with the public and taxpayers to balance secrecy and transparency by referring to the laws and regulations is an urgent need.

In the Middle and Long Runs

The strategy to maximize the function of tax to support development must be prepared by taking into account the participation of key stakeholders. This strategy includes:

- (1) Taxation direction in the future should include the tax subjects, the taxpayers, the tax tariffs and the ratio of tax revenue to PDB.
- (2) The efforts to increase the effectiveness of public' service and development, as well as the eradication of corruption, should take the approach of the responsibility to the taxpayers.

#### — Tata Mustasya —

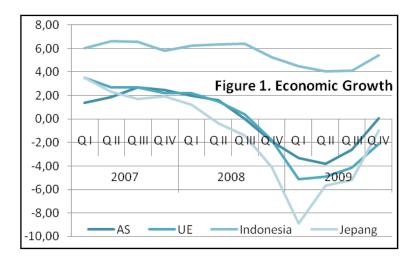
Diterjemahkan oleh Benni Inayatullah

The ratio of tax revenue to the state revenue has shown an increasing trend. In 2007, the ratio was at a level of 69.53 percent. In 2010, the ratio is estimated to reach a level of 80.12 percent. On the other hand, the ratio of the non-tax revenue to the tax state revenue has decreased from a level of 30.47 percent in 2007 to 19.88 percent in the 2010 APBN.



# The Global Economic Update: First Quarter of 2010

Up to the first quarter of 2010, the global economy has continued to show promising growth. Major economy countries managed to grow during the year 2009 (Figure 1). Amid the trend of increasing labor market flexibility, this was certainly a positive effect on the absorption rate of the labor force.



As seen in Figure 2, the economic recovery was sustained by rising industrial production index in different regions. Until the first half of 2009, the production index had slipped sharply, but the next semester on the indices showed a rapid recovery.

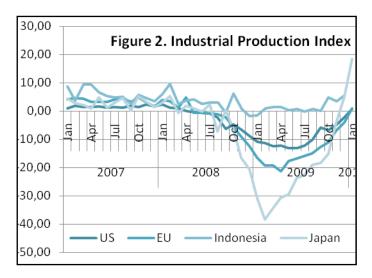
#### Consumer confidence

The increase in production was reasonable. Amid the liquidity constraint, as the banking sector was still cautious in extending credits, it seemed that the business sector saw another signal.

The recovery signal was reflected in consumer confidence in spending their money. This has occured in the United States (U.S.), Japan, the European Union (EU), and Indonesia.

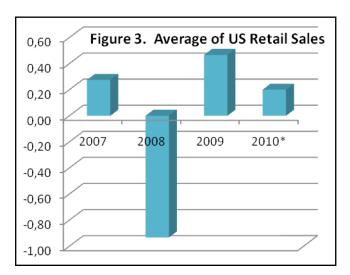


The recovery in consumer confidence is not a mere pseudo number. Concrete evidence has been seen at an average rate of retail sales at the source of the crisis, namely the U.S. (Figure 3). As the consumption of products capital of the world, the US' increasing retail sales figure is very good news.



Until the first quarter of 2010, the global economy has continued to show promising growth.

For Indonesia alone, this certainly has a positive impact on the country's export volumes of non-oil and gas products. On the one hand, ccommodity prices are in a weak position. However, the recovery in consumer confidence in advanced economies plus their low level of prices could be an opportunity for the country's exporters.

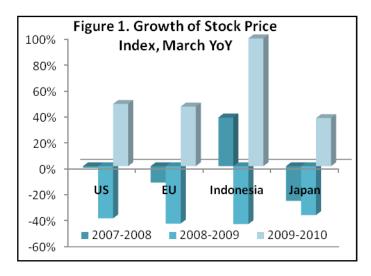


#### - Nawa Thalo -



# On the Rupiah Exchange Rate

Before the global real sector completely recovers, the non-bank financial sector has started rallying. If compared by using a year-on-year basis from 2007 until 2010, the stock price indices in the United States (U.S.), European Union (EU) and Japan have shown a high level of growth. While amongst the emerging markets, Indonesia has enjoyed the highest price index growth (Figure 1), although in the year 2008-2009 it entered the negative territory.

