

Country Report

Indonesia

by

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RECENT TRENDS OF INTERNATIONAL MIGRATION IN INDONESIA

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Summary

The Indonesian macroeconomic stability and indicators in 2003 show the significant recovery. It is revealed by the stability of the exchange rate of Rupiah towards the US dollar, the inflation value under the 6.0 percent, and SBI (*Sertifikat Bank Indonesia*) that tends decreasing. .

However, all those better conditions are still considered not yet optimal and sustainable, compared to the real potential of the Indonesian performances as such, and that of the other countries as well. It is shown by the increasing of the Indonesian economic growth rate from the time, although its rates are relatively small that shows by the currently growth rate, under 5.0 percent. This condition has been happening for seven years. The low rate of the economic growth has the impact on the high rate of the unemployment. In 2002, for example, the unemployment rate was 9.06 percent or 9,13 people.

The domestic conditions that is not conducive for the economic development, such as the problems on banking systems, the government budget, as well as the foreign investors inflows, have made the low rate of the investment and its implications are difficult to absorb the high rate of unemployment.

One of the efforts expected to solve the high rate of the unemployment is to send the Indonesian workers abroad. This phenomena actually emerges the socio-economic and cultural problems individually and communally, and governmentally as well, for Indonesia as the sending government or the other countries as countries of destination.

In general, several years before the economic crisis, the number of TKI (*Tenaga Kerja Indonesia/Indonesian Migrant Workers*) sent abroad tends to increase from the time. Out of those have been sent, a great part of them are female workers with Arab Saudi and Malaysia as destination countries. Most of them are working in social service sector, socially and personally, with the type of domestic works/housemaids. Is it natural, since those who were sent mostly have the low level of education.

By having such characteristic, they are very sensitive to the bad treatments that make them get losses. Bad treatments that mostly are experienced by the TKI working abroad or in the training in the country (before they are sent and after back home) are unfair payment, violence, sexual harassment, bribed. Actually it is ironical, since they have contributed much positively on the Indonesian economy. A part from the foreign exchange, the increasing of the TKI sent abroad is one of the logic solutions and natural to cope the great problem the unemployment in the country.

Looking at the high contribution of the TKI on the economy, the Government should work together the all the stake holders related on this role to think about the solution to

over come all the problems faced by the TKI. It will be more important for the coming years, since there are not yet much abilities expected to support the domestic economic growth to solve the high number of unemployment existed, and the increasing of the new labor force coming to the labor market.

One note is, the prediction of the ILO to cope the 400 thousand laborers in Indonesia, it needs the economic growth of 1.0 percent. Thus, by the increasing of 2,5 million laborers annually, Indonesia needs 6.0 percent of economic growth per year. By this condition, the problem of unemployment will be difficult to solve if the Government only provides the job opportunity in the country. Based on this consideration, the handling of all problems faced maximally by TKI is very important and very urgent.

1. Introduction

The indicators and stability of Indonesian macroeconomic show a significant recovery rate throughout the year 2003. Indonesian teams of economists have claimed the credit from economic observers since of the realization of the macroeconomic indicators at the end of the year exceeding expected targets. Economic growth predictions made by the Central Bank and the Ministry of Finance for the year 2003 is 4.1 percent, rose from 3.32 percent in the year 2001 and 3.66 percent in the year 2002. Recently, Rupiah has been on a most stable level since the 1997 crisis, the level is about Rp 8,450.00/US\$ 1. The Jakarta Stock Exchange Composite Index continues to increase at the end of 2003 and it is even increasing to the highest value on January 9, 2004, with its value of 753,692. The realization of inflation of 5,06 percent is also below the target of 6 percent (at the beginning of the year). This rate is far below the inflation rates of 2000 (12,55 percent) and 2001 (10,03 percent). The interest rate of the Sertifikat Bank Indonesia (SBI) one month decreased to a level of 8,42 percent, from around 12,89 percent in the beginning of 2003 and 17,60 percent in the beginning of 2002, while the official reserves continues to rise, from US\$ 27,89 billion in the year 2001 and US\$ 31,911 billion in the year 2002, to around US\$ 35 billion in the year 2003.¹

