INDONESIA

TRADE SUMMARY

The U.S. goods trade deficit with Indonesia was $10.1 billion in 2007, a decrease of $276 million from $10.3 billion in 2006. U.S. goods exports in 2007 were $4.2 billion, up 37.6 percent from the previous year. Corresponding U.S. imports from Indonesia were $14.3 billion, up 6.6 percent. Indonesia is currently the 39th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Indonesia were $1.3 billion in 2006 (latest data available), and U.S. imports were $349 million. Sales of services in Indonesia by majority U.S.-owned affiliates were $1.1 billion in 2005 (latest data available), while sales of services in the United States by majority Indonesian-owned firms were $23 million.

The stock of U.S. foreign direct investment (FDI) in Indonesia was $10.6 billion in 2006 (latest data available), up from $9.5 billion in 2005. U.S. FDI in Indonesia is concentrated largely in the mining sector.

The United States and Indonesia continue to hold regular meetings under their trade and investment framework agreement to discuss outstanding trade concerns and explore ways to further enhance trade and investment relations. In August 2007, Indonesia and Japan signed an economic partnership agreement, Indonesia's first bilateral free trade agreement. Indonesia fully implemented the first stage of its commitments under the Association of South East Asian Nations (ASEAN) Free Trade Agreement (AFTA) on schedule in 2002, and it has been active in ASEAN's efforts to pursue free trade agreements with China, Japan, South Korea, India, Australia, and New Zealand.

IMPORT POLICIES

Tariffs

The Indonesian government released a new tariff reduction package in January 2004. The new tariff book categorizes tariffs into International Non-ASEAN Tariffs and ASEAN Tariffs. Most Non-ASEAN tariffs fall into 0 percent, 5 percent, and 10 percent tiers, except for sensitive items such as automotive goods and alcohol. ASEAN tariffs fall into three tiers, 0 percent, 2.5 percent, and 5 percent, for all goods covered by the AFTA. Indonesia's simple average bound tariff was 37.1 percent in 2006. Its simple average applied tariff was 6.9 percent.

In January 2006, Indonesia announced the results of the second and final phase of its Tariff Harmonization Program. Of 9,209 tariff lines reviewed, Indonesia made changes to 800, lowering 635 tariffs and increasing 165. Most Indonesian tariffs are bound at 40 percent. Products for which tariff bindings exceed 40 percent or which remain unbound include automobiles, iron, steel, and some chemical products. In the agricultural sector, 1,341 tariff lines have bindings at or above 40 percent. Fresh potatoes, for instance, have a tariff binding of 50 percent. Local agriculture interests continue to lobby the government to increase tariff rates above bound WTO levels on sensitive agricultural products, such as sugar, soybeans, and corn.

The maximum tariff on automobiles is 80 percent. Tariffs on passenger car kits imported for assembly range from 25 percent to 50 percent, depending on engine size, while tariffs on nonpassenger car kits are 25 percent. Tariffs on automotive components and parts imported for local assembly of passenger cars and minivans are 15 percent. U.S. motorcycle manufacturers remain concerned about the high tariff of 60

percent (25 percent on knockdown kits), the luxury tax of 75 percent, as well as the prohibition on motorcycle traffic on toll ways as barriers to the Indonesian market.

To implement the ASEAN Harmonized Tariff Nomenclature, starting from September 14, 2007, the Indonesian government amended its tariff schedule by lowering some tariff bindings including wire rods, steel strands, aluminum foil, and automotive components to 20 percent from 45 percent.

Nontariff Barriers

The luxury sales tax on 4,000 cc sedans and 4x4 Jeeps or vans is 75 percent, compared with the luxury tax on automobiles with engine capacity under 1500 cc, which ranges from 10 percent to 30 percent. Forty percent of the market is made up of passenger cars with engine displacement less than 1500 cc, including a large group of vehicles predominantly produced in Indonesia that are taxed at a rate of 10 percent.

The National Logistics Agency (Bulog) previously had a monopoly on importing and distributing major bulk food commodities, such as wheat, rice, sugar, and soybeans, but it now has the status of a state owned enterprise with responsibility for maintaining stocks for distribution to military and low income families, and for managing the country's rice stabilization program. Bulog is no longer entitled to draw on Bank Indonesia credit lines, a privilege it enjoyed under the Soeharto regime, and it must use commercial credit and pay import duties. In conjunction with the reduction of Bulog's authority and role, some designated private companies are now permitted to import rice, wheat, wheat flour, soybeans, garlic, and sugar.

