Indonesia

RISK & COMPLIANCE

DATE: March 2017

JERSEY TRUST COMPANY

Executive Summary - Indonesia	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

rubber and similar products, palm oil, poultry, beef, forest products, shrimp, cocoa, coffee, medicinal herbs, essential oil, fish and its similar products, and spices

Industries:

petroleum and natural gas, textiles, automotive, electrical appliances, apparel, footwear, mining, cement, medical instuments and appliances, handicrafts, chemical fertilizers, plywood, rubber, processed food, jewelry, and tourism

Exports - commodities:

oil and gas, electrical appliances, plywood, textiles, rubber

Exports - partners:

Japan 15.9%, China 11.4%, Singapore 9%, South Korea 7.9%, US 7.8%, India 6.6%, Malaysia 5.9% (2012)

Imports - commodities:

machinery and equipment, chemicals, fuels, foodstuffs

Imports - partners:

China 15.3%, Singapore 13.6%, Japan 11.9%, Malaysia 6.4%, South Korea 6.2%, US 6.1%, Thailand 6% (2012)

Investment Restrictions:

Indonesia has a relatively open foreign investment regime. Recent reforms have put greater emphasis on improving the business climate, enhancing regional competitiveness, and creating a more vibrant private sector. Though public finance management and business freedom has declined, any resulting disadvantages are more than compensated for by significantly improved financial freedom and freedom of corruption, according to the Heritage Foundation 2013. In 2007, the government introduced a new Investment Law which provides a set of rules to protect investors such as non-discriminatory treatment and recourse to international arbitration in disputes against the government. However, according to the US Department of State 2013, the new Investment Law also significantly increased the number of sectors that are prohibited to foreign investment.

Restrictions on FDI are, for the most part, outlined in presidential decree 36/2010, commonly referred to as the Negative List. The Negative List consolidates FDI restrictions from numerous decrees and regulations to create greater certainty for foreign and domestic investors.

Contents

Section 1 - Background

The Dutch began to colonize Indonesia in the early 17th century; Japan occupied the islands from 1942 to 1945. Indonesia declared its independence shortly before Japan's surrender, but it required four years of sometimes brutal fighting, intermittent negotiations, and UN mediation before the Netherlands agreed to transfer sovereignty in 1949. A period of sometimes unruly parliamentary democracy ended in 1957 when President SOEKARNO declared martial law and instituted "Guided Democracy." After an abortive coup in 1965 by alleged communist sympathizers, SOEKARNO was gradually eased from power. From 1967 until 1988, President SUHARTO ruled Indonesia with his "New Order" government. After rioting toppled Suharto in 1998, free and fair legislative elections took place in 1999. Indonesia is now the world's third most populous democracy, the world's largest archipelagic state, and the world's largest Muslim-majority nation. Current issues include: alleviating poverty, improving education, preventing terrorism, consolidating democracy after four decades of authoritarianism, implementing economic and financial reforms, stemming corruption, reforming the criminal justice system, holding the military and police accountable for human rights violations, addressing climate change, and controlling infectious diseases, particularly those of global and regional importance. In 2005, Indonesia reached a historic peace agreement with armed separatists in Aceh, which led to democratic elections in Aceh in December 2006. Indonesia continues to face low intensity armed resistance in Papua by the separatist Free Papua Movement.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF List of Countries that have been identified as having strategic AML deficiencies

Indonesia was removed from the FATF List of Countries that have been identified as having strategic AML deficiencies on 26 June 2015.

FATF Statement: 26 June 2015

The FATF welcomes Indonesia's significant progress in improving its AML/CFT regime and notes that Indonesia has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. Indonesia is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Indonesia will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Indonesia was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, Indonesia was deemed Compliant for 4 and Largely Compliant for 8 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from latest follow-up Mutual Evaluation Report (2008):

While the Indonesian government has not done a formal assessment of the risks of Money Laundering (ML) in Indonesia, it is clear that a range of significant ML and very significant Terrorist Financing (TF) risks exist in Indonesia. There is no official estimate of the size of the ML and TF problem in Indonesia.

A number of very active terrorist organisations have a significant presence and have been active in raising funds and carrying out terrorist activities in Indonesia and other jurisdictions in South East Asia and beyond over the past 10 years. A number of these groups are linked to Al Qaeda and the Taliban and have been listed by the UN 1267 Committee, with their members listed as designated entities. A number of those entities hold significant terrorist assets in Indonesia.

While it is just one of a number of active terrorist groups, Jemaah Islamiyah (JI), a Southeast Asian terrorist network with links to Al Qaeda, is considered the primary terrorist threat in Indonesia. JI is believed to fund its activities primarily through charities and NGOs, using funds either unwittingly or intentionally siphoned off. The network is best known for the bombing attack in Bali that killed over 200 people on 12 October 2002. In August 2003, JI killed 12 people in a car bombing outside the Marriott Hotel in Jakarta, and on 1 October 2005 it killed 20 people in three simultaneous suicide bombings in Bali.

Sources of proceeds of crime

Indonesia has a very significant range of predicate crimes that generate proceeds of crime.

Assessments and typologies work by Indonesian authorities and international bodies indicate that the following are major sources of proceeds of crime in Indonesia:

- Proceeds from corruption;
- Fraud, embezzlement and other financial crimes;
- Narcotics-related crimes, in particular stimulants;
- Illegal logging;
- Banking crimes;
- Organised theft;
- Smuggling, especially fuel smuggling;
- Illegal gambling;
- Prostitution;
- Human trafficking;
- Sea piracy;
- Software piracy

Extract from 2014 Asia Pacific Group on Money Laundering Yearly Typologies Report:

Emerging trends:

- The use of credit card for payment.

- Cuckoo smurfing scheme.

Declining trends:

- The use of alternative remittance system.

- The use of ‘transfer/overbooking’ payment.

Continuing trends:

- The use of ‘hard’ cash.

- The use of foreign currency.

- The use of false ID.

• The use of third party/ family member bank account.

US Department of State Money Laundering assessment (INCSR)

Indonesia is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

While not a major regional financial center, Indonesia remains vulnerable to money laundering due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Most money laundering in Indonesia is connected to drug trafficking and other criminal activity such as corruption, tax crimes, illegal logging, wildlife trafficking, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, illegal gambling, and prostitution.

Overall, Indonesia is making progress in identifying and taking steps to address its money laundering vulnerabilities. The primary areas for improvement would be greater analytical training for law enforcement personnel, judicial authorities' awareness of the money laundering offense, increased capacity and focus by investigators and prosecutors on conducting financial investigations as a routine component of criminal cases, and more widespread education for workers in the financial services sector.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Indonesia has a long history of smuggling of illicit goods and bulk cash, made easier by thousands of miles of unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. Endemic corruption remains a significant concern and poses a challenge for AML regime implementation.

FTZs are not a particular concern for money laundering in Indonesia. This vast archipelago nation offers many opportunities for narcotics smuggling and cross-border transfer of illegally earned cash without needing to rely on FTZs. The primary factors hindering the fight against narcotics-related money laundering are the lack of analytical training for law enforcement personnel, and insufficient training on money laundering detection and reporting for lower-level workers in the financial services sector. Indonesia's tax amnesty law also poses a money laundering risk, as assets submitted under the program do not appear to be subject to AML measures.

KEY AML LAWS AND REGULATIONS

Indonesia has had KYC requirements as a crucial part of its AML regime since 2001. PEPs are subject to enhanced due diligence; in practice, even lower-level civil servants may be included in this category.

On January 11, 2012, the Indonesian government issued Presidential Decree No. 6, 2012, which establishes the National Coordinating Committee on the Prevention and Combating of Money Laundering (AML Committee). This committee is responsible for coordinating Indonesia's AML efforts. The interagency AML Committee is chaired by the Coordinating Minister for Political, Legal, and Security, with the Deputy Coordinating Minister for Economic Affairs and the Head of Indonesia's FIU, the Indonesian Financial Transaction Reports and Analysis Center (PPATK), as secretaries of the Committee.

The PPATK coordinates Indonesia's AML efforts and programs. PPATK is directly responsible to the President and submits implementation reports every six months to the President and legislature. Much of PPATK's AML activities are tied into its efforts to identify and combat terrorist financing.

In late 2015, Indonesia conducted a national risk assessment, which Indonesia then followed by taking a leadership role, along with Australia, in the regional risk assessment on terrorist financing produced in August 2016.

Indonesia is a member of the APG, a FATF-style regional body.

AML DEFICIENCIES

The main deficiencies in Indonesia's AML regime are lack of expertise within the law enforcement community and insufficient knowledge of reporting requirements by lower-level bank officials. Indonesia is not subject to any U.S. or international sanctions for money laundering.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Indonesia is taking steps to implement the 1988 UN Drug Convention and other applicable agreements and conventions. Combating narcotics abuse is a top priority for the current administration, and Indonesia recognizes the need for international cooperation to stem this transnational threat.

PPATK publishes a monthly report summarizing reporting activity. In addition to CTRs and STRs, PPATK also publishes a Cash Carry Report in collaboration with the Directorate General of Customs and Excise to track physical cross-border transfers of cash. PPATK also invites the public to report any suspicious transactions. For the period January - August 2016, PPATK referred 253 Results of Analysis STRs, reports that follow-up on the initial notifications provided by financial institutions, to investigators, a 16.2 percent increase over the same January - August timeframe in 2015. Most were alleged corruption cases. For the period January - August 2016, PPATK produced 75 Examination Reports (ERs), the final assessment after full analysis and evaluation of an STR. There is a significant increase in the number of ERs referred this year; the 2016 total through August is greater than the cumulative total of the last five years. The Indonesian government lacks sufficient practices or procedures to collect high-quality prosecution and conviction statistics.

In 2016, there were seven money laundering convictions.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Indonesia does not conform with regard to the following government legislation: -

- Arrangements for Asset Sharing: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.
- Ability to freeze assets without delay: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).

EU White list of Equivalent Jurisdictions

Indonesia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Indonesia is not considered to be an Offshore Financial Centre

Key Findings from other US State Department Reports:

Narcotics – 2017 (introduction):

Introduction

Indonesia is both a transshipment point and a destination for illegal drugs. Indonesia remains a significant consumer of methamphetamine, marijuana (cannabis) and heroin. Cannabis remains the country's most widely-used illegal drug, but Indonesian law enforcement agencies, including the National Narcotics Board (BNN), have identified crystal methamphetamine (known locally as "shabu") as the country's top drug threat. A significant amount of the methamphetamine available within Indonesia originates in China. The Indonesian Government, including BNN and the Indonesian National Police (INP), continued efforts to investigate, disrupt, interdict and prosecute crimes related to illegal drugs in 2016, but faced challenges due to porous borders, poorly administered prisons and endemic corruption. Indonesia's government is committed to addressing these challenges. With more than 12,000 Indonesians estimated to die annually from drug use, a "National Drug Emergency" declared by President Joko Widodo remained in 2015 remained in effect through 2016.

Conclusion

Despite Indonesian government efforts, the demand for illegal drugs is believed to be increasing across Indonesia. The United States will continue to support Indonesia's efforts to reduce drug consumption and enforce its drug laws, including through the provision of additional training, support for demand reduction and treatment programs, and coordinated law enforcement investigations.

Trafficking in Persons

Indonesia is classified a Tier 2 country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards.

Indonesia is a major source country and, to a much lesser extent, a destination and transit country for women, children, and men subjected to sex trafficking and forced labor. Each of Indonesia's 34 provinces is a source and destination of trafficking, with the most significant source areas being the provinces of West Java, Central Java, East Java, West Nusa Tenggara, East Nusa Tenggara, and Banten. A significant number of Indonesian migrant workers face conditions of forced labor and debt bondage in Asia and the Middle East, particularly Saudi Arabia, the United Arab Emirates, Qatar, Oman, Taiwan, Singapore, Malaysia, and Hong Kong. Indonesian women are subjected to forced prostitution primarily in Malaysia, Taiwan, and the Middle East. Indonesian trafficking victims have also been identified in Brunei, Chile, New Zealand, the Philippines, Egypt, and the United States. The government estimates that there are six and a half million Indonesians working abroad—approximately 70 percent of whom are female—with the majority working in domestic service, on plantations, operating machinery, or in construction. Malaysia remained the leading destination for newly departing migrant workers registered with the Indonesian government, and large numbers continued to migrate to Saudi Arabia despite the Indonesian government's moratorium on sending domestic workers to Saudi Arabia. The government also maintained a moratorium on permits for Indonesians to work in the domestic service sector in Kuwait, Syria, and Jordan.