On the other hand, terrorist again attacked Indonesia, for example was the bomb hit the JW Marriot Hotel, but its effect is insignificant to the Indonesian economy. Another problem was the pro-contra on the purchasing of Russian Sukhoi fighter jets through bartering for crude palm oil, it has gone through numerous criticisms because it was considered not-urgent for the time being and it was not scheduled in the previous budget. After that, the Government took a bold step by exiting the IMF relief program. Experts believed that in the beginning Indonesia will have a difficulty in obtaining other loans to cover the budget deficit. In fact, Government has implemented tight fiscal policy which is success to decrease budget deficit from 3.7 percent and 2.5 percent (of the GDP) in 2001 and 2002, to 1.9 percent in 2003. The exit of Indonesia from the IMF program greatly affects the investor intention to invest in Indonesia, which is proved by the decreasing of investments as much as 26.80 percent in 2003, compared to 2002 that has risen 1.70 percent from the previous year. The realization of the Foreign Direct Investment (FDI) still remains negative, which means there is continuous capital outflows, even though the number of outflows continues to decrease from year to year.²

2. The Domestic Economy and the Labor Market

The economic growth that has been increasing from the previous years could not be separated from the effort of the tight fiscal policy, which is seen in the lowering of the debt ratio and budget deficit. The debt ratio to Gross Domestic Product (GDP) gradually decreases from more than 100 percent in 1998 to 72 percent in 2003, and in 2004 it is predicted close to 60 percent. The budget deficit is driven to a level of 1.9 percent in 2003 and in 2004 it is expected to reach 1.3 percent. While the balanced budget target is expected to be obtained in 2006, and foreign debts is scheduled to be paid off in the year 2010. Indonesia's capability to lower the budget deficit could not be

¹ Kompas, December 15, 2003.

² *Ibid.*

separated from the government efforts in increasing state income through the sales of assets of Indonesian Bank Restructuring Agency (IBRA) and divestment of a number of state owned enterprises to private parties or foreign investors.³

Figure 2.1 shows real GDP rose from US\$ 188.60 in the year 2001 to US\$ 213.45 in the year 2002, and has risen again in 2003 even though it is predicted by the World Bank, still remains 10-20 percent below the level before the crisis, where the Indonesian income per-capita reached US\$ 1080 annually. In a while, everything seems to run as well as it is planned and nothing is wrong with the economy at all. But the social indicators and real sector conditions still admitted not experiencing a significant improvement, and even some have worsen. Although the government reports have shown that the poverty rate could be lowered from 27 percent in 1999 to 16 percent in 2003, the World Bank pointed out that 110 million people or about 53 percent of the population still lives below the poverty line based on measurements of international poverty standards (an income below US\$ 2 per day). This vulnerable group fall to a lower poverty level when the prices of basic needs, especially food, increased by a small margin.

The crisis that has been remaining for 6 years, seemed not to bring any lessons to Indonesia, because it failed to push Indonesia to bring order to its government and corporate governance, such as public transparency and accountability, corrupt practices, collusion, and nepotism. Those factors have caused the investment scene to worsen, driving away investors and worsening the economy as a whole. The low investment rates also have caused infrastructure conditions from provisions of electricity, roads, telecommunications, to clean water to continue to worsen and put a stranglehold on the economy. This must be paid expensively, in order to pull even with other countries, Indonesia will need 10-15 years to recover with investments of US\$ 15 billion each year.⁴