In February 2007, the Indonesian government announced it was relaxing the ban on imports of rice because of late rains and a poor harvest. In August 2007, it revoked the ban. According to the Ministry of Trade, Bulog has discretion as to when and how much rice to import. Under new authority, Bulog can import premium rice, but it must consult with the Minister of Trade before doing so. Bulog also has authority to impose measures to stabilize rice prices without consulting other ministries in areas where there are rice shortages and price fluctuations. The Indonesian government has increased rice import duties from 450 Rupiah per ton ($48 per ton) to 550 Rupiah per kilogram ($58 per ton). Historically, the United States has not made significant commercial sales of rice to Indonesia; most shipments have occurred through the P.L. 480 Title I concessional loan program.

The Indonesian government continues to maintain a ban on imports of chicken parts originally imposed in 2000 by the Directorate General of Livestock Services in the Ministry of Agriculture (MOA). The U.S. Government has repeatedly raised concerns about this issue, but the MOA continues to insist that the ban is needed to assure consumers that imports are *Halal* (or produced in accordance with Islamic practices). U.S. industry estimates the value of lost trade from the ban at roughly $10 million per year.

The Indonesian government also imposes *de facto* quantitative restrictions on imports of animal based food products by requiring an import permit from the Directorate General of Livestock. In approving requests for such letters, the Indonesian government may arbitrarily alter the quantity allowed to enter. U.S. industry estimates the annual trade impact of this restriction to be between $10 million and $25 million.

In addition to the ban on imports of salt during the harvest season, Indonesian regulators require salt importing companies to be registered and to source 50 percent of their raw materials locally. A Ministry of Trade decree from 2004 allows five companies to import sugar, with the Ministry of Trade empowered to decide which companies can import sugar and in what quantities.

Indonesia applies quantitative import limits to wines and distilled spirits. In addition to the regular import duty of 170 percent, a 10 percent VAT and 35 percent luxury tax, the Indonesian government restricts imports of alcoholic beverages to two registered importers, both state owned enterprises. The combined effect of these barriers is to impede U.S. exports to Indonesia; during the first half of 2007, there were no direct U.S. exports of spirits to Indonesia, according to U.S. industry estimates.

The U.S. Government has received reports that Indonesia's Customs Service uses a schedule of arbitrary "check prices" rather than actual transaction prices on importation documents to assess duties on food product imports, despite Indonesia's commitments under the WTO Customs Valuation Agreement. Indonesian Customs officials defend this practice by arguing it combats under invoicing and assert that 80 percent of all Customs applications are accepted without extraordinary review. Importers are notified, however, when an application appears to be suspicious and, if the matter is not resolved, Customs makes an assessment based on an average of the price of the same or a similar product imported during the previous 90 days. Although most food product import tariffs remain at 5 percent, the effective level of duties can be much higher. For example, U.S. industry estimates that application of arbitrary check prices adds up to $2,000 per shipment of U.S. table grapes to Indonesia, leading to an estimated annual loss of around $3.5 million per year in potential trade for this product alone. The U.S. Government also has received complaints from importers about costly delays and requests for unofficial payments from a number of companies importing goods through Indonesian ports. The United States will continue to raise concerns with the Indonesian government over this issue.

Parliament approved an amended Customs Law in 2006 that cuts red tape for importers and exporters and imposes stiffer sanctions on smugglers. It established a code of ethics for customs officers and a set of penalties and incentives to punish corrupt behavior and reward good performance. The U.S. Government continues to monitor the implementation of this law and its effectiveness.

Import Licensing

The Indonesian government continues to reduce the number of products subject to import restrictions and special licensing requirements. Currently, 141 tariff lines are subject to import licensing restrictions, down from 1,112 tariff lines in 1990. Alcoholic beverages, lubricants, explosives, and certain dangerous chemical compounds, among other items, are subject to these requirements.

In 2002, the Minister of Industry and Trade issued a decree on Special Importer Identification Code Numbers. This decree requires importers of certain product categories to apply for a special importer identity card, without which products can be detained at port. These goods include: corn, rice, soybeans, sugar, textile and related products, shoes, electronics, and toys.