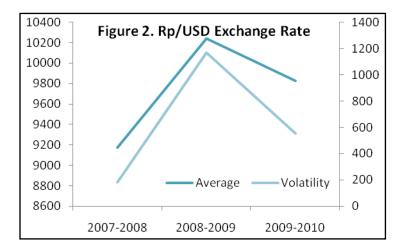


The jump in the share price index growth has attracted foreign investors to invest their funds in securities, including the shares of some companies in the country. Other factors that have influenced the entry of foreign financial flows are Indonesia's inflation rate, which is more and more controllable. This has sent a signal that Bank Indonesia would tend to maintain interest rates at low levels. In addition, the companyies' financial statements have also showed encouraging growth.

Various factors have fueled the rise of the rupiah against the U.S. dollar. By using the same time frame with the above share price index calculation, the average value of rupiah exchange rate against the dollar is clearly stronger than the previous period (Figure 2). It



is worth noting that it showed a much lower level of volatility. This has brought a positive impact to the businesses, especially those engaged in international business activities.

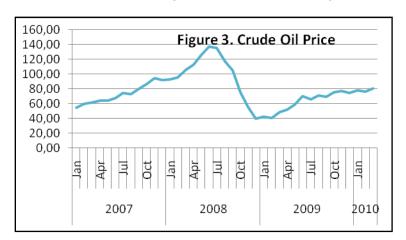


The average value of rupiah exchange rate against the dollar is clearly stronger than the previous period.

However, Indonesian exporters must still be vigilant. A stronger exchange rate on the other hand would reduce the competitiveness of their products in international markets.

#### Oil Prices

In addition, there are other threats that need to be anticipated. The decline in the dollar against global hard currencies has resulted in higher crude oil prices in world markets. Furthermore, the frequent oil price increases have an impact on the inflation expectations.



#### - Nawa Thalo -



#### Incumbents' Wives in Local Elections

The political situations developing in the direct local elections in some regions have shown a new phenomenon in the society; that is, many incumbents' wives have declared their candidacies to participate in the elections.

This has been an interesting issue predicted to grow into a new political trend among the power circle. There are many reasons for the involvement of these incumbents' wives.

First, the incumbents that have been in office for two consecutive periods cannot run again for the same office. But, these incumbents want to retain political and economic resources that have been invested.

There are some good examples of this new phenomenon. The first one is Haryanti Sutrisno, the wife of Kediri's Regent Sutrisno, who has declared her candidacy to run for the Regent Office in 2010. She has asked Masykuri, the Head of Ngasem sub-district, to be her running mate in the political vehicle endorsed by the PDI-P.

Binjai Mayor Ali Umri's wife and Asahan Regent Risuddin's will also run for office in the 2010 direct local elections. Sidoarjo Regent Win Hendrarso's wife, Emi Susanti, has also declared herself as a candidate of Surabaya Mayor. Setyaningsih and Tyas Sujud are also predicted to participate in the 2010 direct regional elections.

The candidacies of regents and mayors' wives to replace their husbands are considered a failure by the incumbent officials to do the regeneration process of their political allies. The incumbent officials must quietly prepare their nominees to replace them.



The nominees can be withdrawn from political party leaders, government officials, or close friends, if the incumbents still want to have some influence over the new administration. A failure in preparing cadres to replace these heads of regional government will put a heavy burden on the shoulders of the family members that will replace them.

The other reason for this new interesting phenomenon is the incumbents do not trust people in their circle due to differences in social status and culture. This has created an understanding that those who would be able to maintain their political and economic interests are those who have biological relations and not those who share the same views on ideologies and and economic matters.

This phenomenon reminds us of the old days of kingdoms, where kings were replaced by their family members. The phenomenon of incumbents' wives to run for local offices is a system that that would like to change our democracy system into a monarchy system that is based on the kinship system, which has actually been marginalized by a modern political system.

The presence of the kinship political system in direct local elections in Indonesia will result in the deterioration of the quality of democratic life in the country. As a result, direct local elections will develop into royaltiness marked by the political elite's efforts to expand the influence of their families.

Furthermore, this development will have negative impact on democratic development and local political regeneration, which will in turn create local political paternalism system. Healthy political regeneration is important to smooth democratization at local levels.

On the other side, the kinship political system in direct local elections is a contemporary political culture that is still actual. According to anthropology studies, the kinship political system is a practice that is almost found in every traditional society that is bases on strong tribal culture values.