Government and non-governmental sources report a continued increase in the number of undocumented Indonesian workers travelling abroad. Undocumented workers are at a higher risk of becoming trafficking victims than documented workers. As the government continues to expand its use of biometric travel documents, false documents are becoming more difficult and expensive to obtain. As a result, more undocumented workers are traveling by sea, primarily from Batam and the Riau Islands, and by land, from Kalimantan to Malaysia, where they remain or transit to a third country. According to NGOs, labor recruiters are responsible for more than 50 percent of the Indonesian female workers who experience trafficking conditions in destination countries. Some recruiters work independently, while others work for Indonesia-based international labor recruitment companies called PJTKIs. Some PJTKIs operate similarly to trafficking rings, leading male and female workers into debt bondage and other trafficking situations. Migrants often accumulate debts with labor recruiters that make them vulnerable to debt bondage. Licensed and unlicensed companies used debt bondage, withholding of documents, and threats of violence to keep Indonesian migrants in situations of forced labor. Endemic corruption among law enforcement officers created an environment where some traffickers could operate with impunity and escape punishment.

Internal trafficking is significant in Indonesia, with women and girls exploited in domestic servitude and sex trafficking, while women, men, and children are exploited in forced labor in rural agriculture, mining, and fishing. Children are exploited internally and abroad primarily for domestic servitude and sex trafficking. Many victims were originally recruited with offers of jobs in restaurants, factories, or as domestic workers before they were coerced into prostitution. Child victims work up to 14 to 16 hours a day at very low wages, often under perpetual debt due to pay advances given to their families by Indonesian brokers. Debt bondage is particularly prevalent among sex trafficking victims, with an initial debt the equivalent of approximately $600 to $1,200. Traffickers employ a variety of means to attract and control victims, including promises of well-paying jobs, debt bondage, community and family influence, threats of violence, rape, false marriages, and confiscation of passports. Country experts reported that Indonesian migrant workers in Malaysia were recruited for Umrah, a religious pilgrimage to Mecca, Saudi Arabia, and subsequently transported to other places in the Middle East for forced labor or sex trafficking. The government and NGOs reported an increase in university and high school students using social media to recruit and offer other students, including those under the age of 18, for commercial sex within the country. Women and girls are subjected to sex trafficking near mining operations in Maluku, Papua, and Jambi provinces. Children were exploited in prostitution in the Batam district of the Riau Islands province and children from North Sulawesi province were exploited in prostitution in West Papua province. Some women from Colombia are forced into prostitution in Indonesia. Child sex tourism is prevalent in the Riau Islands bordering Singapore, and Bali is reported to be a destination for Indonesian child sex tourists.

The Government of Indonesia does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the year, the government continued to prosecute and convict trafficking offenders, but it made only limited progress in collecting comprehensive, accurate data on these efforts. The Minister for Women's Empowerment and Child Protection (MWECP) continued to act as the lead in inter-ministerial programs and activities. The government increased the number of taskforces at the local level, but a decentralized government structure and a lack of coordination across agencies and among various levels of the government impaired effective implementation of a national anti-trafficking strategy and decreased the effectiveness of government anti-trafficking efforts. The government provided some protective services to more than 1,000 identified victims in 2013, and it issued two additional regulations to strengthen the implementation of Law No. 39 of 2004 on the Placement and Protection of Overseas Workers.

Terrorist Financing 2015:

Overview: Indonesia uses a civilian law enforcement-led, rule-of-law-based approach in its domestic counterterrorism operations. Since the 2002 Bali bombings, Indonesia has applied sustained pressure to successfully degrade the capabilities of terrorists and their networks operating within Indonesia's borders. There was no major attack against Western interests in Indonesia in 2015. There is growing concern that foreign terrorist fighters returning from Iraq and Syria with new training, skills, and experience could conduct attacks against Indonesian government personnel or facilities, Western targets, or other soft targets.

As of December, Indonesian officials estimate that there are approximately 800 Indonesian foreign terrorist fighters in Iraq and Syria, though official estimates fluctuate between agencies and services. Indonesian officials say they have identified 284 Indonesian citizens actively involved in fighting in Iraq and Syria and are investigating an additional 516. They also believe that 52 Indonesian foreign terrorist fighters have died in Syria and estimate that another 60 to 100 have returned to Indonesia. The bulk of this number of estimated returnees includes those Indonesians and their families who have been detained and deported by authorities in transit countries while en route to Syria and Iraq. Fighters may also return undetected by exploiting vulnerabilities in the land and sea borders of this vast archipelagic nation.

Abu Wardah (also known as Santoso) is the leader of Mujahidin Indonesia Timur (MIT) and is Indonesia's most-wanted terrorist. He remained at large in the remote jungle area near Poso, Central Sulawesi. In July 2014, Santoso publicly pledged allegiance to ISIL. Several terrorist convicts were paroled in 2015 after completing their prison terms, including senior leaders of Jemaah Islamiya; these senior leaders are counter-ISIL. There is a growing government- and civil society-led effort to promote Indonesian Islam as a peaceful and moderate alternative to violent extremist teachings elsewhere in the world.

Indonesia does not provide a safe haven for terrorists. However, members of the terrorist group MIT meet and train in the isolated area near Poso, Central Sulawesi. Indonesian officials are committed to eliminating this threat.

2015 Terrorist Incidents: In 2015, MIT was blamed for the murders of three civilians. In August, a member of the Police Mobile Brigade (Brimob) was killed in a shootout with a suspected MIT terrorist. In late November, a member of the Indonesian military (TNI) was shot and killed by an MIT member in another confrontation.

Legislation, Law Enforcement, and Border Security: Indonesia follows a strong rule-of-law-based counterterrorism approach. After investigation by the police, terrorist suspects' dossiers are sent to the Task Force on Counterterrorism and Transnational Crimes (SATGAS), which is part of the Attorney General's Office, for prosecution. Relevant legislation includes the Law on Combating Criminal Acts of Terrorism (15/2003), the Law on Prevention and Eradication of Anti-Terrorist Financing (9/2013), the 1951 Emergency Law, and Indonesia's Criminal Code.

Counterterrorism efforts are police-led, with Detachment 88 – the elite counterterrorism unit of the police – leading operations and investigations. Counterterrorism units from the Indonesian military may be called upon to support domestic counterterrorism operations and responses on an as-needed basis. Law enforcement units are increasingly able to detect, and in some cases prevent, attacks before they are carried out.

Law enforcement personnel participated in a range of training and professional development activities, including through the Department of State's Antiterrorism Assistance (ATA) program, with training focused on building sustainable police capacity in tactical crisis response and investigative skills.

Indonesia recognizes the threat posed by foreign terrorist fighters and was a co-sponsor of UN Security Council Resolution (UNSCR) 2178. The government has repeatedly and forcefully denounced ISIL, but it has yet to pass laws explicitly criminalizing material support, travel to join foreign terrorist organizations, or commission of extraterritorial offenses related to counterterrorism. Since mid-2014, officials have been considering amending Law 15/2003 or issuing a Presidential Decree in Lieu of Law to more effectively prosecute Indonesians traveling to join terrorist groups abroad or providing material support to foreign terrorist organizations.

Indonesian prosecutors stated that they prosecuted 56 terrorism-related cases between January and October 2015. Of those, 16 cases are related to ISIL activity and five have resulted in convictions, with the remaining cases ongoing. For example, charges were filed against Afif Abdul Majid, former Central Java branch head of Jemaah Ansharut Tauhid (JAT), not only for his role in providing funding for a JAT training camp in Aceh in 2010, but for joining and participating in exercises with ISIL while in Syria. He was convicted in June for the former charge and sentenced to four years in prison, but the judge could not convict Majid for ISIL-related activities due to insufficient evidence under Indonesia's current counterterrorism law. On March 21, six individuals were arrested by Detachment 88 for allegedly funding or recruiting for ISIL. Two of those arrested, Amin Mude and Tuah Febriwansyah, aka Muhammad Fachry, acted as key facilitators sending Indonesians to Syria to join ISIL. In November, Amin Mude was successfully convicted under 15/2003 and 9/2013 and sentenced to five years and six months in prison. Despite some domestic convictions, Indonesian law lacked the provisions to criminalize and prosecute acts of, and support for, terrorism committed abroad. Frequent personnel rotation at various agencies – including the police, legal cadres, and the judiciary – represents a challenge to building long-term institutional expertise.

The National Counterterrorism Agency (BNPT) is responsible for coordinating terrorism-related intelligence and information among stakeholder agencies, and comprises detailees from the Ministry of Foreign Affairs, the TNI, and the Indonesian National Police (POLRI). In September, President Joko Widodo (known as Jokowi) called for concrete steps to strengthen the BNPT's interagency coordination role.

Violent extremist groups exploited social media and mobile phone applications to spread propaganda and recruit people to their cause. In March, the Minister of Communications and Information declared the government had blocked 70 ISIL-related blogs and websites at the request of the BNPT. On occasion, the BNPT will also request that specific social media accounts be suspended. The BNPT maintains multiple websites and social media accounts, publishes books, and organizes public discussion forums to counter extremist narratives. While legislative reform to tackle foreign terrorist fighters is still pending, some of Indonesia's efforts dovetailed with obligations outlined in UNSCR 2178. For example, Indonesia condemned ISIL and sought to prevent the movement of terrorists, including through enhanced controls related to the issuance of identity papers. Indonesia also implemented several of the Global Counterterrorism Forum's (GCTF's) good practices for a more effective response against foreign terrorist fighters.

In early 2015 POLRI launched Operation Camar Maleo, a significant and sustained police operation in Poso, Central Sulawesi, in an effort to root out members of MIT. The operations have involved a thousand personnel from the Brimob, Detachment 88, and members of the Indonesian military. At least 10 alleged terrorists have been arrested in the province and two were killed. MIT is reported to have approximately 20-40 members left in Poso. In December, MIT leader Santoso issued a message online calling for Indonesians to join ISIL in Iraq or Syria and to execute attacks on Indonesian authorities. Santoso also threatened to destroy the Jakarta Metropolitan Police. On September 13, 2014, police in Central Sulawesi arrested seven people, including one Turkish national and three ethnic Uighurs from China's Xinjiang Province, for alleged links to MIT. In July 2015, the Turkish national and Uighurs were convicted of conspiring to join MIT and sentenced to six years in prison.

Also in July, police arrested three people deemed a threat to public safety in East Nusa Tenggara province for alleged involvement in ISIL and on suspicion of spreading ISIL ideology. On August 12, three suspects were arrested by Detachment 88 for suspected involvement in a plot involving improvised explosive devices in Solo, Central Java. The ringleader, Ibadurahman, allegedly received assistance from other Indonesians in Syria. On December 18 and 19, Detachment 88 conducted raids in East and Central Java, arrested several suspected terrorists, and seized bomb-making equipment.

As of early November, there were 230 terrorist prisoners held in 26 prisons throughout Indonesia, overseen by the Directorate General of Corrections under the Ministry of Law and Human Rights. Some of Indonesia's most hardened terrorists and ideologues are incarcerated in several prisons on the island of Nusakambangan, off the southern coast of Java. Authorities remained concerned about the potential recidivism of released terrorist prisoners. In addition, terrorists convicted on non-terrorism charges are not always counted or tracked through the justice system as convicted terrorists, creating a potential loophole in disengagement and de-radicalization efforts.

Immigration officials at major ports of entry, especially larger international air and seaports, have access to biographic and biometric domestic-only databases. Military and police personnel are often posted at major ports of entry to ensure security. Police maintained a watchlist of suspected terrorists, but there are not always clear lines of coordination among stakeholder agencies. Indonesia shares information through INTERPOL but does not regularly screen through INTERPOL at immigration checkpoints. Information sharing with countries in the region is often on an ad hoc basis, and there is no centralized database or platform for the sharing of information with countries in the region or internationally.

Countering the Financing of Terrorism: Indonesia is a member of the Asia/Pacific Group (APG) on Money Laundering, a Financial Action Task Force (FATF)-style regional body. The Indonesian Financial Transaction Reports and Analysis Center is a member of the Egmont Group. In June, Indonesia achieved milestone progress by being removed from FATF's International Cooperation Review Group (ICRG) after five years of being named on the Public Statement. This determination was based on Indonesia's passage of key legislation criminalizing money laundering and terrorism financing, and by implementing terrorist asset freezing pursuant to UNSCR 1373 and the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime.

