



**Australian Government**  
**Refugee Review Tribunal**

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# Country Advice Indonesia

Indonesia – IDN38063 – Bali – Business owners – Corruption – Extortion – Tax officials – Financial support – Ethnic Chinese – Hindus – Internal relocation

21 January 2011

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## **1. Are there reports of corrupt extortion of payments from businesses in Bali by tax officials and by council officials?**

Limited information was found regarding official corruption specifically in Bali; however, sources indicate that official corruption has been a significant problem in Indonesia.

In 2010, the US Department of State reported that the law in Indonesia provided criminal penalties for official corruption and that the government “generally implemented these laws effectively”. Despite the arrest and conviction of high profile officials, however, there has remained “a widespread domestic and international perception that corruption was a part of daily life”.<sup>1</sup> Human Rights Watch observed in 2010 that, notwithstanding steps by the current Indonesian government to combat corruption, “serious obstacles remain”,<sup>2</sup> while Freedom House has unequivocally reported that corruption remains endemic in Indonesia.<sup>3</sup>

Specific mention of corrupt practices by tax officials in Bali appeared in a letter to the editor of *The Jakarta Post* in November 2009. The writer, who indicated that he was a “foreign businessman” who had been working in Bali for fifteen years, stated that he regularly experienced problems with corrupt officials, including with the police, tax offices and the Investment Coordinating Body. His stated view was that “[c]learly, if you do not accept that system, you cannot do business in Indonesia. If you do not pay bribes, nothing can go ahead”.<sup>4</sup>

The Fugly Bali website<sup>5</sup> states that the police in Bali contribute to and “basically ignore” crime in Bali, and that “the police and other government officials in Bali are the root cause for most if not all of the problems on the island”.<sup>6</sup> It asserts that people “fall victim to fraud/extortion from an early age in Bali”.<sup>7</sup>

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<sup>1</sup> US Department of State 2010, *2009 Country Reports on Human Rights Practices – Indonesia*, March, Section 4 – Attachment 1.

<sup>2</sup> Human Rights Watch 2010, *World Report 2010 – Indonesia*, January – Attachment 2.

<sup>3</sup> Freedom House 2010, *Freedom in the World – Indonesia (2010)*, June – Attachment 3.

<sup>4</sup> ‘SMS: Dealing with Corrupt officials’ 2009, *The Jakarta Post*, 28 November – Attachment 4.

<sup>5</sup> See ‘About Fugly Bali’ (undated), Fugly Bali website <http://www.fugly-bali.org/about.html> – Accessed 18 January 2011 – Attachment 5.

<sup>6</sup> ‘Bali’s Mafia Police’ (undated), Fugly Bali website <http://www.fugly-bali.org/police.html> – Accessed 18 January 2011 – Attachment 6.

<sup>7</sup> ‘Fraud & Corruption’ (undated), Fugly Bali website <http://www.fugly-bali.org/fraud-corruption.html> – Accessed 18 January 2011 – Attachment 7.

**2. If yes to the first question, are the extortions at such a level as to threaten the viability of a sole trader's business?**

No information was found to indicate the extent to which extortion by government officials might threaten the viability of a sole trader's business.

**3. Is there evidence of such extortion being differentially targeted at Chinese businesses?**

No specific information was found on differential targeting for extortion of Chinese businesses in Bali. With reference to Indonesia more generally, however, sources indicate that Chinese individuals and businesses have been differentially treated.

Minority Rights Group International has reported that, since 1998, a number of laws that discriminated against Indonesia's Chinese minority have been changed or removed, "including the cancellation in 2005 of the Indonesian Citizenship Certificate (SBKRI) decree, under which ethnic Chinese were given a special code in their ID which identified them as Chinese and gave the bureaucracy the opportunity to discriminate against them".<sup>8</sup>

According to the US Department of State, some ethnic Chinese have reported that despite this reform "public servants still discriminated against them when issuing marriage licenses and in other services and often demanded bribes for a citizenship certificate, although such certificates were no longer legally required".<sup>9</sup>

**4. Is there any differential failure (according to Chinese descent or Hindu religion) by the Indonesian government (at whatever relevant level) to support those in financial difficulty?**

Sources indicate that the Indonesian government does not provide financial support to those who are in financial difficulty as a result of unemployment, through business failure or otherwise.