The pattern of political relationships is more based on the genetic factors. Amongst traditional societies, the kinship political system is an effective natural mechanism to control politic as well as economic resources in order not to move to the other side.



The kinship political system is a realistic manifestation of primordial sentiments. Under the New Order regime, we fiercely criticized Soeharto's kinship political system when he nominated his sons, daughters, and close cronies to be members of MPR or ministers in order to secure his power.

Therefore, the participation of incumbents' wives in next direct local elections means a step back for us. The kinship political system shows that regents and mayors treat their positions as family heritage.

Political competition in a democratic system would serve the people through its fairness. If political competition merely serves the pragmatic interests of the elite through the kinship political system, so the personal interests would create bad effects.

When the elite only serve their kinship interests and eliminate others' opportunities, politics will not work for the people's interests, and local elections will just be a vehicle of the elite and their family to exploit power for economic advantages.

As a result, the interests of public and constituentsts will not be served and forgotten. In order to make the regeneration of local politics continue, the implementation of democracy by the local elite is mandatory. Without political regeneration, local development programs will move slowly because there are no innovative ideas.

— Aly Yusuf —

As a result of exploitation of power by elites in politics, the interests of public and constituentsts will not be served and forgotten. In order to make the regeneration of local politics continue, the implementation of democracy by the local elite is mandatory. Without political regeneration, local development programs will move slowly because there are no innovative ideas.



## The Polemics over Smoking Banning

The Central Board of Leadership (PP) of Muhammadiyah, through the Legal Affairs and *Tajdid* Committee has issued a fatwa ruling that smoking is *haraam* (forbidden). The decision was taken in *halakah* about the Impact of Tobacco Control held in Yogyakarta on March 7, 2010. With this fatwa, fatwas issued in 2005 and 2007, which ruled that smoking was legal or *mubah* (permissible), have been declared no longer valid.

The reason why Muhammadiyah issued this fatwa is because smoking is categorized as *khaba'is* (prohibited deeds) in the Qur'an (Surah 7:157). In addition, the act of smoking contains some elements of destruction and, indeed, it is a gradual act of suicide. So, it is not in line with the Qur'an (Surah 2:195 and 4:29).

The Chair of the Legal Affairs and *Tajdid* Committee of Muhammadiyah, Syamsul Anwar, added that the act of smoking was harmful to oneself and others through the exposure to cigarette smoke. He said that smoking was also addictive and dangerous, as had been agreed upon by medical experts and academics.

#### The pros and cons of the smoking ban

In the last few days, the issue of banning smoking has come into the spotlight. In addition to the fatwa *haraam*, the government is also preparing the Draft Regulation (RPP) on the Addictive Substances for Health Security. The RPP is a mandate of Law Number 36 Year 2009 on Health.

In this regulation, Article 9 Paragraph d states that every person is prohibited from selling tobacco products at retail (per stem). Article 10 expressly states that "tobacco and all tobacco products are considered as addictive substances that are prohibited to be advertised and / or promoted in all media, including outdoor media, electronic media, online media, print media, other media, and at retail outlets."



In the Article II, it is stated that everyone who produces and or imports tobacco products into Indonesian territory is prohibited to offer or give freely the tobacco, to use the logos and or brands of cigarettes in other products, to become a sponsor of institutions or individuals that conduct activities of corporate social responsibility aimed at promoting tobacco products to the public.

Of course, fatwa *haraam* and regulatory restrictions on cigarette get resistance from the tobacco industry, especially the farmers, laborers, and other associated institutions. This regulation has the potential to undermine the national cigarette industry, which is actually a legal industry. Therefore, the regulation would prohibit all communication activities (total ban) between the cigarette industry and its customers, such as advertising, promotions, sponsorships, and even corporate social responsibility activities.

The supporting group to the "tobacco industry" is in fact believes that cigarettes bring more benefits. So, it would be too extreme to terminate the industry from a political economic point of view. The economic reality is that all cigarette production processes, from upstream to downstream, absorb a lot of manpower and contribute significantly to the state's revenue.

The number of workers that can be absorbed in a cigarette factory, including those who are involved in the distribution and the tobacco farmers, could reach 300,000 people. In East Java for example, many families work in distribution channels. There are around six million inhabitants of East Java who depend their lives on the cigarette business.