Implementation of asset freezes is known to take some time and Indonesia needs to find a way to expedite the implementation of asset freeze provisions. Indonesia adopted a joint resolution to further implement asset freezing as required under UNSCR 1373 and 2253. Indonesia continued to issue orders to freeze the assets of all UNSCR 2253 (ISIL and al-Qa'ida)-sanctioned individuals and entities and is working to implement an electronic process to ensure that its freezing process is "without delay." Santoso was put on Indonesia's list of domestic terrorists in 2015.

The passage of the terrorism financing law was an important step forward, and Indonesia has filed cases under this new legislation. In 2015, Indonesia brought 13 cases and obtained nine convictions. Indonesia must continue to develop investigative resources and intelligence to counter international organizations engaging in money laundering and terrorist finance. Although non-profit organizations such as religious and charitable organizations are licensed and required to file suspicious transaction reports, the terrorism financing law does not require monitoring or the regulation of such organizations to prevent misuse, including terrorism financing.

Countering Violent Extremism: Indonesian officials recognize the importance of addressing radicalization to violence and countering violent extremism (CVE). Vice-President Jusuf Kalla led the Indonesian delegation to the Leader's Summit on Countering ISIL and Violent Extremism hosted by President Obama in New York in September. In his address, he stressed that military intervention alone cannot defeat violent extremism and instead highlighted an approach that focuses on improving social welfare and equity, strengthening legal frameworks, and de-radicalization and counter-radicalization efforts. He said that Indonesia will continue to promote the spirit of tolerance by empowering moderates through dialogue and actively engaging civil society, including the two largest Islamic organizations Nahdlatul Ulama and Muhammadiyah, to provide counter-narratives to terrorist ideology.

CVE programs are included in counterterrorism efforts, but because of limited resources and the vast amount of territory of the Indonesian archipelago, CVE efforts are not yet comprehensive. Government efforts are augmented by contributions from various civil society organizations. Some of the groups offered positive alternatives, such as sports, film-making, camps, and rallies, for populations vulnerable to violent extremism, especially youth. However, civil society efforts suffered from similar challenges of scale in reaching at-risk populations across the archipelago.

The BNPT has expanded the Terrorism Prevention Coordination Forum (FKPT) to 32 of Indonesia's 34 provinces, and leverages these groups to broaden community engagement. Forum members are usually civic and religious leaders who coordinate CVE-related programming and activities within their communities. The level of engagement and activities of each FKPT varies by region and available resources. For example, the BNPT collaborated with FKPTs in Mataram, Semarang, and Yogyakarta, to organize workshops to help young student leaders develop counter-narratives and amplify these messages using social media platforms. Through presentations from former terrorists, survivors of terrorist attacks, law enforcement personnel, and religious leaders, the BNPT encouraged discussion of religious tolerance and CVE.

With respect to ISIL, Indonesian government efforts to develop a counter-messaging strategy are nascent. In addition to the BNPT, the Indonesian National Police are training officers in the Public Relations Division on effective counter-messaging approaches. The Jokowi administration is promoting the concept of Indonesian Islam as a positive and tolerant form of Islam practiced by the majority of Indonesia's Muslims and an alternative to violent extremist ideologies. The two largest Islamic civil society organizations, Nahdlatul Ulama (NU) and Muhammadiyah, are at the forefront of this effort. In November, NU released a 90-minute film titled the "The Divine Grace of Islam Nusantara" (Rahmat Islam Nusantara) which directly challenges and denounces ISIL interpretations of the Quran and the Hadith.

A de-radicalization blueprint for terrorist prisoners issued by the BNPT in late 2013 has yet to be fully implemented. Counterterrorism officials, in coordination with the Directorate General of Corrections and other relevant law enforcement agencies, planned to open a de-radicalization center in Sentul, south of Jakarta, but it was not operational at the end of 2015. There was ongoing debate about how to handle the most hardcore violent extremists, but the evolving consensus is to confine these prisoners in one of Indonesia's maximum security detention centers.

International and Regional Cooperation: Indonesia participated in counterterrorism efforts through several international, multilateral, and regional fora including: the UN, the Global Counterterrorism Forum (GCTF), ASEAN, APEC, and others. Indonesia expanded regional and international cooperation, especially in response to the foreign terrorist fighter issue. With Australia, Indonesia co-chaired the GCTF Working Group on Detention and Reintegration, and it participated in a range of GCTF workshops. Indonesia remained active in the ASEAN Regional Forum (ARF) Inter-Sessional Meetings on Counter-Terrorism and Transnational Crime (CTTC) and the APEC Counter-Terrorism Working Group. In November, Indonesia and Australia co-hosted a Counterterrorism Financing Summit in Sydney, Australia. Indonesia continued to use the Jakarta Center for Law Enforcement Cooperation (JCLEC) as a regional resource in the fight against transnational crime with a focus on counterterrorism. The United States and other foreign partners routinely offered counterterrorism training courses at JCLEC. Since its inception in 2004 as a joint Australian and Indonesian initiative, JCLEC has trained more than 18,000 police officers from 70 countries.

International Sanctions

Indonesia is not currently subject to any International Sanctions

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	37
World Governance Indicator – Control of Corruption	38

US State Department

President Yudhoyono campaigned and was re-elected in 2009 on a strong anti-corruption platform. However, corruption remains a serious problem, preventing increased FDI, according to some U.S. companies. Although the government has issued detailed directions on combating corruption in targeted ministries and agencies, there has not been a concerted government-led effort to encourage or require companies to establish internal codes of conduct, or effective internal controls, ethics, and compliance programs to detect and prevent bribery of public officials.

Indonesia's ranking in Transparency International's Corruption Perceptions Index in 2013 is 114 out of 183 countries. Corruption remains pervasive despite laws to combat corruption and a strong, independent Corruption Eradication Commission (KPK). The KPK's purview in corruption cases is typically limited to law enforcement and other public officials, cases that exceed $105,000 in value and/or that represent significant loss to the state. Corruption cases are also handled by the Indonesian National Police and Attorney General's Office, neither of which have the same organizational capacity to investigate or prosecute corruption cases. Giving or accepting a bribe is a criminal act, with possible fines ranging from $5,500 to $110,000 and imprisonment up to a maximum of 20 years, depending on the severity of the charge.

Indonesia ratified the UN Convention Against Corruption in September 2006. Indonesia has not yet acceded to the OECD Anti-Bribery Convention, but attends meetings of the OECD Anti-Corruption Working Group. Indonesia is a lead co-chair along with Mexico of the Open Government Partnership, a multilateral platform to promote transparency, empower citizens, fight corruption, and strengthen governance. Several civil society organizations function as vocal and competent corruption watchdogs, including Transparency International Indonesia and Indonesia Corruption Watch.

Corruption Report - Global Security

Political Climate

Indonesia is trying to break a long tradition of corruption by implementing transparent and accountable governance. However, the former political, administrative, and business elites continue to seek influence and consolidate their position in the new democratic system through informal networks. Decades of collusion between business and government has created a relatively stable, but highly unaccountable system, which does not benefit the general population. Institutionally, Indonesia has a federal structure and there has been wide-ranging decentralisation over the past years. The party system and executive-legislative relations remain unstable and a strong institutional framework is absent, although improvements have been seen in recent years.

In 2004, Indonesia held its first direct presidential elections, during which Yudhoyono's Democratic Party came won based on a campaign platform focusing on economic growth and fighting corruption. In July 2009, Yudhoyono was re-elected and stated repeatedly that eliminating corruption was among the top priorities of his administration. According to a May 2010 article published in The Sydney Morning Herald, Yudhoyono's re-election was also boosted by his corruption-free image and his vows to fight against corruption. Even though several politicians, legislators and former ministers have been sentenced on corruption charges during his presidency, Yudhoyono has been criticised for failing to net key figures from the tenure of former dictator Suharto.

Indonesia's recently democratised system reportedly contains some legislative and institutional shortcomings that allow for corrupt practices to continue. At the same time, many legal and institutional initiatives have been undertaken to combat corruption, such as the ratification of the UNCAC in 2006 and the establishment of Corruption Eradication Commission (KPK, in Indonesian) under Law No. 30 of 2002. These measures signify a keen ambition on the side of the government to curb corrupt practices, but in reality the enforcement lags behind, and the country continues to be seen as one of the most corrupt countries in the world, according to the Bertelsmann Foundation 2012.

Recent high-profile corruption scandals have damaged the reputation of the ruling Democratic Party including Muhammad Nazaruddin, the former treasurer of the Democratic Party, and Angelina Sondakh, a legislator of the ruling party. Nazaruddin has been indicted on charges of bid-rigging and accepting bribes in connection with the tenders for the Southeast Asian Games in 2011. Similarly, in March 2012, Angelina was named as a suspect in the same on-going case, according to several 2011 and 2012 news articles such as The Jakarta Post and BBC News. According to Freedom House 2013, corruption remains endemic in the legal system, the parliament and in other key institutions. Corruption is reported to cost Indonesia nearly USD 239 million in 2011, with embezzlement being the most prevalent form of corruption, followed by bogus projects, travel costs and misappropriations, as reported in a January 2012 article by The Jakarta Globe. According to Transparency International's Global Corruption Barometer 2010/2011, 43% of surveyed Indonesians perceive the level of corruption as having increased in the past three years, and 35% consider the government's efforts to fight corruption as 'ineffective', while 33% consider it as 'effective'. Compared to the same survey conducted by Transparency International in 2009, in which 74% of Indonesians considered the government's efforts to fight corruption as 'effective', it indicates that the Indonesian government has only shown a limited commitment to the anti-corruption agenda in the eyes of the general public.

Business and Corruption

Indonesia has witnessed solid economic growth in recent years. According to the Bertelsmann Foundation 2012, Indonesia has become a more attractive place for foreign investment compared to several years ago, and there are significant improvements to be seen with regard to the general investment climate. Despite the deregulation process being successfully implemented, investors still point to corruption and red tape as the main challenges to doing business in the country, as reported by the US Commercial Service 2012. This is further supported in an April 2012 article by The Jakarta Globe, in which the executive director of the British Chamber of Commerce in Indonesia stated that red tape and corruption are an equal issue of concern in Indonesia. Companies continue to be concerned about concessions based on personal relationships and demands for irregular fees to obtain government contracts, permits or licences. In Transparency International's Business Survey 2011, a little less than half of the surveyed entrepreneurs reportedly perceive that their company's failure to secure a contract or gain new business over the last year has been due to competitors' bribe activities. Around a third of the surveyed businesspeople believe that the failure to prosecute bribery-related crimes poses the ultimate barrier to eliminating bribery and corruption in Indonesia, while a little less than one-fifth believe the main reason is due to the lax attitude among businesses regarding the issue.

Ernst & Young's Global Fraud Survey 2012 reveals that 72 per cent of the surveyed executives perceive bribery and corruption to be widespread in the Indonesian business environment. Furthermore, 76 per cent of respondents admitted that they were willing to make cash payments or give personal gifts to gain or retain business, or misstate the company's financial performance in order to survive an economic downturn. Interestingly, every surveyed executive believed that the board of their company needed to have a better understanding of the way in which business is conducted in order to effectively mitigate the risks of bribery and corruption. According to the World Economic Forum Global Competitiveness Report 2012-2013, corruption, bribery, and unethical behaviour within the private sector undermine the institutional framework. Surveyed business executives point to corruption as the second most problematic factor for doing business, and state that it is common for companies to make irregular payments or bribes in connection with imports and exports, public utilities, annual tax payments, and awarding of public contracts and licences. In contrast, business executives report that the extent to which government officials favour well-connected companies and individuals when deciding upon policies and contracts constitutes a competitive business advantage for Indonesia.

Bribery typically occurs during licensing procedures, as reported by the US Commercial Service 2011. According to the same source, foreign companies report that unwarranted fees or facilitation payments are required in order to obtain permits and licences, to speed up processes or to win government contracts and concessions. According to the US Department of State 2013, although the Indonesian government has created guidelines specifying how to combat corruption in certain ministries and agencies, the government has not concentrated its efforts to encourage or demand companies to institute 'internal codes of conduct, or effective internal controls, ethics, and compliance programs to detect and prevent bribery of public officials'. Companies are generally advised to consult with experienced attorneys, to develop, implement and strengthen integrity systems, and to carry out extensive due diligence before committing funds or when already doing business in the Indonesia.