The International Social Security Association has reported that most Indonesians have no access to any social security. The Social Security Law of 2004 seeks to extend some coverage to all Indonesian citizens and its provisions are being gradually implemented; however, at present "the unemployed and the poor lack adequate social security protection".<sup>10</sup>

No information was found to indicate any differential failure by the Indonesian government to provide support to those of Chinese descent or Hindu religion.

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<sup>8</sup> 'World Directory of Minorities – Indonesia – Chinese' (undated), Minority Rights Group International website <http://www.minorityrights.org/4434/indonesia/chinese.html> – Accessed 18 January 2011 – Attachment 8.

<sup>9</sup> US Department of State 2010, *2009 Country Reports on Human Rights Practices – Indonesia*, March, Section 6 – Attachment 1.

<sup>10</sup> 'Indonesia – Reforms – Enactment of the National Social Security System law' (undated), International Social Security Association website [http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/\(link\)/Reform/\(id\)/3405](http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/(link)/Reform/(id)/3405) – Accessed 18 January 2011 – Attachment 9.

**5. Would a small trader whose business has failed in Bali be at risk of homelessness or starvation? Would this risk differ depending on Chinese background or Hindu faith?**

Information on levels of government support for the unemployed, as outlined in response to the previous question, indicates that a small trader whose business had failed may be at risk of homelessness or starvation if adequate support from family and community was not available.

The Asian Development Bank has observed that in Indonesia “there is a strong reliance on the extended family and the community to provide support in case of illness, loss of income, or other unforeseen events. About two thirds of the population work in the informal sector and rely almost entirely on these informal mechanisms”.<sup>11</sup> According to the International Social Security Association, however, “changing demographics and evolving family structures... mean that traditional social protection mechanisms, such as the family unit, may be less reliable as sources of support in the future”.<sup>12</sup>

No information was found to indicate how risk of homelessness or starvation might differ for persons of Chinese background or Hindu faith.

**6. Is there any other kind of discrimination or harm suffered by Chinese or Hindus in Bali?**

Amnesty International has reported that “minority religious groups remained vulnerable to violent attacks by non-state actors, and were subjected to discrimination”.<sup>13</sup> Recent articles in *The Jakarta Globe* refer to increasing religious fundamentalism and intolerance in Indonesia;<sup>14 15</sup> however, no reporting of adverse treatment of Hindus in Bali has been found.

Hindus are the majority religious group in Bali, where they comprise about 90 percent of the population.<sup>16</sup>

Sources do, however, indicate that discrimination and harm have been suffered by people of Chinese descent in Bali. An October 2010 article in *Sojourn: Journal of Social Issues in SE Asia* reports that “the Chinese have been a strong minority in the island for many generations. For different reasons, some of these migrants from China became extremely successful and influential in economic affairs, which led to conflicts with the indigenous population”. The article observes that when violent riots against the Chinese reached a peak in the 1960s, “thousands of ethnic Chinese were killed, not in the least on Bali”. Significantly, though, the same article notes that when anti-Chinese riots again occurred in Indonesia in 1998, many Chinese fled to Bali where “they felt obviously more secure than in other parts of Indonesia,

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<sup>11</sup> Asian Development Bank 2007, ‘Design, Fiscal Analysis, and Implementation of the National Social Security System’, Asian Development Bank website, p.4 <http://www.adb.org/Documents/Books/Indonesia-National-Social-Security-System/Chapter1.pdf> – Accessed 18 January 2011 – Attachment 10.

<sup>12</sup> ‘Indonesia – Reforms – Gradual implementation of the new social security law’ (undated), International Social Security Association website [http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/\(link\)/Reform/\(id\)/3773](http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/(link)/Reform/(id)/3773) – Accessed 18 January 2011 – Attachment 11.