Looking at the components forming of the GDP, consumption remains the engine driving the economy. A symptom, according to Bank of Indonesia (BI), is unnatural and unhealthy because it has been going on for four years. It is in contrast with the condition in Korea and the Philippines which is supported by the investments, or in Malaysia and Thailand that relies on strong exports to recover the crisis. Figure 2.1. shows that since 1999, even though the growth of consumption is small about 4,26 percent, 2,03 percent, 4,82 percent and 5,51 percent respectively for 1999, 2000, 2001, and 2002, the proportion of the consumption to GDP is still above 75 percent. This rapid growth of consumption is shown by the increasing sales of durable goods. Based on the statement of BI, the retail sales index increased sharply since mid-year 2003, with the increasing sales of motorbikes and automobiles, 32 percent and 20 percent in the third-quarter of 2003 compared to the previous year, besides the sharp increase in the food consumption. Private consumption contributes 91 percent of GDP growth in 2002 and 33 percent in 2003.⁵

The investments only contributes 20 percent to GDP or it is still below the 30 percent (the level before the crisis). But what is worse is that the investment that exists

³ The Jakarta Post, January 10, 2004

⁴ <http://www.depkeu.go.id>

⁵ Kompas, December 2, 2003

is switching from production activities to real estate sector. Almost 80 percent of the investments listed for 2003 are in the real estate sector with a number of segments (especially for non-housing) now it is experiencing an over supply, so now concerns of the bubbles bursting are beginning to show just as what happened before the 1997 crisis. In contrary, according to the statement of Investment Coordinating Agency (BKPM), the investments in machinery and tools for production fell from 23 percent in the year 2000 to 18 percent in the third-quarter of 2003. It is consistent with trends of the decreasing of machinery and tools for production import that has also decreased to the level of 50 percent. These data implicate that the real sector did not increase but even worsen.⁶

The industrial sector, especially manufacture, is also worsening, caused by the incomplete debt restructuring, over capacity, incapability of increasing competitiveness due to high economic costs, working capital difficulties, also inadequacies of clear trade and industrial policies. The exports of goods and services are still increasing from US\$ 62,684 billion in 2001 to US\$ 64,004 billion in 2002 and up to October 2003 have reached US\$ 50,73 billion (increased by 6 percent compared to the same previous period). But, the increasing is largely due to increases of world commodity prices. Export contributions to GDP now is below the crisis level, while the other countries that had experienced the crisis like South Korea, Thailand and Malaysia, are far beyond the pre-crisis level. Indonesia has also lost market shares for 30 main non-oil export commodities in the world market, from 2,9 percent in 1997 to 2,7 percent in 2003, caused the by the decreasing of competitiveness, as well as tight competition from other competing countries in the same labor intensive industry like China and Vietnam.⁷

The better of macroeconomic conditions, political stability, market sentiment, and Indonesia's ranking in debts have demanded real and significant investments. If this climate of investments have not yet improved, the economic momentum achieved through hard work in the last three years to accelerate economic recovery will just simply vanish. The economy will experience supply constraints since the production can not keep up the demands. Not just investments that are driven away from Indonesia, data from Bank of Indonesia shows also the continuous net capital outflows from Indonesia. Private investment inflows during 2003 was majority made up the portfolio investments that was triggered by the relative interest rate of SBI and investment reallocations from Severe Acute Respiratory Syndrome (SARS) infected countries.

Net Foreign Direct Investments (FDI) are in high negatives, minus US\$ 7,1 billion in 2002, or much worse than in 2001 that was minus US\$ 5,0 billion. In 2003, up to the first quarter alone, it reached minus US\$ 2,6 billion, or a quarterly historical low. While the expected FDI for 2003, according to Financial Notes and Budget plans, the figures will be minus US\$ 3,659 billion. So far, the figures of the portfolio investments remain positive, as large as US\$ 1,145 billion in 2002 and US\$ 1,243 billion in 2003. The figures of Net Foreign Direct Investments are in accordance with the IMF manual standards— including the asset sales of IBRA and State-owned

⁶ *Loc.Cit.*, Kompas, December 15, 2003.

⁷ Kompas, January 5, 2004.