The Minister of Industry and Trade issued a decree in 2002 concerning Textile Import Arrangements. Only companies that have production facilities using imported fabrics as inputs for finished products, such as garments or furniture, may obtain import licenses. The United States has raised concerns that the import licensing requirements restrict and distort trade and has urged the Indonesian government to rescind the decree.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

In July 2000, the Indonesian government implemented the Consumer Protection Law of 1998 by requiring registration of imported food products. Importers must apply for a registration number from the Agency for Drug and Food Control (BPOM). According to U.S. importers, these requirements have proven to be overly burdensome and costly.

BPOM tests imported food products although implementation of this requirement is not yet complete and enforcement is inconsistent. Some U.S. producers have expressed concern that the extremely detailed information on product ingredients and processing they must provide may require them to reveal proprietary business information, leading some of them to discontinue sales in Indonesia. If fully implemented, the annual level of trade adversely affected by this requirement is estimated by U.S. industry at between $10 million and $25 million.

In 2007, Indonesia notified its Draft Decree Concerning Food Safety Control for the Import and Export of Fresh Food of Plant Origin to the WTO. The United States provided comments that expressed some concerns with these measures, which are under consideration in Indonesia.

Following the June 2005 discovery of a single case of Bovine Spongiform Encephalopathy in the United States, Indonesia's MOA banned imports of U.S. meat and other ruminant products on July 1, 2005. U.S. beef exports had been growing rapidly and approached a record $15 million in 2005 prior to imposition of the import ban. In early 2008, following negotiations during much of 2007, the Indonesian government agreed to allow full market access for imports of all U.S. beef and beef products from animals of all ages, consistent with the guidelines of the World Organization for Animal Health.

In May 2005, Indonesia issued a proposed regulation, Decree 37, which imposed new requirements for fresh fruit and vegetable imports. The proposal inaccurately reflected the presence of fruit flies in the United States. Although the United States corrected this information in its August 2005 response to the proposed regulation, Decree 37 became effective on March 27, 2006 without modification of the U.S. pest status. The final regulation requires imports of fruit fly host commodities to originate from fruit fly free areas or to be treated as a condition of entry. Eleven U.S. fruit exports were affected by Decree 37, including apples and grapes. In December 2006, following an MOA inspection visit, Indonesia declared California as a pest-free area for the Mediterranean fruit fly for grapes, opening the way to renewed grape exports.

Indonesia still maintains requirements for U.S. apples that do not take into account pest-free production areas in the Pacific Northwest. The United States has raised the issue bilaterally and in WTO meetings. At the WTO SPS Committee meeting in October 2007, the United States held a bilateral meeting with the Indonesian delegation, noting that, while exports of apples, pears, and cherries have resumed, Indonesia still requires treatment for pests that do not exist in the exporting regions or which cannot become established in Indonesian territory. The Indonesians said that they consider the matter to be resolved since trade in these products is moving, but they also indicated that they would be willing to have technical discussions to resolve any outstanding issues. Indonesia is the seventh largest market for U.S. apples, worth over $24 million in 2006. The United States will continue to raise this issue.

Indonesia has established policies on biotechnology, but does not appear to have a unified science based regulatory framework to implement its regulations. The Biosafety and Food Safety Committees are responsible for implementing regulations for biotechnology and initiating assessments for product approvals. Biosafety assessments for Bacillus thuringiensis (Bt) corn, Roundup Ready (RR) Corn, and RR soybeans are complete. However, final approval for these products has not yet been granted due to incomplete food safety assessments. Furthermore, an MOA decree from January 2001 for biotechnology

enhanced food established a 5 percent threshold level for labeling. To date, Indonesia has not issued implementation guidelines due to limited testing capabilities and ongoing discussion about the practical implementation of labeling requirements.

GOVERNMENT PROCUREMENT

Indonesia is not a signatory to the WTO Agreement on Government Procurement. In 2004, Indonesia issued a Presidential Decree on government procurement aimed at simplifying procedures and increasing efficiency and transparency in the procurement process. However, the Decree grants special preferences to encourage domestic sourcing and the maximum use of local content in government projects. Under the Decree, foreign companies are eligible to bid on government contracts as part of a joint partnership or as a subcontractor to a domestic firm, and permissible foreign participation in such projects increased from $1 million to $5 million.

The decentralization of procurement decisions may introduce additional barriers as local and provincial governments adopt their own procurement rules. A 2006 presidential decree requires agencies to announce projects, invite tenders, and provide related information in one national newspaper. By 2008, it requires the announcement of tenders to be publicized on a national procurement website that is under development.