Regulatory Environment

Indonesia has a relatively open foreign investment regime. Recent reforms have put greater emphasis on improving the business climate, enhancing regional competitiveness, and creating a more vibrant private sector. Though public finance management and business freedom has declined, any resulting disadvantages are more than compensated for by significantly improved financial freedom and freedom of corruption, according to the Heritage Foundation 2013. In 2007, the government introduced a new Investment Law which provides a set of rules to protect investors such as non-discriminatory treatment and recourse to international arbitration in disputes against the government. However, according to the US Department of State 2013, the new Investment Law also significantly increased the number of sectors that are prohibited to foreign investment. Nevertheless, business executives in the World Economic Forum Global Competitiveness Report 2012-2013 indicate that the level of government regulation over private businesses has eased and now represents a competitive business advantage for Indonesia.

Generally, the lack of local compliance with national law, and inconsistencies between local and national law is a major problem in Indonesia. According to the US Commercial Service 2012, laws and regulations are frequently vague and conflicting, and require extensive interpretation, leading to increased business uncertainty and opportunities for rent-seeking. According to the World Bank & IFC Doing Business 2013, it takes 47 days and 9 procedures to start a company at a cost of nearly 23% of GNI per capita. Obtaining necessary construction permits takes 158 days, 13 procedures and costs 95% of income per capita on average. Companies seem to receive a relatively uniform regulatory treatment by the government, although the picture varies considerably from region to region. Click here to access the Subnational Report 2012 by the World Bank & IFC.

The Bertelsmann Foundation 2012 states that enforcing private property rights continues to be constrained mostly due to a flawed legal and regulatory framework, not to mention corruption and questionable and varying court verdicts. The US Department of State 2013 reports that some companies in Indonesia resort to ad hoc arbitration using the UN Commission on International Trade Laws (UNCITRAL), as foreign arbitral awards are not always enforced in the courts. The judicial rulings are often irregular due to corrupt and collusive practices. Local courts have in several cases accepted jurisdiction over commercial disputes despite contractual arbitration clauses calling for adjudication in foreign venues. Companies are often advised by legal experts to resolve disputes through arbitration outside Indonesia, since the judicial system operates irregularly and opaquely. Indonesia is a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID). For more information on dispute settlement, see the section on the judicial system under Corruption Levels. Access the Lexadin World Law Guide for a collection of legislation in Indonesia.

Section 3 - Economy

Indonesia, a vast polyglot nation, has grown strongly since 2010. During the global financial crisis, Indonesia outperformed its regional neighbors and joined China and India as the only G20 members posting growth. The government has promoted fiscally conservative policies, resulting in a debt-to-GDP ratio of less than 25% and historically low rates of inflation. Fitch and Moody's upgraded Indonesia's credit rating to investment grade in December 2011. Indonesia still struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among regions. The government also faces the challenges of quelling labor unrest and reducing fuel subsidies in the face of high oil prices.

Agriculture - products:

rubber and similar products, palm oil, poultry, beef, forest products, shrimp, cocoa, coffee, medicinal herbs, essential oil, fish and its similar products, and spices

Industries:

petroleum and natural gas, textiles, automotive, electrical appliances, apparel, footwear, mining, cement, medical instuments and appliances, handicrafts, chemical fertilizers, plywood, rubber, processed food, jewelry, and tourism

Exports - commodities:

oil and gas, electrical appliances, plywood, textiles, rubber

Exports - partners:

Japan 15.9%, China 11.4%, Singapore 9%, South Korea 7.9%, US 7.8%, India 6.6%, Malaysia 5.9% (2012)

Imports - commodities:

machinery and equipment, chemicals, fuels, foodstuffs

Imports - partners:

China 15.3%, Singapore 13.6%, Japan 11.9%, Malaysia 6.4%, South Korea 6.2%, US 6.1%, Thailand 6% (2012)

Banking

The Indonesian banking system has consolidated significantly in the wake of the Asian financial crisis. As of end-2010, Indonesia had 122 commercial banks and 1,706 rural banks. Banks continue to dominate Indonesia's financial system and as of end-2010, banks held 80 percent of total financial system assets. The largest 10 banks contain almost 65 percent of bank assets. There are four state-owned banks: Bank Mandiri, Bank Negara Indonesia, Bank Rakyat Indonesia and Bank Tabungan Negara. Bank Indonesia (BI), the central bank of Indonesia and an independent state institution, regulates key aspects of the banking and financial system, including bank regulation and supervision. Indonesia is encouraging the development of Islamic banking and seeks to increase its share of total banking assets to over five percent. As of December 2010, Islamic banking institutions in Indonesia comprised about 3.3 percent of total banking system assets.

Syariah Banking

The Syariah banking (Islamic banking) system differs from conventional banking primarily for the reason that it is based on Islamic law (Syariah).The underlying themes of Syariah banking are the prohibition on interest (riba) and on investments in businesses that are considered unlawful in Islam (Haraam).

Syariah banks are subject to prudential controls of all commercial banks; in addition, banks carrying on Syariah banking are required to have a Syariah Supervisory Board at their head office.

Syariah banks are permitted to accept demand or time deposits under Wadiah or Mudharabah principle. “Wadiah” is an agreement for placement of funds made with the obligation for the bank to return the funds at any time while under “Mudharabah” funds are placed with a bank to conduct a specified business on the basis of profit and loss sharing or revenue sharing in a ratio agreed in advance.

The deposits can be lent out by these banks by way of entering into a sale-purchase agreement, profit sharing agreement or a lease agreement. The sale-purchase agreement can be in form of Murabahah, Istishna and Salam. Each category of these agreements differs from others only in the form of method of payment. Similarly, profit and/or revenue can be shared in an agreed ratio (Murabahah) or in the ratio of the capital (Musyarakah).

Stock Exchange

The Indonesia Stock Exchange (IDX) resulted from the 2007 merger of the Jakarta and Surabaya Stock Exchanges.

The Indonesia Stock Exchange (IDX) index closed at 4,316.69 on December 28, 2012, up 12.9% for the calendar year. As of December 28, 2012, IDX had 454 listed companies with a total capitalization Rp 4,126.99 trillion ($428.3 billion). There were 23 initial public offerings in 2012. Foreigners conducted about 43.0% of the total stock trades in 2012. In 2011, the IDX launched the Indonesian Sharia Stock Index (ISSI), its first index of sharia-compliant companies, primarily to attract greater investment from Middle East companies and investors. The ISSI is composed of 214 stocks that are already listed on IDX’s Jakarta Composite Index.

Section 4 - Investment Climate

Executive Summary

While Indonesia's population of 245 million, growing middle class, and stable economy remain attractive to U.S. investors, investing in Indonesia remains challenging. This report focuses on the challenges foreign investors face in Indonesia rather than the range of investment opportunities.

Factors such as a decentralized decision-making process, legal uncertainty, economic nationalism, and powerful domestic vested interests create a complex and difficult investment climate. The Indonesian government's requirements, both formal and informal, to partner with Indonesian companies and purchase goods and services locally, restrictions on some imports and exports, and pressure to make substantial, long-term investment commitments, also factor into foreign investors' plans. While the Indonesian the Corruption Eradication Commission continues to investigate and prosecute high-profile corruption cases, some investors cite corruption as an obstacle to pursuing opportunities in Indonesia.

Other barriers to investment include poor government coordination, the slow rate of land acquisition for infrastructure development projects, poor enforcement of contracts, an uncertain regulatory environment, and lack of transparency in the development of laws and regulations. New regulations are at times difficult to decipher and often lack sufficient notice and socialization for those impacted. The lack of coordination among ministries creates redundant and slow processes, such as securing business licenses and import permits, and at times, conflicting regulations.

Indonesia restricts foreign investment in some sectors with a negative investment list. The latest version, issued in 2014, details the sectors in which foreign investment is restricted and outlines the foreign equity limits in a number of sectors. Some of the restricted sectors include: telecommunications, pharmaceuticals, film and creative industries, and construction. Of note, the energy and mining sector face significant investment barriers.

Indonesia began to abrogate its more than 60 existing Bilateral Investment Treaty agreements (BITs) in February 2014, allowing the agreements to expire as soon as they allow. While the United States does not have a BIT with Indonesia, the Indonesian government's action reminds foreign investors of the unpredictability of Indonesia's investment climate.

Despite these challenges, Indonesia continues to attract foreign investment. Private consumption is the backbone of the economy and the middle class is growing, making Indonesia a promising place for consumer product companies. Indonesia has ambitious plans to improve its infrastructure and the "connectivity" of its provinces, which includes building roads, railways and airports, as well as improving telecommunications networks throughout the country. Indonesia continues to attract U.S. franchises and consumer product manufacturers, such as consumer electronics and automobile companies. For many companies, Indonesia's investment grade rating, growing middle class, and young population make the country an attractive destination for long term investment.

Foreign investors are watching closely the July 2014 presidential elections, anticipating the changes brought by a new Administration that will take office in late 2014. Analysts expect a peaceful and fair election and continuity of economic policies; economic nationalism remains popular across parties.

1. Openness To, and Restrictions Upon, Foreign Investment

Indonesia's growing middle class, strong domestic demand, stable political situation, and conservative macroeconomic policy paired with gross domestic product (GDP) growth of 5.8% in 2013 make Indonesia an attractive destination for Foreign Direct Investment (FDI). Indonesian government officials welcome increased FDI, aiming to create jobs and spur economic growth, and court foreign investors, notably focusing on participation in a large number of public private partnerships to develop Indonesia's infrastructure. However, vague and conflicting regulations, poor existing infrastructure, rigid labor laws, and corruption continued to be significant concerns for foreign investors. U.S. firms lamented the lack of ministerial coordination but were encouraged with apparent increased accessibility to the Indonesian parliament (DPR) since 2012.

Restrictions on FDI are, for the most part, outlined in presidential decree 36/2010, commonly referred to as the Negative List. The Negative List aims to consolidate FDI restrictions from numerous decrees and regulations to create greater certainty for foreign and domestic investors. The 2010 iteration of the Negative List, the most recent version, clarified that companies are grandfathered-in in the case of increased foreign ownership restrictions. However, exceptions remain; in the case of wholly foreign owned security service companies, their licenses were not renewed, despite grandfathering provisions. In 2010, the share of foreign ownership permitted was increased in health services (**health technologies**), creative industries, **construction services**, and multilevel marketing, but decreased in cell towers, security services, and inspection services. For investment in certain sectors, such as **mining** and higher **education**, the Negative List is useful only as a starting point, as additional licenses and permits are required from individual ministries. Foreign capital investment, through the stock market, is not governed by the Negative List. Foreigners may purchase equity in state-owned firms through initial public offerings. Capital investments in publicly listed companies through the stock exchange are not subject to Indonesia's Negative List unless an investor is buying a controlling interest. As of April 2014, the Indonesian government was reportedly finalizing revisions to the Negative List, including changes that would bring it in line with the 2010 Horticulture Law and 2009 Mining Law.

The Investment Coordinating Board (BKPM) is responsible for issuing investment licenses to foreign entities and has taken steps to simplify the application process through better coordination between various government institutions. BKPM has launched an online portal for its National Single Window for Investment which allows foreign investors to apply for and track the status of licenses and other services online. Although BKPM is meant to act as a one-stop service institution, investments in the **mining**, oil and gas, plantation, and other sectors require further licenses from related ministries and authorities. Likewise, certain tax and land permits, among others, typically must be obtained from local government authorities. Though Indonesian companies only require one approval at the local level, businesses report that foreign companies often must obtain both administrative and *de facto* legislative approval in order to establish a business.

The Coordinating Ministry of Home Affairs, Ministry of Administrative Reform and Bureaucracy Reform, and BKPM issued a circulating letter on September 15, 2010, to clarify investment that crosses provincial and regional boundaries. Investment in only one regency is managed by the regency government; investment that lies in two or more regencies is managed by the provincial government; and investment that lies in two or more provinces is managed by central government, or central BKPM.