<sup>13</sup> Amnesty International 2010, *2010 Annual Report – Indonesia*, May – Attachment 12.

<sup>14</sup> Kurniawati, D. 2010, ‘2010 Review: Wave of religious intolerance intensifies’, *The Jakarta Globe*, 30 December – Attachment 13.

<sup>15</sup> ‘For religious violence, the finger points to state bodies’ 2010, *The Jakarta Globe*, 22 December – Attachment 14.

<sup>16</sup> US Department of State 2010, *International Religious Freedom Report 2010 – Indonesia*, November, Section I – Attachment 15.

despite the ambivalent attitude of the Balinese towards them, who both fear and admire their economic power at the same time”.<sup>17</sup>

**7. If the answers to any of the questions above is yes, could a Chinese Hindu sole trader, with a wife and children, avoid discrimination by moving to another part of Indonesia? Would the cost of such a move be prohibitive? Would there be any other part of the country more supportive than Bali?**

Indonesian citizens are reported to enjoy freedom of movement within the country.<sup>18</sup> No information was found to indicate that a Chinese Hindu sole trader and family would be impeded from moving to another part of Indonesia; however, nor was information found to indicate the extent to which the cost of such a move may be prohibitive.

An *Inside Indonesia* article published in 2009 observed that the situation for the ethnic Chinese minority in Indonesia has changed markedly since the fall of Suharto’s government. The author, Jemma Purdey, noted that the absence of justice for victims of the anti-Chinese riots of May 1998 “continues to cause disillusionment and an ongoing sense of vulnerability and mistrust in the authorities”. Improvements in the legal and social status of Chinese Indonesians have, however, been “truly remarkable”:

For more than thirty years discriminatory policies and social conditioning had rendered Chinese outsiders. All of a sudden, the Chinese seemed to be welcomed into the Indonesian nation. The government repealed discriminatory legislation banning the practice of Chinese language and culture, lifting long-enforced taboos. This has had a profound effect on the way the minority has come to see itself as an ethnic group and as citizens of a multi-ethnic Indonesia.

According to Purdey, the absence of anti-Chinese violence since the late 1990s is related to a shift in state-led attitudes towards this minority and in support of pluralism and multiculturalism in general.<sup>19</sup>

In October 2008, the Indonesian Assembly passed an anti-discrimination act that set jail as a minimum sentence for acts of racial discrimination,<sup>20</sup> and in early 2009 President Yudhoyono reportedly “called on all state officials to improve their services to the country’s Chinese-Indonesian community, saying all discriminatory acts against minorities must be put to an end.”<sup>21</sup>

Minority Rights Group International has referred to “the cancellation in 2005 of the Indonesian Citizenship Certificate (SBKRI) decree, under which ethnic Chinese were given a special code in their ID which identified them as Chinese and gave the bureaucracy the opportunity to discriminate against them”.<sup>22</sup> In January 2009, however, *Inside Indonesia* reported that the SBKRI was still “compulsory for all Chinese Indonesians of 21 years of age

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<sup>17</sup> Gottowik, V. 2010, ‘Transnational, translocal, transcultural: some remarks on the relations between Hindu-Balinese and ethnic Chinese in Bali’, *Sojourn: Journal of Social Issues in SE Asia*, vol.25, issue 2, 1 October – Attachment 16.

<sup>18</sup> US Department of State 2010, 2009 *Country Reports on Human Rights Practices – Indonesia*, March, Section 2d – Attachment 1.

<sup>19</sup> Purdey, J. 2009, ‘A common destiny’, *Inside Indonesia*, July-September – Attachment 17.

<sup>20</sup> ‘Bill against racial discrimination passed’ 2008, *The Jakarta Post*, 29 October – Attachment 18.

<sup>21</sup> ‘Chinese Indonesians recognize improvement’ 2009, *The Jakarta Post*, 2 February – Attachment 19.