Foreign firms bidding on high value government sponsored projects have been asked to purchase and export the equivalent value of selected Indonesian products. Government departments, institutes, and corporations are expected to utilize domestic goods and services to the maximum extent feasible, with the exception of foreign aid-financed procurement of goods and services. State owned enterprises that publicly offer shares through the stock exchange are exempted from government procurement regulations.

INTELLECTUAL PROPERTY RIGHTS (IPR)

IPR protection and enforcement remains a concern in Indonesia, where widespread optical disc piracy and counterfeiting of consumer goods, including automotive parts and pharmaceuticals, cost U.S. firms and the Indonesian government hundreds of millions of dollars in lost revenue and pose serious health and safety concerns for Indonesians. Indonesia has made progress in the past couple of years, but considerable work remains. The United States will continue to raise concern about the range of IPR issues with Indonesia and work with it to help strengthen its IPR regime.

Copyrights

Indonesia's Copyright Law came into force in July 2003. The law contains a number of important provisions long sought by U.S. and Indonesian copyright holders, including criminal penalties for end-user piracy and the ability of rights holders to seek civil injunctions against pirates. The Copyright Law establishes rights to license, produce, rent, or broadcast audiovisual, cinematographic, and computer software. It also provides protections for neighboring rights in sound recordings and for the producers of phonograms. It stipulates a 50 year term of protection for many copyrighted works. An Optical Disc (OD) Regulation became effective in April 2005. The Ministry of Industry leads an interagency OD factory monitoring team that has registered 31 factories and has begun unannounced inspections with some support from local IPR industry associations.

Following a December 2005 directive by the Indonesia National Police, police increased and sustained IPR enforcement activities, particularly against pirate OD vendors, distributors, and factories. The Jakarta and Surabaya police were particularly active, seizing and destroying millions of illegal ODs, arresting hundreds of suspects, and seizing illegal burners and closing OD production lines. There are

currently three cases involving factories producing pirated products that are scheduled for the criminal court resulting from two raids on July 1, 2007. Licenses may be revoked following court verdicts. The Ministry of Industry has also applied administrative sanctions to the factory owners. In September 2007, the Attorney General's Office raised the profile and priority of IPR issues by authorizing the Terrorism and Transnational Crime Task Force to handle IPR cases. These activities, while considerable, have yet to produce a significant increase in prosecutions and deterrent fines or custodial sentences, or the permanent impoundment or destruction of large scale production equipment used to manufacture pirated products. While the success of recent police enforcement activities has resulted in some decrease in the quantity, quality and availability of pirated ODs, the rate of piracy in Indonesia remains high.

Patents and Undisclosed Data

Indonesia enacted its Patent Law in August 2001. The Law consolidated three previous laws covering patents and established an independent commission to rule on patent disputes and appeals. The Law transferred jurisdiction over IPR civil cases to the Commercial Court from the District Court, and raised the maximum fine for patent violations to 500 million Rupiah ($60,000). The term of protection is 20 years as of date of receipt and cannot be extended. A patent is subject to cancellation in the event the patent holder fails to pay annual fees within specified periods. The Law requires that a transfer of patent rights shall be recorded and announced based on a fee. The unauthorized use of a product or process invention that is the subject of a pending application constitutes patent infringement.

Despite the improvements to its patent regime, Indonesia continues to lack adequate patent protection in many areas, particularly with respect to foreign rights holders. Chief among these inadequacies is the requirement that an inventor must physically produce a product or utilize a process in Indonesia in order to obtain a patent for that product or process invention. The Patent Law's provisions on compulsory license authorize the Director General of Intellectual Property Rights to grant a license to a third party without the authorization of the patent holder if the Director General determines that the patent cannot be implemented, or implemented partly, in Indonesia, or that the patent will be implemented in a form and manners encumbering the interests of the public. Further, in the pharmaceuticals field, Indonesia does not provide effective protection against unfair commercial use of undisclosed test and other data.

Trademarks

Indonesia's 2001 trademark law raised the maximum fine for criminal trademark violations to 1 billion Rupiah ($120,000) and slightly reduced the maximum possible prison term. The Indonesian government justified this move by claiming that financial penalties were a greater deterrent to IPR violators than imprisonment. Foreign rights holders, however, had pushed for minimum sentencing guidelines, arguing that most IPR cases never result in the maximum possible sentence.