Natural Resources

Indonesia's vast natural resource wealth has attracted significant foreign investment over the last century, and remains one of the most prospective countries in the world. But a variety of government regulations have made doing business in the resources sector increasingly difficult, and Indonesia now ranks in the bottom 10% among the world's 90+ mining countries in the Fraser Institute's mining Policy Potential Index. In 2012, the Government of Indonesia (GOI) banned the export of raw minerals, dramatically increased the divestment requirements for foreign mining companies, and required major mining companies to renegotiate their contracts of work with the government. The ban on exportation of raw minerals went into effect in January 2014. The 2009 mining law devolved mining license issuing authority to local governments, who have responded by issuing more than 10,000 licenses, many of which overlap or are unclearly mapped. In the oil and gas sector, Indonesia's Constitutional Court disbanded the upstream regulator, injecting confusion and more uncertainty into the natural resources sector.

Infrastructure

Indonesia's Master Plan for Acceleration and Economic Development (MP3EI), launched in 2011, is an ambitious 15-year, $1 trillion infrastructure development plan that includes several public-private partnership tenders and requires almost $700 billion in private financing. Though the MP3EI is a positive development, implementation has been lacking and project groundbreakings in the two years after its launch represent less than 10% of the total plan's projected value.

TABLE 1:

Measure	Year	Index/Ranking
TI Corruption Index	2013	32/114 of 177
Heritage Economic Freedom	2014	58.5/100 of 178
World Bank Doing Business	2014	120 of 188
Global Innovation Index	2013	85
World Bank GNI per capita	2012	3420

TABLE 1B - Scorecards:

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

Measure	**Year**	**Index/Ranking**
MCC Gov't Effectiveness	2014	0.10 (58%)
MCC Rule of Law	2014	-0.13 (35%)
MCC Control of Corruption	2014	-0.08 (31%)
MCC Fiscal Policy	2014	-1.2 (81%)
MCC Trade Policy	2014	74.8 (46%)
MCC Regulatory Quality	2014	0.05 (54%)
MCC Business Start Up	2014	0.858 (23%)
MCC Land Rights Access	2014	0.69 (32%)
MCC Natural Resource Protection	2014	82.3 (85%)
MCC Access to Credit	2014	35 (42%)
MCC Inflation	2014	4.3 (48%)

The most recent WTO Investment Policy Review (IPR) of Indonesia can be found here:

http://www.wto.org/english/tratop_e/tpr_e/tp378_e.htm

The most recent OECD Investment Policy Review (IPR) of Indonesia can be found here:

http://www.oecd.org/daf/inv/investmentfordevelopment/indonesia-investmentpolicyreview-oecd.htm

2. Conversion and Transfer Policies

The rupiah (Rp), the local currency, is freely convertible. Currently, banks must report all foreign exchange transactions and foreign obligations to the Bank of Indonesia (BI). With respect to the physical movement of currency, any person taking cash into or out of Indonesia in the amount of Rp 100 million ($8,700) or more, or the equivalent in another currency, must report the amount to the Director General of Customs and Excise.

Banks on their own behalf or for customers may conduct derivative transactions related to derivatives of foreign currency rates, interest rates, and/or a combination thereof. BI requires borrowers to conduct their foreign currency borrowing through domestic banks registered with BI. The regulations apply to borrowing in cash, non-revolving loan agreements, and debt securities.

Under the 2007 Investment Law, the GOI gives assurance to investors relating to the transfer and repatriation of funds, in foreign currency, on capital, profit, interest, dividend and other income, funds required for (i) purchasing raw material, intermediate goods or final goods, and (ii) replacing capital goods for continuation of business operations, additional funds required for investment project, funds for debt payment, royalties, income of foreign individual working on the invested project, earnings from selling or liquidation of invested company, compensation for losses, and compensation for expropriation. U.S. firms report no difficulties in obtaining foreign exchange.

Bank Indonesia began in 2012 to require exporters to repatriate their export earnings through domestic banks within three months of the date of the export declaration form. Once repatriated, there are currently no restrictions on re-transferring export earnings abroad. Some companies report this requirement is not enforced.

Under the Financial Action Task Force (FATF), Indonesia remains a “jurisdiction of primary concern.” The Financial Action Task Force (FATF) continues to list Indonesia on its Public Statement List as a jurisdiction that has not made sufficient progress in addressing its deficiencies or has not committed to an action plan developed in concert with FATF to address those deficiencies. Despite high-level Indonesian political commitment, the FATF has found that Indonesia has not met the deadlines of its action plan and/or addressed issues of its legal framework and procedures in identifying and freezing terrorist assets to meet the requirements of UNSCR 1267.

3. Expropriation and Compensation

The GOI generally recognizes and upholds property rights of foreign and domestic investors, and the 2007 Investment Law opened major sectors of the economy to foreign investment while assuring investors’ protection from nationalization, except where corporate crime is involved. However, Indonesia’s rising economic nationalism has manifested itself through negotiations, policies, regulations, and laws that erode investor value. These include local content requirements, requirements to divest equity shares to Indonesia stakeholders, and requirements to set up manufacturing or processing facilities in Indonesia.

In 2012, the GOI issued a regulation requiring foreign-owned mining operations to divest majority equity to Indonesian shareholders within 10 years of operational startup. That regulation relies upon cost of investment incurred, rather than market value, for purposes of divestment valuation. The GOI is requiring that mining contracts of work be renegotiated to alter terms in favor of the GOI, including royalty and tax rates, local content levels, domestic processing of minerals, and reduced mine areas. Some mining companies have had to reduce the size of their original mining work area without compensation. New investors in Indonesia's mining sector no longer have the security of a long-term contract of work with the central government, but are instead issued mining licenses by the local regent, whose term of office is five years. The security of the mining license, and what compensation the local regent is prepared to offer (if any) in the case of its cancellation, is uncertain.

In general, Indonesia's rising resource nationalism supports the idea that domestic interests should not have to pay prevailing market prices for domestic resources. The domestic market obligation on oil and gas producers is a longstanding example of this expectation. Also in the oil and gas sector, the GOI is increasingly explicit in its policy that expiring production sharing contracts operated by foreign companies be transferred to domestic interests rather than extended. While there is no obligation of compensation under the production sharing contract, this policy has begun to affect the Indonesian business interests of foreign companies.

The Law on Land Acquisition Procedures for Public Interest Development passed in December 2011 sought to streamline GOI acquisition of land for much-needed infrastructure projects. The law seeks to clarify roles, impose time limits on each phase of the land acquisition process, deter land speculation, and curtail obstructionist litigation, while still ensuring safeguards for land-right holders. However, it has not led to significantly reduced land acquisition timelines, but neither has it resulted in accusations of GOI expropriation of land.

4. Dispute Settlement

Indonesia's legal system is based on civil law. The court system consists of District Courts (primary courts of original jurisdiction), High Courts (courts of appeal), and the Supreme Court (the court of last resort). Indonesia also has a Constitutional Court. The Constitutional Court has the same legal standing as the Supreme Court, and its role is to review the constitutionality of legislation. Both the Supreme and Constitutional Courts have authority to conduct judicial review.

Judicial handling of investment disputes remains mixed. Indonesia is a signatory to the Convention On The Settlement Of Investment Disputes Between States And Nationals Of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Thus, foreign arbitral awards are legally recognized and enforceable in the Indonesian courts, but, in practice, are not always enforced. The 2012 ICSID arbitration case of British firm Churchill Mining vs. Indonesia is ongoing as of March 2014. Indonesia's legal code recognizes the right of parties to apply any rules of arbitration upon which they mutually agree. Some arbitration but not all is handled by Indonesia's domestic arbitration agency, the Indonesian National Arbitration Body. District Courts do not have authority to hear disputes where parties are bound by an arbitration agreement. In reality, some claims are still accepted by District Courts on the basis of tort or fraud, but are often reversed upon appeal. Some companies have resorted to ad hoc arbitrations in Indonesia using the UN Commission on International Trade Laws (UNCITRAL) arbitration rules. Though doing business in Indonesia remains challenging, there is not a clear pattern of investment disputes involving U.S. or other foreign investors.

In early 2014, Indonesia began to terminate its Bilateral Investment Treaty agreements (BITs) by allowing the more than 60 outstanding agreements to expire as soon as the agreements allow. While Indonesia may later attempt to renegotiate its agreements, Indonesia has not yet determined a timeline or consulted with its agreement partners. The United States does not have a BIT with Indonesia. Ongoing international arbitration cases involving Indonesia may have played a role in Indonesia's decision to abrogate its BITs.

The court system often does not provide effective recourse for resolving property and contractual disputes. Judges are not bound by precedent and many laws are open to various interpretations. A lack of clear land titles has plagued Indonesia for decades, although the land acquisition law enacted in December 2011 included legal mechanisms designed to resolve some past land ownership issues. Indonesia also has a poor track record on contract sanctity. Government Regulation 79 of 2010 opened the door for the GOI to remove recoverable costs from production sharing contracts. The GOI is also requiring mining companies to renegotiate their contracts of work to require higher royalties, more divestment, more local content, and domestic processing of mineral ore. Indonesia's commercial code, grounded in colonial Dutch law, has been updated to include provisions on bankruptcy, intellectual property rights, incorporation and dissolution of businesses, banking, and capital markets. Application of the commercial code, including the bankruptcy provisions, remains uneven, in large part due to corruption and training deficits for judges, prosecutors, and defense lawyers. The bankruptcy law is decidedly pro-creditor and the law makes no distinction between domestic and foreign creditors. As a result, foreign creditors have the same rights as all potential creditors in a bankruptcy case, as long as foreign claims are submitted in compliance with underlying regulations and procedures. Monetary judgments in Indonesia are made in local currency.

5. Performance Requirements and Incentives

The Indonesian government notified the WTO of its compliance with Trade-Related Investment Measures (TRIMS) on August 26, 1998. The 2007 Investment Law states that the GOI shall provide the same treatment to both domestic and foreign investors originating from any country pursuant to the rules of law.

The GOI offers a tax holiday scheme to exempt certain businesses from paying corporate income taxes for up to ten years under Ministry of Finance Decree No. 130/PMK.011/2011. Businesses must have operated as a legal entity in Indonesia for at least 12 months prior to the issue of the tax holiday regulation, among other requirements. Priority is given to investment in resource extraction, resource refinement, industrial machinery, renewable resources, telecommunications equipment, or pioneer sectors. Government Regulation No. 62 of 2008 provides a tax incentive program for projects conducted in national high-priority sectors which encompass 128 different fields. Businesses may only apply for one tax incentive: either the tax holiday or the tax incentive program.

The GOI expects foreign investors to contribute to the training and development of Indonesian nationals, allowing the transfer of skills and technology required for their effective participation in the management of foreign companies. As a general rule, a company can hire foreigners only for positions that the government has deemed open to non-Indonesians. Employers must have manpower-training programs aimed at replacing foreign workers with Indonesians. If a direct investment enterprise wants to employ foreigners, the enterprise should submit an Expatriate Placement Plan to BKPM to get a Limited Stay Visa or Semi Permanent Residence Visa (VITAS/VBS). Expatriates are issued a Limited Stay Permit (KITAS) and a blue book, valid for two years and renewable for up to two extensions without leaving the country. The foreign worker must meet education, work experience, and Indonesian language requirements and commit to transfer knowledge to an Indonesian counterpart. Under Ministry of Manpower regulations, any expatriate who holds a work and residence permit must contribute $1,200 per year to a fund for local manpower training at regional manpower offices. Some U.S. firms report difficulty in renewing KITASs for their foreign executives. In 2013, the government issued new regulations on the employment of foreigners, including an age cap of 55 years on foreign executives for oil and gas firms. In December 2013, the Ministry of Manpower and Transmigration issued Regulation 12 on Procedures for Employing Foreign Manpower. The new regulation made some changes to the previous 2008 regulation, including the introduction of a new mechanism to hire temporary foreign workers and simplification of the permit process for foreigners married to Indonesians.

With the passage of the defense law in October 2012, the GOI plans to impose offset or local content requirements for procurements from foreign defense suppliers. Currently, U.S. defense equipment suppliers are still competing for contracts with local partners on the basis of an exception in the law that indicates that purchases may be made from non-state owned enterprise (SOE) sources if not readily available on the local market. Further clarification through additional regulation will reveal how rigid the application of the new requirements will be.

The GOI grants special preferences to encourage domestic sourcing and to maximize the use of local content in government procurement. It also instructs government departments, institutes, and corporations to utilize domestic goods and services to the maximum extent feasible. In January 2014, Ministry of Industry issued two new regulations (Industry Reg. 2 and 3) requiring domestic content in government procurement although the list of products has not yet been finalized. Similarly, the Negative List seeks to maximize local content in procurement, use foreign components only when necessary, and delegate foreign contractors as sub-contractors to local companies. Foreign firms bidding on highvalue, government-sponsored projects report that they have been asked to purchase and export the equivalent value of selected Indonesian products if they are awarded the contract. Some businesses established as Indonesian entities report discrimination as they possess higher foreign equity.