Enterprises divestment are as inflows, while dividend payments that relate to FDI are accounted as outflows.⁸

In general, the conditions of the national banking are greatly improving compared to the years before the crisis, and according to World Bank the conditions, they are now are equal to those of the other Southeast Asian countries. The average capital adequacy ratio (CAR) has reached 23 percent per-June 2003. Non-performing Loans ratio to total credit have decreased from 12 percent in 2002 to 7 percent per-June 2003. The improvements of bank performance, however, is not accompanied by the improvements in risk management, internal control, and good corporate governance. The case of embezzlements in two state-owned banks, Bank Negara Indonesia (BNI) and Bank Rakyat Indonesia (BRI), caused by way of fake the Letter of Credits issued, are only a few small examples of bad risk management. The intermediate function is not as it is expected because the business world still complains of the difficulties in obtaining the working capital.⁹

Similar condition goes for the unemployment, even though only 9.06 percent of the total labor force is recorded, this number can sharply increase to 30 percent if the low economic growth that has been recently experienced fails to accelerate in accommodating the growth of the labor force. An economic growth of 4 percent will not accommodate all the increases of the labor force of 2,5 million people. According to the International Labor Organization (ILO) predictions, an economic growth of 1 percent will accommodate for 400,000 new workers, thus an economic growth of 4 percent 1,6 million workers will be accommodated. It means, 900,000 more people will not be accommodated every year.¹⁰

The slow down of the Indonesian economy has resulted a complex problem in the industrial relations. During the year 2003, many discharges of employees by the firms, not fully recovered from the 1997 crisis, took place. Many of which is the discharge in PT Dirgantara Indonesia, one of the state-owned enterprises handling the aviation industry, that has laid-off as many as 6,000 employees, since of the company has no ability to pay worker's salaries caused by the continuous losses experienced by the company. Then, it is followed by a number of Textile and Textile product (TPT) firms that also discharged thousands their employees, because they could not keep up the competition from textile firms from Vietnam and China.¹¹ Then, there was the discharge of thousands of household-scale and small-scale cigarette firm employees in Central Java, because of the incapability of the market to absorb their products after the rise of gas, electricity and telephone prices. It has brought a decrease of production to 60 percent. A major US tire company, Goodyear Tire & Rubber Co. in Indonesia, discharged 700 employees in order to cut its operational costs.

Figure 2.2. shows unemployment rate of 9.16 million people. The total unemployment including underemployment, i.e. people working less than 30 hours per week, according to the Ministry of Manpower, has reached 45 million in 2003, increasing from 40,2 million in 2002. Also, there was the movement of the workers

⁸ *Loc.Cit.*, Kompas, December 15, 2003.

⁹ *Ibid.*

¹⁰ Kompas, September 15, 2003.

¹¹ Kompas, December 22, 2003.

from the industrial sector to the agricultural sector and services sectors were occurred, because of the decreasing and slowing down of the real sector. Formerly, the workers working in the real sector have reached 17.5 percent in 2000 and 2001, then decreased to just 13.2 percent in 2002, which also means that the migration from the formal sector to the informal sector was taken place.

3. Recent Trends in International Migration

Through the Ministry of Manpower, the government policies to overcome the problems of the over-supply of labor by relying on sending Indonesian Migrant Workers (TKI) abroad are being revised. Figure 3.1 shows the number of the labor sent abroad tends to decrease from 480,4 thousand in 2002 to 114,3 thousand in June 2003. In part, it is caused by the decreasing of desirability of working abroad due to the bad working conditions and treatments in a number of countries abroad.