The trademark law provides for the determination of trademark rights by priority of registration, rather than by priority of commercial use. The law also provides for the protection of well known marks, but offers no administrative procedures or legal grounds under which legitimate owners of well known marks can cancel preexisting registrations. The only avenue for challenging existing trademark registrations in Indonesia is through the courts, an often burdensome undertaking that must be initiated within 5 years from the date of the disputed registration. Faster processing (within 180 days) of trademark cases by the Commercial Courts has provided relief to some trademark holders. However, rights holders cannot always rely on the courts, even when they have strong evidence to support the cancellation of a registration.

SERVICES BARRIERS

Despite relaxation of some restrictions, significant trade barriers to services continue to exist in many sectors.

Legal Services

Only Indonesian citizens with a degree from an Indonesian legal facility or other recognized institution may practice as lawyers. Foreign lawyers can only work in Indonesia as "legal consultants" and must first obtain the approval of the Ministry of Justice and Human Rights. A foreign law firm seeking to enter the market must establish a relationship with a local firm.

Distribution

In 1998 and 1999, Indonesia liberalized portions of the distribution services sector under the terms of its agreements with the IMF after the financial crisis. The Indonesian government eliminated restrictive marketing arrangements for cement, paper, plywood, and cloves and other spices. Indonesia allows up to 100 percent foreign equity in the distribution and retail sectors, with the condition that the investor enter into a "partnership agreement" with a small-scale Indonesian enterprise. This partnership agreement need not involve an equity stake in the project. Nonetheless, some U.S. direct selling companies have complained that Indonesia's market is generally closed to investment in the direct selling industry.

Energy

The November 2001 Oil and Gas Law deregulated the downstream oil and gas sectors, which include refining, distribution, storage, and retail activities. Under the law, the state oil and gas company Pertamina was converted into a limited liability company and its public service obligation ended in 2003. The law also stipulated the formation of a new Oil and Gas Downstream Business Regulating Board (Badan Pengatur Kegiatan Usaha Hilir Migas, or BPH Migas) that effectively took control of Pertamina's former regulatory function over the downstream industry. BPH Migas is an independent government institution that reports directly to the President. Its primary functions include regulating the supply and distribution of oil fuel, allocating sufficient fuel oil to meet national fuel oil reserves, stipulating conditions on fuel oil transportation and storage, setting tariffs for natural gas pipeline use, setting the price of natural gas for households and small consumers, and regulating the transmission and distribution of natural gas. Since late 2005, about 25 local and international investors are reported to have obtained initial licenses for downstream operations.

Financial Services

Indonesia allows 99 percent foreign ownership in the banking sector, however, Indonesia's GATS commitments remain bound at only 52 per cent. Financial service providers may not establish as a branch. Indonesia also continues to restrict the supply of certain cross-border insurance.

Audit and Accounting Services

Foreign firms cannot practice under international firms' names, although terms such as "in association with" are permissible. Foreign accounting firms must operate through technical assistance arrangements with local firms. Foreign agents and auditors may act only as consultants and cannot sign audit reports. Foreign directors, managers, and technical experts/advisors, unless mentioned otherwise, are allowed a maximum stay of 2 years, with a possible 1 year extension. Licensed accountants must hold Indonesian citizenship. A Ministry of Finance decree requires a 5 year limit on general audits by an accounting firm (Indonesia is one of only a small handful of countries to require this). While many countries require the rotation of an audit partner, many U.S. companies consider the mandatory audit firm rotation overly burdensome. Auditors practicing in the capital markets are prohibited from delivering specified nonaudit services such as consulting, bookkeeping, and information system design.

Audio-Visual

Foreign investment is prohibited in broadcast and media sectors, including film and video production and distribution, and cinema construction and operation. Films are also subject to review and censorship before screening domestically. Foreign investment in the provision of radio and television broadcasting services, radio and television broadcasting subscription services and media print information services also are prohibited.

Construction, Architecture and Engineering

Foreign consultants working under government contract are subject to government billing rates. Foreign construction firms are only permitted to be subcontractors or advisors to local firms in areas where the government believes that a local firm is unable to do the work. In addition, for government financed projects, foreign companies must form joint ventures with local firms.

Telecommunications Services

Indonesia has recently made progress in liberalizing the telecommunications sector, notably by permitting increased foreign ownership – up to 65 percent foreign ownership in value added and mobile telecommunications services and up to 49 percent for fixed networks. While an improvement over its current WTO commitments, the new limits on fixed services represent a step backwards from recent practice where up to 95 percent ownership was permitted.