The Ministry of Law and Human Rights' implementation of an electronic business registration filing and notification system has dramatically reduced the number of days needed to register a company. Foreign firms are not required to disclose proprietary information to the government before investing.

At present, Indonesia does not have formal regulations granting national treatment to U.S. and other foreign firms participating in Government-financed or subsidized research and development programs. The State Ministry for Research and Technology handles applications on a case-by-case basis.

The GOI issued Government Regulation 82 in 2012 requiring certain "public service providers" to establish data storage and disaster recovery centers on Indonesian soil. The implementing regulations under GR82 are in development, but it is possible that data localization rules will affect some e-commerce or e-service delivery companies.

6. Right to Private Ownership and Establishment

Indonesia recognizes the right to private ownership and establishment by both foreign and domestic entities. Foreign investors are restricted from establishing or acquiring businesses in certain sectors as laid out in the Negative List. Private entities have the right to dispose of interests in business enterprises under Indonesia's bankruptcy law, although it may take several years to do so. Likewise, terminating employees is associated with high costs and a lengthy process that requires bipartite negotiation, non-binding mediation, and Labor Court approval unless settled by agreement in writing at any time during the process.

To establish a business, one must: obtain the standard form of the company deed; arrange for a notary electronically; obtain clearance for the Indonesian company's name at the Ministry of Law and Human Rights; notarize company documents; obtain a certificate of company domicile from the local municipality; pay the State Treasury for the non-tax state revenue fees for legal services; apply to the Ministry of Law and Human Rights for approval of the deed of establishment; apply at the one stop service for the permanent business trading license and company registration certificate; register with the Ministry of Manpower; apply for the workers social security program; and, obtain a taxpayer registration number and a valued added tax (VAT) collector number. The process takes an average of 47 days.

7. Protection of Property Rights

The Basic Agrarian Law of 1960, the predominant body of law governing land rights, recognizes the right of private ownership. Indonesia's 1945 Constitution states that all natural resources are owned by the GOI for the benefit of the people. This principle was augmented by the passage of a land acquisition bill in December 2011 that enshrined the concept of eminent domain and established mechanisms for fair market value compensation and appeals. The National Land Agency registers property under Regulation No. 24 of 1997, though the Ministry of Forestry administers all 'forest land'. Registration is sometimes complicated by local government requirements and claims as a result of decentralization. Registration is also not conclusive evidence of ownership, but rather strong evidence of such. Foreigners are not allowed to own land in Indonesia, but can acquire the rights to use, sell, lease, and mortgage land through an Indonesian entity. The Ministry of Housing has proposed foreign ownership rights for properties in the special economic zones of Batam, Bintan, and Karimun. However, these plans have been delayed due to an ongoing revision of the Agrarian Law. Indonesia ranks #101 on the World Bank's ease of registering property list.

The Directorate General for Intellectual Property (DG-IP), under the Ministry of Law and Human Rights is the lead government agency on IPR issues. A new draft copyright law is currently under review by the Indonesian Parliament, and draft legislation updating trademark, patent, and industrial design laws are in development. While not fully adequate, Indonesia's current laws provide a solid foundation for enforcement efforts. However, enforcement has been limited. The Copyright Law requires commercial courts to try cases of alleged copyright violations and render judgments within 90 days, though it often takes much longer. While criminal cases against corporate end-user piracy have been successfully prosecuted, rights-holders report that they generally pursue civil settlements to avoid lengthy and uncertain court procedures. Trademark holders have expressed dissatisfaction with the application process, which can take up to two years to process. The GOI has signed and ratified the WIPO internet treaties, but further clarifications in its Copyright Law must be made to fully implement both treaties.

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AmCham Indonesia: http://www.amcham.or.id/

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

The Embassy provides a list of lawyers in Indonesia at http://jakarta.usembassy.gov/us-service/attorneys.html.

8. Transparency of the Regulatory System

Indonesia continues to bring its legal, regulatory, and accounting systems into compliance with international norms, but progress is slow. Recent successes include passage of a comprehensive anti-money laundering law in late 2010 and a land acquisition law in December 2011, both of which could have positive implications for foreign investment. Although Indonesia continues to move forward with regulatory system reforms, these efforts have not yet created a level playing field for foreign investors nor does the current regulatory system establish clear and transparent rules for all actors. Certain laws and policies, including the Negative List, establish sectors that are either fully off-limits to foreign investors or are subject to substantive conditions. A proposed revision to Indonesia's 2003 labor law may establish more stringent restrictions on outsourcing, currently used by many firms to circumvent some formal-sector job benefits that tend to make the labor market rigid and uninviting to potential investors. Bureaucratic reforms have slowed, and decentralization has introduced another layer of bureaucracy for firms to navigate, resulting in costly red tape. Ineffective management and corruption are among the challenges faced by the GOI in launching bureaucratic reform. U.S. businesses cite regulatory and transparency problems as ongoing factors hindering operations. Government ministries and agencies, including the Indonesian Parliament, continue to publish many proposed laws and regulations in draft form for public comment; however, not all draft laws and regulations are made available in public fora. Laws and regulations are often vague and require substantial interpretation by the implementers, leading to business uncertainty and rent-seeking opportunities. In short, investors remain interested but wary, as Indonesia is not currently making the longer-term regulatory changes to generate substantive domestic or foreign investment.

9. Efficient Capital Markets and Portfolio Investment

Although there is some concern regarding the operations of the many small and medium family-owned banks, the banking system is generally considered sound with banks enjoying some of the widest interest rate margins in the region. The ten largest banks, with Rp 3,089 trillion ($268.8 billion) in total assets or 65.2% of the total, dominate the banking sector. Loans grew 21.4% year-on-year as of December 31, 2013, (vis-à-vis 23.0% in 2012) while gross non-performing loans stood at 1.8%, down from 2.3% a year earlier.

Foreigners may purchase up to 99% of the total shares of a domestic bank through private placement or on the stock exchange. Purchases of 25% or more require BI approval. Foreign banks may establish branches if the foreign bank is ranked in the top 200 global banks by assets. To establish a representative office, the foreign bank must be ranked in the top 300 global banks by assets. A special operating license is required from BI in order to establish a foreign branch.

BI has limited bank ownership to no more than 40% by any single shareholder, applicable to foreign and domestic shareholders, and requiring foreign bank branches to become subsidiaries.

The Indonesia Stock Exchange (IDX) index closed at 4274 on December 28, 2012, down 0.9% for the calendar year. In 2013, IDX had 490 listed companies and reach capitalization as high as ($512.82 billion) in May. There were 30 initial public offerings in 2013. Foreigners conduct nearly half of total IDX stock trades in (43% in 2012). In 2011, the IDX launched the Indonesian Sharia Stock Index (ISSI), its first index of sharia-compliant companies, primarily to attract greater investment from Middle East companies and investors. The ISSI is composed of 219 stocks that are already listed on IDX’s Jakarta Composite Index.

Government treasury bonds are the most liquid bonds offered by the GOI. Treasury bills are less liquid due to their small issue size. Liquidity in BI-issued Sertifikat Bank Indonesia (SBI) is also limited due to the six-month required holding period. The GOI also issued its first sukuk treasury bills as part of efforts to diversify Islamic debt instruments and increase their liquidity. Indonesia’s sovereign debt was upgraded to investment grade by Fitch Ratings in December 2011 and by Moody’s in January 2012.

The Financial Services Supervisory Authority (OJK) has assumed BI’s supervisory role over commercial banks as of January 1, 2014 and began overseeing the capital markets and non-banking institutions on January 1, 2013, replacing the Capital Market and Financial Institution Supervisory Board.

Foreigners have good access to the Indonesian securities market and are a major source (33% in government securities) of portfolio investment. Foreign ownership of Indonesian companies may be limited in certain industries as determined by the Negative List.

10. Competition from State-Owned Enterprises

Indonesia has 141 State-Owned Enterprises (SOEs), 26 of which contributed more than 90% of the total SOE profit. Sixteen are listed on the Indonesian stock exchange and 14 are special purpose entities such as the Indonesian Infrastructure Guarantee Fund. SOEs are present in almost all sectors/industries including banking (**finance)**, tourism (**travel)**, **agriculture**, forestry, **mining**, **construction**, fishing, **energy**, and telecommunications (**information and communications)**. In 2013, the profits of SOE rose by 17% to Rp 150 trillion ($13.1 billion) compared to 2012. SOEs employ around 780,000 people and contribute an estimated 40% of the country's gross domestic product. Currently, SOEs command more than 50% of market share in the cellular telecommunication sector in terms of number of subscribers, hold around 37% of the banking sector's total assets, 52% of the cement sector's total sales, and 50% of the total energy supply. Indonesian SOE **R&D** spending varies by sector.

Private enterprises can compete with SOEs under the same terms and conditions with respect to access to markets, credit, and other business operations. However, many sectors report that, in reality, SOEs receive strong preference for GOI projects. SOEs publish an annual report and are audited by the Supreme Audit Agency (BPK), the Financial and Development Supervisory Agency (BPKP), and external and internal auditors.

Indonesian SOEs adopt a two-tier Board structure with a Board of Commissioners (similar to an American company's board of directors) and a Board and Directors (similar to an American company's executive management team). Depending on the type of SOE, either the President or the Minister of SOEs has the right to make appointments and to dismiss members of either the Board of Commissioners or Board of Directors. With such control, board member appointments are subject to government interference. Hence, it is not uncommon for SOEs to have ministers, high-ranking bureaucrats, military generals, or member of political parties, either retired or still active, sitting as Board members. Some SOEs suffer from poor management, which has led to several cases of graft and corruption against former Commissioners and Directors.

The GOI established the Pusat Investasi Pemerintah (PIP) to act as a special purpose investment entity and eventually as a sovereign wealth fund. To date, it has limited its investments to the domestic market in strategic sectors with the goal of stimulating national economic growth. PIP can invest in a variety of asset classes such as equity, debt, infrastructure, and direct investments. PIP is in addition to other GOI SOEs that invest in domestic markets such as PT Sarana Multi Infrastructure, PT Indonesia Infrastructure Guarantee Facility, and Indonesia Infrastructure Finance.

11. Corporate Social Responsibility

While international organizations like the OECD and UN envision Corporate Social Responsibility (CSR) as a comprehensive management paradigm that includes concepts like human rights, employee relations, environment and science, bribery and corruption, consumer interests, and taxation, understanding of CSR in Indonesia tends to focus on community and economic development, and educational projects and programs. This is at least in part caused by the fact that such projects are often required in the environmental impact permits ("Amdal") of resource extraction companies, who undergo a good deal of domestic and international scrutiny of their operations. Because much resource extraction activity occurs in remote and rural areas where government services are limited or absent, these companies face very high community expectations to provide such services themselves. Despite significant investments – especially by large multinational firms – in CSR projects, there is limited general awareness of those projects, even among government regulators and officials.

12. Political Violence

As in other democracies, politically motivated demonstrations occur regularly throughout Indonesia. Such demonstrations on occasion become violent, but are not a major ongoing concern for most foreign investors. Public reaction to events in the Middle East, including anti-U.S. demonstrations, continues to be limited to sporadic protests, mostly nonviolent.

Fighting terrorism remains a top priority for the Indonesian government, and President Yudhoyono has demonstrated a continued strong commitment to combating terrorism. Since the 2009 bombings of two international hotels in Jakarta, Indonesian police and security forces have disrupted a number of terrorist cells, including some affiliated with Jemaah Islamiyah (JI), a U.S. government-designated terrorist organization that carried out several bombings at various times since 2000. In response to terrorist threats and attacks, Indonesia has effectively pursued counterterrorism efforts through legislation and law enforcement. In 2013, the Attorney General's Office handled nearly 60 terrorism related cases. Though the Indonesian government's sustained counterterrorism campaign has significantly degraded the operational capabilities of violent extremist organizations in Indonesia, these groups continue to demonstrate a willingness and ability to carry out attacks with little or no warning. Although U.S. and Western-affiliated interests remain potential targets of terrorists, the focus of terrorists is increasingly on attacks against local governments and law enforcement entities, especially the police.