From the inclusion of excise, the cigarette industry has become a main source of income in the APBN. The State's revenue that came from this industry in 2009 was approximately IDR 53 trillion. This year's cigarette tax revenue is estimated to increase to IDR 57 trillion. It is feared that a long list of issues will emerge if the tobacco industry has to stop.

On the other hand, the argument of the group that supports the issuance of this decree is also quite strong. The tobacco consumption is believed to be a real threat to the health, economy, and the communities. The tobacco consumption has also become a poverty trap. The National Economic Social Survey 2007 showed that the household expenditures on cigarettes reached an average level of IDR 136,534 per year. This figure was fifteen times that of health expenditures, or nine times the cost of education spending.



Cigarettes are suspected as the cause of poverty. The Ministry of Health revealed that 60 per cent (84.84 millions) of 141.4 millions of active smokers come from poor families. Meanwhile the survey from the Indonesian Forum for Parliamentarians on Population and Development (IFPPD) recorded that 12 millions of the fathers of the 19 million poor families in Indonesia were smokers. If on average he smoked 10 butts of cigarettes at a price of IDR 500 per butt, then 12 million poor families have to spend IDR 22 trillion per year on cigarettes.

In poor families, more than a fifth (22 percent) of their income is spent on cigarettes. Meanwhile the expenditure to buy rice, which is a basic staple food, is only 19 percent. The latest survey also states that cigarette expenditures of poor households has reached an average level of IDR 113,000 per month, more than the Rp 100 thousand worth of direct cash assistance (BLT).

A great amount of money is "wasted" because the consumption of cigarettes. Overall, the cigarette consumption in Indonesia has reached 240 billion cigarettes per year, or 658 million cigarettes per day (11 cigarettes per capita per day). The rate was the fifth highest in the world, after China, the United States, Russia, and Japan. If set at an average price of IDR 500 per butt, this means that the amount of money that is "burned" by smokers in Indonesia reached a level of IDR 329 billion per day, or IDR 120 trillion a year.

The government is in a dilemmatic position in addressing the issue of cigarettes. The government knows that the threat of tobacco consumption to health, the economy, and social communities has grown increasingly real. But the government still has a dependence on the economic benefits from the tobacco industry, both from the income tax and the employment that it provides.

There must be a mature and strategic planning to achieve the dream of "banning smoking". The land that is used to grow tobacco has to be shifted to produce other products. This will be a fundamental step that must be considered. The next would be to use the labors to work in other alternative industries. The government should also prepare an alternative source of state revenue.

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There must be a mature

— Endang Srihadi —



# Criminal Case Engineering by Some Police

The police as one of the law enforcement agencies caught public attention due to the phenomenon of the engineering of a criminal case. Instead of carrying out the duties and functions of upholding the law and maintaining public order, some police officers have practiced case-engineering, which is non-commendable.

Engineering criminal cases can occur in several forms. It can begin with arresting innocent people who are accused to be involved in crimes that they did not commit. Or, it can begin with fake accusations, for example, the officers intentionally plant the evidence to incriminate innocent people. This phenomenon has already occurred since the 1970s and is still widely found nowadays. These criminal engineering practices have been taken for granted and not considered as a crime, even though its impact is very detrimental to the victims mentally and physically.

#### Several cases

Between 1970 and 2009, in the span of four decades, there were several cases of criminal engineering by some police officers. Those cases, to mention some of them, can be seen in the table below:

# Some examples of the engineering of criminal cases (1970-2009)

Time	Accused	Case/Allegations	Information
1970	Sumarijem (Engi- neering investiga- tion)	Rape victims, even when reported to the police, she was cornered and arrested.	Acquittal (PN Yogyakarta, December 17, 1970)
1974	Sengkon & Karta (misarrested)	Charged with robbery and murder, was sentenced to 12 years and 7 years in prison.	Free after the original perpetrator confessed (MA Decision dated January 31, 1980)