<sup>22</sup> ‘World Directory of Minorities – Indonesia – Chinese’ (undated), Minority Rights Group International website <http://www.minorityrights.org/4434/indonesia/chinese.html> – Accessed 18 January 2011 – Attachment 8.

or over”. The article stated that “[u]nlike Indonesians of Arab or Indian descent, Chinese Indonesians are required to have a document that proves they are Indonesian citizens. Whenever Chinese Indonesians deal with the bureaucracy, they are obliged to produce this document. It is an integral part of their administrative experiences of birth, marriage and death. They need it to get an identity card, to enrol in an educational institution, to obtain a business license and to get a passport”.<sup>23</sup>

The US Department of State reported in March 2010 that “some ethnic Chinese noted that, despite recent reforms, public servants still discriminated against them when issuing marriage licenses and in other services and often demanded bribes for a citizenship certificate, although such certificates were no longer legally required. A number of articles of law, regulation, or decree discriminated against ethnic Chinese citizens.”<sup>24</sup>

In the previously mentioned *Inside Indonesia* article, Purdey noted that most Chinese Indonesians have “double minority status, being also non-Muslim” and as such have concerns about “the government’s acquiescence to pressure from religious hard-liners, and the increasing popularity of conservative and intolerant views in the wider Muslim public”.<sup>25</sup>

In a report dated May 2010, the United States Commission on International Religious Freedom referred to Hindu temples amongst the religious buildings targeted by extremist groups. According to that report:

Most of Indonesia’s sectarian tensions and societal violence have been instigated by groups such as the Islamic Defenders Front (FPI), the Indonesian Council of Martyrs (MMI), the Alliances for Anti-Apostates (AGAP), the Islamic Umat Forum (FUI), among others. These groups have used pressure, intimidation, and violence against those whose views or actions they find unacceptable. Their actions have included intimidating judges and local officials; vandalizing and destroying buildings belonging to religious minorities, including Christian churches, Hindu temples, and Ahmadiyya and Shi’a mosques; threatening moderate Muslims or those considered to have “deviant” theological views; and forcing the closure of some non-Muslim businesses during Ramadan. Though these groups are a tiny minority of Indonesia’s diverse Muslim community, they remain an active religious force and a political challenge to Indonesia’s image as a democracy committed to religious tolerance and pluralism.

The Indonesian government does not officially condone or encourage societal violence by extremist groups and has sometimes spoken out strongly against it. Police have arrested and sentenced members of some extremists groups who instigate violence, including the leaders of the Islamic Defenders Front (FPI) after they orchestrated violence at a June 2008 religious freedom rally in Jakarta. Nonetheless, the government has not been consistently vigilant about hindering the activities of extremist groups or holding leaders responsible for acts of societal violence, vandalism, discrimination, or intimidation.<sup>26</sup>

While Hindus comprise about 90 percent of the population of Bali, they comprise only about 2 percent of the population of Indonesia as a whole. Hindu minorities reside in Central and

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<sup>23</sup> Effendi, W. 2009, ‘Never Indonesian enough: State discrimination against the Chinese is a form of cultural violence’, *Inside Indonesia*, 12 January – Attachment 20.

<sup>24</sup> United States Department of State 2010, *2009 Country Reports on Human Rights Practices – Indonesia*, March, Section 6 – Attachment 1.

<sup>25</sup> Purdey, J. 2009, ‘Indonesia: A common destiny’, *Inside Indonesia*, July-September 2009 – Attachment 17.

<sup>26</sup> United States Commission on International Religious Freedom 2010, ‘Annual Report 2010’, United States Commission on International Religious Freedom website, May, p.258  
<http://www.uscirf.gov/images/annual%20report%202010.pdf> – Accessed 18 January 2011 – Attachment 21.