Foreign investors in Papua face certain unique challenges relative to those operating in other parts of Indonesia. Indonesian security forces occasionally conduct operations against the Free Papua Movement, a small armed separatist group that is most active in the Central Highlands region. Low-intensity communal, tribal, and political conflict also exists in Papua and has caused deaths and injuries. Anti-government protests have resulted in deaths and injuries. Between 2009 and 2013, there were 46 incidents in which unknown attackers fired on vehicles containing employees and contractors of a U.S. company as well security personnel on the road that links the town of Timika with Tembagapura. Nine of these incidents occurred in 2013, with no casualties or injuries reported.

13. Corruption

President Yudhoyono campaigned and was re-elected in 2009 on a strong anti-corruption platform. However, corruption remains a serious problem, preventing increased FDI, according to some U.S. companies. Although the government has issued detailed directions on combating corruption in targeted ministries and agencies, there has not been a concerted government-led effort to encourage or require companies to establish internal codes of conduct, or effective internal controls, ethics, and compliance programs to detect and prevent bribery of public officials.

Indonesia's ranking in Transparency International's Corruption Perceptions Index in 2013 is 114 out of 183 countries. Corruption remains pervasive despite laws to combat corruption and a strong, independent Corruption Eradication Commission (KPK). The KPK's purview in corruption cases is typically limited to law enforcement and other public officials, cases that exceed $105,000 in value and/or that represent significant loss to the state. Corruption cases are also handled by the Indonesian National Police and Attorney General's Office, neither of which have the same organizational capacity to investigate or prosecute corruption cases. Giving or accepting a bribe is a criminal act, with possible fines ranging from $5,500 to

$110,000 and imprisonment up to a maximum of 20 years, depending on the severity of the charge.

Indonesia ratified the UN Convention Against Corruption in September 2006. Indonesia has not yet acceded to the OECD Anti-Bribery Convention, but attends meetings of the OECD Anti-Corruption Working Group. Indonesia is a lead co-chair along with Mexico of the Open Government Partnership, a multilateral platform to promote transparency, empower citizens, fight corruption, and strengthen governance. Several civil society organizations function as vocal and competent corruption watchdogs, including Transparency International Indonesia and Indonesia Corruption Watch.

14. Bilateral Investment Agreements

Indonesia has signed investment protection agreements with 60 countries, including: Algeria, Argentina, Australia, Bangladesh, Belgium, Bulgaria, Cambodia, Chile, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, India, Iran, Italy, Jamaica, Jordan, Kyrgyzstan, Laos, Malaysia, Mauritius, Mongolia, Morocco, Mozambique, North Korea, Norway, Pakistan, People's Republic of China, Peru, Philippines, Poland, Qatar, Romania, Saudi Arabia, Singapore, Slovak Republic, South Korea, Spain, Sri Lanka, Sudan, Suriname, Syria, Sweden, Switzerland, Thailand, The Netherlands, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan, Vietnam, Yemen, and Zimbabwe.

Under the ASEAN Free Trade Agreement, duties on imports from ASEAN countries generally range from 0 percent to 5 percent, except for products specified on exclusion lists. Indonesia also provides preferential market access to Australia, China, Japan, Korea, India, Pakistan, and New Zealand under regional ASEAN agreements and to Japan under a bilateral agreement. In accordance with the ASEAN-China FTA, in August 2012 Indonesia increased the number of goods from China receiving duty-free access to 10,012 tariff lines. Indonesia is currently negotiating bilateral agreements with Iran, India, Australia, New Zealand, South Korea, and European Free Trade Association, studying potential FTAs with Chile, Turkey, Tunisia, Mexico, South Africa, and Egypt. Indonesia is also participating in negotiations for the Regional Comprehensive Economic Partnership (RCEP), which includes the 10 ASEAN Member States and six additional countries (Australia, China, India, Japan, Korea and New Zealand).

Non double income taxation between the United States and Indonesia is granted in accordance with the Convention between the Government of the Republic of Indonesia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of the Fiscal Evasion with Respect to Taxes on Income, signed at Jakarta July 11, 1988, and its amending Protocol, signed at Jakarta July 24, 1996.

15. OPIC and Other Investment Insurance Programs

In 2010, the Overseas Private Investment Corporation (OPIC) updated its 1967 investment support agreement between the United States and Indonesia by adding OPIC products such as direct loans, coinsurance, and reinsurance to the means of OPIC support which U.S. companies may use to invest in Indonesia.

Indonesia has joined the Multilateral Investment Guarantee Agency (MIGA). MIGA, a part of the World Bank Group, is an investment guarantee agency to insure investors and lenders against losses relating to currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract.

The Indonesian Rupiah may be purchased using the exchange rate provided by BI pursuant to the current rate on the date of the transaction. The BI exchange rate can be found at www.bi.go.id. In 2013, the Rupiah depreciated 26.3% against the USD.

16. Labor

Labor has become a prominent issue for foreign investors in the last few years due to significant increases in the minimum wage for many provinces, including a 44% increase in Jakarta in 2012, and significant restrictions on the use of contract workers. Increases in the 2014 minimum wage were less dramatic, with a relatively modest 11% gain in the bellwether Jakarta area. While restrictions on the use of contract workers remain in place, continued labor protests focusing on this issue suggest that government enforcement continues to be lax.

Indonesian labor is relatively low cost by world standards, but the country's education system and rigid labor laws combine to make Indonesia's competitiveness lag behind other Asian economies. Investors frequently cite high severance payments to dismissed employees, restrictions on outsourcing and contract workers, and limitations on expatriate workers as significant obstacles to new investment in Indonesia. Lack of education is especially problematic among unskilled and semi-skilled workers. Labor contracts are relatively straightforward to negotiate but are subject to renegotiation, despite the existence of written agreements. Local courts are prone to side with local citizens in labor disputes, contracts notwithstanding. On the other hand, some foreign investors view Indonesia’s labor regulatory framework, respect for freedom of association, and the right unionize as an advantage to investing in the country. The GOI established in January 2006 a new Labor Court as part of a broader labor dispute resolution system. U.S. companies expressed disappointment in the GOI’s lack of mediation between labor groups and industry during 2012 minimum wage discussions. Expert local human resources advice is essential for American companies doing business in Indonesia, even those only opening representative offices.

Minimum wages vary throughout the country as provincial governors set an annual minimum wage floor and district heads have the authority to set a higher rate. Indonesia's highly fractured and largely ineffective labor movement has gained strength in recent years, evidenced by significant increases in the minimum wage. In January 2014, Indonesia launched a national insurance plan. In October 2011, the Indonesian government passed a revised Social Security Law to take effect in January 2014 in which all formal sector workers must participate. Subject to a wage ceiling, employers’ must contribute an amount equal to 4% of workers’ salaries to this plan. Further, Indonesia is working toward establishing a national agency to support workers in the event of work accident, death, retirement, or old age.

17. Foreign Trade Zones/Free Ports

The GOI offers incentives to over 1,500 foreign and domestic industrial companies that operate in bonded zones throughout Indonesia. The largest bonded zone is the free trade zone island of Batam, located just south of Singapore. Investors in bonded zones are not required to apply for additional implementation licenses (location, construction, and nuisance act permits and land titles), and foreign companies are allowed 100% ownership. These companies do not pay import duty, income tax, VAT, and sales tax on imported capital goods, equipment, and raw materials until the portion of production destined for the domestic market is "exported" to Indonesia, in which case fees are owed only on that portion. Companies operating in bonded zones may lend machinery and equipment to subcontractors located outside of the bonded zone for a maximum two-year period.

A recent Ministry of Finance Regulation No. 147/2011 stipulates that the delivery of products outside of bonded zones into the domestic market is set at a maximum of 25% (down from 50%) of export realization value of the previous year. If a bonded zone company exceeds the 25% limitation, its domestic quota for the next year will be reduced. The new regulation also restricts subcontract work and requires bonded zones less than 10,000 square meters in size to relocate to industrial estates.

As stipulated by the 2007 Investment Law, the Indonesian Legislature (DPR) passed regulations on special economic zones (SEZ) in 2009. At least 20 areas have submitted applications for SEZ status, but only two were created in 2012: Sei Mangke in North Sumatra and Tanjung Lesung in Banten.

18. Foreign Direct Investment Statistics

Indonesia has two main sources for FDI statistics: BKPM, which issues permanent business licenses to domestic and foreign investors, and BI, which records international capital flows as part of balance of payments statistics. BKPM records FDI figures based on issued business licenses. Since licenses for oil and gas, mining, banking, non-bank financial institutions, insurance and leasing are issued by other government bodies, these sectors are not covered under the BKPM statistics. BKPM is expected to increase the sectoral coverage gradually while BI statistics cover all sectors.

BKPM categorizes all investments made into a foreign capital investment company as FDI, even if it is a joint venture with a local partner. This practice tends to inflate BKPM's FDI figures, which may additionally include equity contributions from domestic partners and investments financed from domestic sources. BI instead follows the standard FDI categorization of equity investment, retained earnings and other capital inflows.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

Indonesia, 2012

	Bank Indonesia		World Bank	
Economic Data	Year	Amount	Year	Amount
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2013	908,300 USD (million)	2012	878,000 USD (million)

Foreign Direct Investment	Bank Indonesia		World Bank	
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2013	1,060 USD (million)	2012	13,480 USD (million)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	N/A	N/A	N/A	N/A
Total inbound stock of FDI as % host GDP (***calculate)***	2.0%	2013	N/A	N/A

TABLE 3: Sources and Destination of FDI

Indonesia, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	211,900	100%	N/A		
Singapore	37,013	17%	N/A		
Mauritius	15,890	7%	N/A		
Netherlands	13,636	6%	N/A		
Japan	11,574	5%	N/A		
Malaysia	10,731	5%	N/A		
"0" reflects amounts rounded to +/- USD 500,000.					

Source: http://cdis.imf.org

TABLE 4: Sources of Portfolio Investment

Indonesia, 2012 (Data not available via http://cpis.imf.org/)

Table 5. FDI by industry

in USD million

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Agriculture & Forestry	286	197	-52	286	284	1,200	1,560
Fishing	19	-25	10	52	61	81	70
Mining & Quarrying	1,904	3,610	1,302	1,896	3,882	1,822	2,317
Manufacturing	2,412	2,322	1,573	4,971	8,157	8,945	8,820
Electricity, Gas and Water	-61	-56	53	204	364	284	299
Construction	195	24	7	-49	411	-76	149
Wholesale & Retail	215	1,159	73	2,463	2,882	1,242	1,116
Hotel & Restaurant	-10	16	0	1	-1	-1	-3
Transport, Storage & Communication	919	134	1,799	2,389	2,378	3,023	1,894
Financial Intermediation	1,361	1,927	149	408	559	1,026	509
Real Estate and Business Activity	-4	-201	-25	27	687	830	834
Others	37	212	-11	654	-353	746	870
TOTAL	**6,928**	**9,318**	**4,876**	**13,303**	**19,242**	**19,138**	**18,444**
% of GDP	**1.6**	**1.8**	**0.9**	**1.9**	**2.2**	**2.2**	**2**
Note: Public Administration & Defense, Education, Health, Other Community Services all recorded zero FDI							
Source: Bank Indonesia							

Table 6. FDI by Country of Origin

in USD million

	2007	2008	2009	2010	2011	2012	2013
Japan	1,126	1,144	896	3,728	5,194	7961	5557
U.S.	1,093	1,040	159	571	-301	831	1063
Europe	2,622	1,966	674	279	4,489	253	-372
China	117	531	358	354	226	336	590
Korea	250	186	80	342	618	692	982
ASEAN	1,107	3,397	1,381	5,903	8,339	7588	8721
Malaysia	232	1,018	313	340	-30	-508	-657
Singapore	836	2,297	1,016	5,479	8,229	7972	9258
Other	436	597	174	950	786	-5,987	-6,698
Total	**6,928**	**9,318**	**4,877**	**13,304**	**19,242**	**19,138**	**-6,698**
Source: Bank Indonesia							

Table 7. FDI by Country of Origin

in total percentage

	2007	2008	2009	2010	2011	2012	2013
Japan	16.3	12.3	18.4	28.0	27.0	41.6	30.1
U.S.	15.8	11.2	3.3	4.3	-1.6	4.3	5.7
Europe	37.8	21.1	13.8	2.1	23.3	1.3	-0.2
China	1.7	5.7	7.3	2.7	1.2	1.7	3.2
Korea	3.6	2.0	1.6	2.6	3.2	3.6	5.3
ASEAN	16.0	36.5	28.3	44.4	43.3	39.6	47.3
Malaysia	3.3	10.9	6.4	2.6	-0.2	-0.2	-3.5
Singapore	12.1	24.7	20.8	41.2	42.8	41.6	50.2