Time	Accused	Case/Allegations	Information
2008	Imam Hambali & David Eko Priyanto (misarrested)	Indicted for murder, was sentenced to 17 years and 12 years in prison.	Free after the original perpetrator was arrested (MA Decision dated 3 Dec 2008)
September 2009	Chairul Saleh	Accused of 1.68 grams of cannabis. Allegedly engineered the arrest and investigation occurs.	Detained since September 3, 2009; Case is still on trial at the Central Jakarta District Court on February 22, 2010
November 2009	Hartina Wood	Accused of having ecstasy pill and 0.8 grams of shabu. Allegedly engineered the arrest and investigation occurs.	Detained at Polda Metro Jaya. She delivered pre- trial on February 1, 2010
November 2009	Herman Susilo	Accused of having two joints of marijuana. Allegedly engineered the arrest and investigation occurs. Police argue applying the techniques of undercover purchase.	Detained in Salemba prison. Case files are still in the Attorney on March 7, 2010
December 2009	Aan Susandhi	Accused of having an ecstasy pills in powder form. Allegedly engineered the arrest and investigation occurs.	Detained at Polda Metro Jaya. The case is still on trial in South Jakarta District Court on March 4, 2010

Source: Kompas newspaper (2010)

#### The alleged engineered cases

In the proven or alleged engineered cases by sundry police officers, the cases can be grouped into several types of engineering. *First*, the false arrests. In this process, the officers have already prepared all the evidence earlier, which later on will be claimed by the officials to be found on a suspect. This mode is often used in setting up suspects of narcotic cases.

Second, false investigation. In this process, the officers' modus is to engineer the process of investigating, for example, putting some pressure on the suspects by using psychological pressure and physical torture to make the suspects confess, even though they actually did not commit the crimes. This mode is common in cases of serious crimes like a murder, for example. The engineering of investigation is usually revealed after the real perpetrator confesses.



#### The professionalism of officials

The practice of engineering criminal cases by law enforcement officials is caused by several motives. One of those motives is -which is most often performed by officials at lower levels- the economic motive. The officers intentionally do this in order to gain some benefits by asking for some money as the compensation or even blackmailing the suspects and their families who want to be released from the investigation.

Second, the motive of career ambition. For police investigators, successfully completing major criminal cases will mean promotion and rewards. Often this becomes a shortcut for corrupt officers to engineer the investigation and the investigation dossiers (BAP) to incriminate innocent people. The suspects will be freed if the real perpetrators are caught or confessed.

Concerning the possibility of the two motives mentioned above, police professionalism has to be questioned. In cases involving narcotics and drugs, police officers are allowed to apply covert techniques, such as pretending to be the buyers and to conduct raids. The right to conduct raids can be abused by the officials to intentionally plant the evidence of narcotics on a suspects' property so that the officers can arrest the suspects.

To prevent the engineering of criminal case, there are several things that have to be taken as serious concerns. *First*, the increase in the budget for the welfare of law enforcement officers. *Second*, a rigorous auditing process for the investigations of criminal cases. *Third*, the strict prohibition of the tortures, inhumane treatments and the degrading of suspects. *Fourth*, the rejection of the prosecution evidence obtained through tortures and persecutions.

- Antonius Wiwan Koban -

The criminal case engineering could occur in the form of false arrests using false evidence. It could also be done in the investigation process by engineering the investigation case files. The motive could be the economic motive or the need of achievement.





The Indonesian Institute (TII) is a Center for Public Policy Research that was established on 21 October 2004 by a group of young, dynamic activists and intellectuals through the initiative of Jeffrie Geovanie. Its current Executive and Research Director is Anies Baswedan, and the Program Director is Adinda Tenriangke Muchtar.

**TII** is an independent, non-partisan, non-profit institution, whose main funding stems from grants and contributions from foundations, companies, and individuals.

TII has the aim of becoming a main research centre in Indonesia for public policy matters and has committed to giving contribution to the debates over public policies and to improving the quality of the planning and results of public policy in the new era of democracy in Indonesia.

**TII's** missions are to conduct reliable research that is independent and non-partisan and to channel the research to the policy-makers, the private sector, and academia in order to improve the quality of Indonesian policy-makers.

TII also assumes the role to disseminate ideas to the society so that they are well informed about the policies that will have a good impact on the people's lives. In other words, TII has a position to support the democratization process and the public policy reform, as it will be involved in the process.

The scope of the research and review on public policies undertaken by TII includes economic, social, and political factors. The main activities have been conducted in order to achieve vision and mission based on research, surveys, training, public discussions, policy brief, and weekly analysis.

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# Research on the Business and Economy

#### **Business Analysis**

The business sector needs a comprehensive analysis in order to minimize the potential risks, while at the same time increasing the value of its business. Business analysis is a solution in corporate strategic planning to make reliable decisions. The TII Business Policy Research Division is present to provide company leaders with practical recommendations on the decision-making process.