East Kalimantan, the city of Medan (North Sumatra), South and Central Sulawesi, and Lombok (West Nusa Tenggara).<sup>27</sup>

No information was found to indicate that discrimination on the basis of Chinese ethnicity or Hindu religion would be lessened by relocating from Bali to another part of Indonesia, or that any other part of Indonesia would necessarily provide a more supportive environment for a Chinese Hindu sole trader.

## Attachments

1. US Department of State 2010, *2009 Country Reports on Human Rights Practices – Indonesia*, March.
2. Human Rights Watch 2010, *World Report 2010 – Indonesia*, January.
3. Freedom House 2010, *Freedom in the World – Indonesia (2010)*, June.
4. ‘SMS: Dealing with Corrupt officials’ 2009, *The Jakarta Post*, 28 November. (FACTIVA)
5. ‘About Fugly Bali’ (undated), Fugly Bali website <http://www.fugly-bali.org/about.html> – Accessed 18 January 2011.
6. ‘Bali’s Mafia Police’ (undated), Fugly Bali website <http://www.fugly-bali.org/police.html> – Accessed 18 January 2011.
7. ‘Fraud & Corruption’ (undated), Fugly Bali website <http://www.fugly-bali.org/fraud-corruption.html> – Accessed 18 January 2011.
8. ‘World Directory of Minorities – Indonesia – Chinese’ (undated), Minority Rights Group International website <http://www.minorityrights.org/4434/indonesia/chinese.html> – Accessed 18 January 2011.
9. ‘Indonesia – Reforms – Enactment of the National Social Security System law’ (undated), International Social Security Association website [http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/\(link\)/Reform/\(id\)/3405](http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/(link)/Reform/(id)/3405) – Accessed 18 January 2011.
10. Asian Development Bank 2007, ‘Design, Fiscal Analysis, and Implementation of the National Social Security System’, Asian Development Bank website, p.4 <http://www.adb.org/Documents/Books/Indonesia-National-Social-Security-System/ChapterI.pdf> – Accessed 18 January 2011.
11. ‘Indonesia – Reforms – Gradual implementation of the new social security law’ (undated), International Social Security Association website [http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/\(link\)/Reform/\(id\)/3773](http://www.issa.int/Observatory/Country-Profiles/Regions/Asia-and-the-Pacific/Indonesia/(link)/Reform/(id)/3773) – Accessed 18 January 2011.
12. Amnesty International 2010, *2010 Annual Report – Indonesia*, May.

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<sup>27</sup> United States Department of State 2010, *International Religious Freedom Report 2010 – Indonesia*, November, Section I – Attachment 15.

13. Kurniawati, D. 2010, '2010 Review: Wave of religious intolerance intensifies', *The Jakarta Globe*, 30 December. (CISNET Indonesia CX256060)
14. 'For religious violence, the finger points to state bodies' 2010, *The Jakarta Globe*, 22 December. (CISNET Indonesia CX256122)
15. US Department of State 2010, *International Religious Freedom Report 2010 – Indonesia*, November.
16. Gottowik, V. 2010, 'Transnational, translocal, transcultural: some remarks on the relations between Hindu-Balinese and ethnic Chinese in Bali', *Sojourn: Journal of Social Issues in SE Asia*, vol.25, issue 2, 1 October. (FACTIVA)
17. Purdey, J. 2009, 'A common destiny', *Inside Indonesia*, July-September. (CISNET Indonesia CX233654)
18. 'Bill against racial discrimination passed' 2008, *The Jakarta Post*, 29 October. (CISNET Indonesia CX213521)
19. 'Chinese Indonesians recognize improvement' 2009, *The Jakarta Post*, 2 February. (CISNET Indonesia CX219497)
20. Effendi, W. 2009, 'Never Indonesian enough: State discrimination against the Chinese is a form of cultural violence', *Inside Indonesia*, 12 January. (CISNET Indonesia CX217989)
21. United States Commission on International Religious Freedom 2010, 'Annual Report 2010', United States Commission on International Religious Freedom website, May <http://www.uscirf.gov/images/annual%20report%202010.pdf> – Accessed 18 January 2011.