Other	6.3	6.4	3.6	7.1	4.1	-31.2	-36.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Source: Bank Indonesia							

Table 8. FDI by Type of Investment

in USD million

	2007	2008	2009	2010	2011	2012	2013
Equity Capital	5,252	8,033	4,358	7,895	10,429	8,625	9,130
Reinvested Earnings	2,294	1,070	621	4,105	3,922	7,229	6,399
Other Capital	-619	215	-104	1,303	4,891	3,285	2,916
Total	**6,928**	**9,318**	**4,877**	**13,303**	**19,242**	**19,138**	**18,444**
Source: Bank Indonesia							

Table 9. FDI by Industry and Country of Origin

in USD million

	2007	2008	2009	2010	2011	2012	2013
Agriculture, Hunting, and Forestry	**286**	**197**	**-52**	**286**	**284**	**1,200**	**1,560**
Japan	0	-4	1	12	20	25	19
U.S.	5	0	0	0	0	0	50
European Union	185	10	-157	34	15	111	180
China	6	7	21	-24	0	0	0
ASEAN	-8	0	-5	0	237	1,070	1,316
Other	15	7	16	-12	12	-7	-4
Mining & Quarrying	**1,904**	**3,610**	**1,302**	**1,896**	**3,882**	**1,822**	**2,317**

Japan	341	546	-78	84	-101	29	-283
U.S.	1,262	1,056	177	430	-435	650	764
European Union	405	617	392	404	3,593	67	684
China	170	534	357	354	150	284	544
ASEAN	113	614	144	186	418	445	155
Other	-50	228	295	272	266	318	409
Electricity, Gas, and Water Supply	**-61**	**-56**	**53**	**204**	**364**	**284**	**299**
Japan	16	0	0	63	253	-5	-18
European Union	-76	4	9	135	60	265	194
ASEAN	-1	-66	31	4	14	1	62
Other	0	8	1	8	8	15	12
Manufacturing	**2,412**	**2,322**	**1,573**	**4,971**	**8,157**	**8,945**	**8,820**
Japan	341	546	-78	84	4,359	7,104	5,301
U.S.	1,262	1,056	177	430	112	163	10
European Union	1,128	991	185	-1,016	-623	-1,934	-1,695
China	8	-4	1	1	33	42	53
ASEAN	397	989	531	1,722	3,013	1,646	3,012
Other	45	-230	-49	814	500	960	835
Wholesale & Retail	**215**	**1,159**	**73**	**2,463**	**2,882**	**1,242**	**1,473**
Japan	-23	86	74	133	385	409	248
U.S.	-20	-1	-8	0	0	-10	1
Construction	**195**	**24**	**7**	**-49**	**86**	**-76**	**149**

Japan	6	0	-1	10	94	13	27
U.S.	-6	0	0	0	88	0	0
European Union	27	0	-1	0	91	40	72
China	0	0	0	2	95	2	5
ASEAN	24	14	-5	-23	97	-29	-32
Other	-6	0	0	0	102	-77	-68
Others	**37**	**212**	**-11**	**654**	**-353**	**746**	**870**
Japan	-123	-13	13	61	85	156	131
U.S.	-1	8	3	-7	-8	-13	-11
European Union	183	6	-86	10	-15	-75	-28
China	-62	0	0	0	0	0	0
ASEAN	27	-4	26	122	121	216	310
Other	18	159	26	419	-619	312	277
TOTAL	**6,928**	**9,318**	**4,877**	**13,304**	**19,242**	**19,138**	**18,444**
Source: Bank Indonesia							

Table 10. FDI Realization by Region in Indonesia in USD Million

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Java	**8,498**	**13,567**	**9,370**	**11,499**	**12,325**	**13,660**	**17,326**
Jakarta	4,669	9,928	5,511	6,429	4,824	4,108	2,591
West Java	1,328	2,552	1,934	1,692	3,839	4,211	7,125
East Java	1,691	457	422	1,769	1,312	2,299	3,396

Banten	708	478	1,412	1,544	2,172	2,716	3,720
Kalimantan	**309**	**115**	**284**	**2,011**	**1,919**	**3,209**	**2,773**
East Kalimantan	160	13	80	1,092	602	2,014	1,335
Sumatera	**1,386**	**1,009**	**776**	**747**	**2,077**	**3,729**	**3,395**
Riau	724	461	252	87	212.3	1,153	1,305
Sulawesi	**80**	**65**	**142**	**859**	**715**	**1,507**	**1,498**
Nusa Tenggara	**57**	**96**	**234**	**503**	**953**	**1,127**	**889**
Bali	51	81	227	278	482	482	391
Maluku	**0**	**0**	**6**	**249**	**142**	**99**	**321**
Papua	**2**	**19**	**2**	**347**	**1,345**	**1,235**	**2,414**
Total	**10,350**	**14,870**	**10,815**	**16,215**	**19,475**	**24,565**	**28,618**
% of GDP	**2.4**	**2.9**	**2.0**	**2.3**	**2.3**	**2.8**	**3.1**
Source: Investment Coordinating Board (BKPM)							

Section 5 - Government

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law system based on the Roman-Dutch model and influenced by customary law

International organization participation:

ADB, APEC, ARF, ASEAN, BIS, CD, CICA (observer), CP, D-8, EAS, EITI (candidate country), FAO, G-11, G-15, G-20, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MONUSCO, NAM, OECD (Enhanced Engagement, OIC, OPCW, PIF (partner), UN, UNAMID, UNCTAD, UNESCO, UNIDO, UNIFIL, UNISFA, UNMIL, UNMISS, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

While the importation of capital is relatively uninhibited, foreign investment must be approved. Similarly, foreign currency can be transferred essentially free of control although minor reporting requirements do exist.

Importantly, repatriation of capital, other than resulting from the sale of existing shares to Indonesians, is prohibited for the period the investor enjoys any tax holiday.

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Treaty and non-treaty withholding tax rates

Indonesia has signed **74 agreements** (**69 DTC** and **5 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Algeria	DTC	28 Apr 1995	8 Dec 2000	Unreviewed	No
Armenia	DTC	12 Oct 2005	not yet in force	Unreviewed	No
Australia	DTC	22 Apr 1992	14 Dec 1992	Yes	No
Austria	DTC	24 Jul 1986	1 Oct 1988	No	No
Bangladesh	DTC	19 Jun 2003	11 Jul 2006	Unreviewed	No
Belgium	DTC	16 Sep 1997	7 Nov 2001	Yes	No
Bermuda	TIEA	22 Jun 2011	not yet in force	Yes	Yes
Brunei Darussalam	DTC	27 Feb 2000	14 Aug 2002	No	No
Bulgaria	DTC	11 Jan 1991	25 May 1992	Unreviewed	No
Canada	DTC	16 Jan 1979	23 Dec 1980	Yes	No
China	DTC	7 Nov 2001	25 Aug 2003	Yes	No
Chinese Taipei	DTC	1 Mar 1995	1 Dec 1995	Unreviewed	No
Croatia	DTC	15 Feb 2002	16 Mar 2012	Unreviewed	No
Czech Republic	DTC	4 Oct 1994	26 Jan 1996	Yes	No
Denmark	DTC	28 Dec 1985	29 Apr 1986	Yes	No
Egypt	DTC	13 May 1998	26 Feb 2002	Unreviewed	No
Finland	DTC	15 Oct 1987	26 Jan 1989	Yes	No
France	DTC	14 Sep 1979	13 Mar 1981	Yes	No
Germany	DTC	30 Oct 1990	28 Dec 1991	No	No
Guernsey	TIEA	27 Apr 2011	not yet in force	Yes	Yes
Hong Kong, China	DTC	23 Mar 2010	28 Mar 2012	Yes	Yes
Hungary	DTC	19 Oct 1989	4 Feb 1993	Yes	No
India	DTC	7 Aug 1987	19 Dec 1987	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
India	DTC	27 Jul 2012	not yet in force	Yes	Yes
Iran	DTC	30 Apr 2004	1 Jan 2011	Unreviewed	No
Isle of Man	TIEA	22 Jun 2011	not yet in force	Yes	Yes
Italy	DTC	18 Feb 1990	2 Sep 1995	Yes	No
Japan	DTC	3 Mar 1982	31 Dec 1982	Yes	No
Jersey	TIEA	27 Apr 2011	not yet in force	Yes	Yes
Jordan	DTC	12 Nov 1996	22 Dec 1998	Unreviewed	No
Korea, Democratic People's Republic of	DTC	11 Jul 2002	25 Mar 2004	Unreviewed	No
Korea, Republic of	DTC	10 Nov 1988	3 May 1989	Yes	No
Kuwait	DTC	23 Apr 1997	1 Jan 1998	Unreviewed	No
Luxembourg	DTC	14 Jan 1993	10 Mar 1994	No	No
Malaysia	DTC	12 Sep 1991	11 Aug 1992	No	No
Mexico	DTC	6 Sep 2002	28 Oct 2004	Yes	No
Mongolia	DTC	2 Jul 1996	1 Jan 2001	Unreviewed	No
Morocco	DTC	8 Jun 2008	10 Apr 2012	Unreviewed	No
Myanmar	DTC	1 Apr 2003	not yet in force	Unreviewed	No
Netherlands	DTC	29 Jan 2002	31 Dec 2003	Yes	No
New Zealand	DTC	25 Mar 1987	23 Jun 1988	Yes	No
Norway	DTC	19 Jul 1988	16 May 1990	Yes	No
Pakistan	DTC	7 Oct 1990	28 Feb 1991	Unreviewed	No
Papua New Guinea	DTC	12 Mar 2010	not yet in force	Unreviewed	No
Philippines	DTC	18 Jun 1981	20 May 1982	Yes	No
Poland	DTC	6 Oct 1992	25 Aug 1993	Yes	No
Portugal	DTC	9 Jul 2003	11 May 2007	Yes	No
Qatar	DTC	30 Apr 2006	19 Sep 2007	Yes	No
Romania	DTC	3 Jul 1996	13 Jan 1999	Unreviewed	No
Russian Federation	DTC	12 Mar 1999	17 Dec 2002	Yes	No
San Marino	TIEA	25 Sep 2013	not yet in force	Yes	Yes
Serbia	DTC	28 Feb 2011	not yet in force	Unreviewed	Yes
Seychelles	DTC	27 Sep 1999	20 Apr 2000	Yes	No
Singapore	DTC	8 May 1990	25 Jan 1991	No	No
Slovakia	DTC	12 Oct 2000	30 Jan 2001	Yes	No
South Africa	DTC	15 Jul 1997	23 Nov 1998	Yes	No
Spain	DTC	30 May 1995	20 Dec 1999	Yes	No
Sri Lanka	DTC	3 Feb 1993	21 Jun 1994	Unreviewed	No
Sudan	DTC	10 Feb 1998	1 Jan 2001	Unreviewed	No
Suriname	DTC	14 Oct 2003	not yet in force	Unreviewed	No
Sweden	DTC	28 Feb 1989	27 Sep 1989	Yes	No
Switzerland	DTC	29 Aug 1988	24 Oct 1989	No	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Syrian Arab Republic	DTC	27 Jun 1997	1 Jan 1999	Unreviewed	No	
Tajikistan	DTC	28 Oct 2003	not yet in force	Unreviewed	No	
Thailand	DTC	15 Jun 2001	23 Oct 2003	Unreviewed	No	
Tunisia	DTC	13 May 1992	12 Apr 1993	Unreviewed	No	
Turkey	DTC	25 Feb 1997	6 Mar 2000	Yes	No	
Ukraine	DTC	10 Apr 1996	9 Nov 1998	Unreviewed	No	
United Arab Emirates	DTC	30 Nov 1995	8 Nov 1996	No	No	
United Kingdom	DTC	5 Apr 1993	14 Apr 1994	Yes	No	
United States	DTC	11 Jul 1988	30 Jan 1990	Yes	No	
Uzbekistan	DTC	28 Aug 1996	11 Nov 1998	Unreviewed	No	
Venezuela	DTC	27 Feb 1997	18 Dec 2000	Unreviewed	No	
Viet nam	DTC	22 Dec 1997	10 Feb 1999	Unreviewed	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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