Research that TII offers are: (1) Company Financial Analysis, which encompasses financial analysis and financial risk analysis. (2) Corporate Planning Consultancy, which includes economic and industrial research, business valuation, and brand valuation. (3) Strategic Marketing Analysis, which encompasses strategic marketing and Corporate Social Responsibility (CSR) program design.

#### Research on the Economy

The economy tends to be used as an indicator of the success of the government as a policy-maker. Limited resources have often caused the government to face obstacles in implementing economic policies that will optimally benefit the people. The increase in the quality of the people's critical thinking has forced the government to conduct comprehensive studies in every decision-making process. In fact, the studies will not be stopped when the policy is already in place. Studies will be continued until the policy evaluation process.

The TII Economic Research Division is present for those who are interested in the conditions of the economy. The results of the research are intended to assist policy-makers, regulators, and donor agencies in making decisions. The research that TII offers: (1) Economic Policy Analysis; (2) Regional and Sectoral Prospects; and (3) Program Evaluation.

### Research on the Social Affairs

#### Social Research

Social development needs policy foundations that come from independent and accurate research. Social analysis is a need for the government, the businesspeople, academia, professionals, NGOs, and civil society to improve social development. The Social Research Division is present to offer recommendations to produce efficient and effective policies, steps, and programs on education, health, population, environment, women and children.



Social research that TII offers: (1) Social Policy Analysis; (2) Explorative Research; (3) Mapping & Positioning Research; (4) Need Assessment Research; (5) Program Evaluation Research; and (5) Indicator Survey.

# **Political Survey and Training**

#### **Direct General Election Survey**

One of the activities that TII offers is the pre-direct election surveys. There are sundry reasons why these surveys are important (I) Regional direct elections are democratic processes that can be measured, calculated, and predicted. (2) Surveys are used to measure, calculate, and predict the processes and results of elections and the chances of candidates. (3) It is time to win the elections using strategies based on empirical data.

As one of the important aspects in the strategies to win the elections, surveys can be used to prepare political mapping. Therefore, campaign teams need to conduct surveys: (1) to map the popularity of candidates in the society (2) to map the voters' demands (3) to determine the most effective political machinery that will act as a vote getter; and (4) to find out about the most effective media to do the campaign.

#### **Local Council Training**

The roles and functions of local councils in monitoring local governments are very important. They need to make sure that participative and democratic policies will be espoused. Members of provincial and regent local councils are required to have strong capacity to understand democratization matters, regional autonomy, legislative techniques, budgeting, local politics, and political marketing. Thus, it is important to empower members of local councils.

In order for local councils to be able to response every problem that will come out as a result of any policy implemented by the central government or local governments, the Indonesian Institute invites the leaderships and members of local councils to undergo training to improve their capacity.



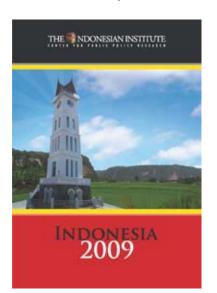
#### Available now!

#### The 2009 INDONESIA REPORT

The Indonesian Institute, Center for Public Policy Research (TII) has again published its annual publication, Indonesia 2009, after previously producing the report in the years 2005, 2006, 2007, and 2008.

The publication is aimed at presenting clear pictures of economic, legal, social, and political developments and of policies espoused by the Indonesian government. The 2009 Indonesia is published so as to give complete data on Indonesia in 2009. This annual publication is expected to become a basis for predicting Indonesia's short-term and long-term trends.

The publication of a report on Indonesia is also expected to assist policy-makers in the government, the private sector, academia, national and international think tanks in getting actual information and contectual analyses on economic, political, security, and social developments in Indonesia.



#### Topics that are raised in the 2009 Indonesia:

- 1. The Year of Economic Recovery
- 2. Progress of Infrastructure Development
- 3. Disputes of Three Law Enforcement Institutions
- 4. The Recyle of Regional Autonomy
- 5. Indonesian Politics 2009: Political Parties, Elections, Government Coalition and the Prospect of Democracy
- 6. Portrait and Representation Performance of the New Parliament (2009-2014)
- 7. Protection of Indonesian Migrant Workers Abroad
- 8. Gloomy Portrait of Child Protection

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