Indonesia formed a telecommunications regulatory body (BRTI) in July 2004 to improve transparency in regulation development and dispute resolution. The body is responsible for regulating, monitoring and enforcing the telecommunications law, including its implementing regulations. BRTI was largely inactive until 2007, when it took several steps to improve the telecommunications sector, including drafting new interconnection regulations, formulating rules for tariffs, and mediating disputes between parties.

INVESTMENT BARRIERS

Indonesia's new Investment Law was approved by the legislature in March 2007. The Law sets out affirmative principles, such as equal treatment of foreign and domestic investors. Its impact, however, will depend on the accompanying implementing regulations. Among those is the "Negative Investment List" issued on July 3, 2007, identifying restricted and closed sectors for investment. According to the Indonesian government, 69 sectors are more open than before, 11 sectors are more restrictive and 25 sectors are closed to foreign investment. It insists that the list will not be applied retroactively and will only affect new investments; however implementing regulations that would provide clarification have yet

to be issued. While the new Law increased transparency and legal certainty, it also has limited some investment previously allowed. The United States will continue to raise this issue with Indonesia.

The new Investment Law eliminates the divestment requirement and the limited duration of investment that existed in the old foreign investment law. Previously, foreign investors were required to divest at least 5 percent to local shareholders within 15 years, and investment approvals were good for a maximum of 30 years. No divestment requirements or duration limits exist in the new law. The Indonesian government also issued four new decrees in September 2007 that are designed to streamline the business entry process for both local and foreign investors.

Indonesia began to implement a large-scale decentralization of authority and budget control from the central government to the provincial and district-level governments in 2001. Decentralization has complicated government efforts to improve Indonesia's investment climate. While intended to reduce burdensome bureaucratic procedures and other requirements on foreign investors, decentralization has produced uneven results. Some counties and cities have capitalized on decentralization to increase government revenues, attract foreign business, and improve social services. For example, subnational governments such as Yogyakarta province have set up one stop service centers for businesses to get all required licenses in one place. However, other subnational governments have increased uncertainty among foreign investors with additional legislation, restrictive practices, and trade distorting revenue raising measures contrary to national laws. In an effort to help alleviate this problem, under proposed revisions to the law, local governments would be granted the authority to tax based upon a "positive" list indicating affirmative local authority, rather than a "negative" list indicating areas where the central government retains authority.

A World Bank study has found that it takes 105 days on average to establish a business in Indonesia. In response to labor demonstrations in 2006, Indonesia decided to indefinitely postpone plans to revise the country's labor laws.

ELECTRONIC COMMERCE

Despite the proliferation of Internet service providers in recent years, several factors hinder the growth of electronic commerce in Indonesia. These include the lack of a clear policy in support of an open telecommunications infrastructure, a low level of computer ownership by both businesses and individuals, lack of funding, and weak IPR protection. U.S. industry has identified the lack of a legal framework for ensuring security of online transactions as a particularly significant impediment. The Indonesian government completed drafting of cyber crime and electronic transactions legislation in September 2005, and the measures are currently being debated in the legislature. The last legislative debate was in May 2007, but without resolution to indicate prospects for further progress.

OTHER BARRIERS

Foreign companies continue to complain about corruption in Indonesia. U.S. and other foreign companies have expressed concern about demands for unwarranted fees to obtain required permits or licenses, expedite processes, as well as to influence government awards of contracts and concessions. The integrity of the legal system remains a concern and courts at several levels are perceived as inefficient and corrupt. To help address this issue, the President of Indonesia is urging state owned enterprises to improve management performance and reduce corruption. In addition, the Ministry of Finance is leading civil service reform efforts – a preventive strategy in the overall anticorruption reform movement – and new leadership in the directorates of tax and customs is seeking to improve services and efficiency.

Indonesia has empowered several corruption fighting bodies. The Corruption Eradication Commission (KPK) coordinates all anti-corruption efforts in the government and has the authority to investigate and prosecute high-level corruption cases. It has continued to intensify its activity since it set up operations in 2004, investigating and prosecuting more cases as well as increasing its staffing. The KPK has a 100 percent successful prosecution rate since its inception and has successfully prosecuted 39 cases, including 21 successful cases in 2007 (through August 31), up from 14 in 2006. The Anti-Corruption Court handles all anti-corruption cases initiated by the KPK. In addition, the Indonesian Parliament passed new whistleblower protection legislation in August 2006. Indonesia also ratified the United Nations Convention against Corruption (UNCAC) in March 2006 and hosted the second Conference of State Parties for the UNCAC in January 2008.