The negative effects have been experienced by workers working abroad, from injustice in the pay system, violence experienced by workers working informally as housemaids, sexual harassment, and even mysterious deaths. These are many numbers of examples of bad treatment experienced by TKI or TKI candidates, from 1999 until January 2002. There were 76 housemaids from Indonesia in Singapore died from falling off from high buildings. Based on this evidence of the police investigations and Singapore Justice verdicts, as much as 22 housemaids died from suicide.¹² In the beginning of 2003, there were tens of TKI candidates who failed to work in US computer firms and still remains in the office of PT Calgen Sejati. The fraud TKI suspects were embezzled Rp 800 million.¹³ As much as 117 TKI ran away from the office of PT Sanjaya Putra Perkasa, since months and even years, they were detained by the firm and received bad treatments. Three hundreds and thirty (330) TKI candidates from Central Java, Surabaya, Tasik, and Ciamis were victims of fraud by LSM Cipta Pekerja Mandiri Semarang that collected Rp 5-13 million in exchange for hopes of working in Japan.¹⁴ In the year 2002, there were 988 cases of TKI handled by the Directorate of Protection and Empowerment, and many of them, or 727 cases, took place in Saudi Arabia.¹⁵ Then, numerous TKI worked in Malaysia, Saudi Arabia, Hong Kong, Kuwait, and other countries have experienced bad treatments from their employers, such as rape, sexual harassment, assault and even unpaid wages.

In the year 2003, the number of TKI sent abroad were still large enough and it effectively decreased the unemployment rate, with destination countries to the Asian Pacific countries and Middle East, accounted for 41.09 percent and 58.81 percent, respectively, of the total number of TKI. Figure 3.1. shows that the favorite destination countries still remains Saudi Arabia and Malaysia, accounted for 52.01 percent and 32.28 percent of the total number of workers sent abroad in 2003. Broken down by sex, the working abroad were dominated by female workers, even with the sharp decrease from the previous years, 70.18 percent out of the total. The number of female migrant workers in 2002 were 92.06 percent. It is in accordance with the Indonesian

¹² Sinar Pagi, January 28, 2003.

¹³ Pos Kota, January 24, 2003.

¹⁴ Koran Tempo, January 8, 2003.

¹⁵ Unpublished data from the Ministry of Manpower and Transmigration.

government's commitment to cut the sending of the workers abroad for working in the informal sectors, and to add the number of workers sent abroad for working in the formal sectors, such as nurses and sailors.

To overcome the problems emerged from a low quality grade of workers, the tight selections are fitted to the future workers who will be sent abroad. These selections include the language and ability tests carried out by Indonesian Workers Competency Test Agency (LUKI) founded by the Ministry of Manpower. The TKI candidates passed the tests will be given a Certificate of Competence internationally standardized, so that the TKI are more competitive abroad. This important decision is considered by many to be the cause of the decreasing of the number of workers sent abroad, but it is to be the rise in quality expected. On the other hand, clearances and working permits given to foreign workers that wish to work in Indonesia must also be tightened. Foreign workers who are given the working permits should only be workers who possess skills or abilities that Indonesian/domestic workers do not have. Up to the year 2003, the number of foreign workers working in Indonesia is as much as 19,000 people. Illegal foreign workers, who have been detected misusing their tourist and temporary-resident visas, are totaling 50,000 people according to the Minister of Manpower's statement. Foreign workers entering Indonesia are still dominated by workers from Asian Pacific countries such as Australia, South Korea, Japan, China, and also the United States.¹⁶

The number of foreign visitors or tourists (short visitors) who came to Indonesia up to September 2003 is 2.66 million people, decreased from the number for period of 2002 that reached to 3.26 million people. This number is still below the target set by the Ministry of Tourism that is 4.6 million people.¹⁷ The number of the foreign people, holding a temporary and permanent-resident leaving Indonesia up to September 2003, was recorded as much as 40,760 people. The decreasing number is due to the low domestic guaranteed security after the terrorist attacks, where many countries are still implicating travel warnings to their citizens planning to visit Indonesia. Meanwhile, the number of Indonesians living abroad, as temporary or permanent-resident, were 2.7 million people.¹⁸

The benefit of sending workers abroad can be seen in Figure 3.7, where up to year 2002 remittance sent by TKI continues to increase from US\$ 1,31 million and US\$ 1,97 million in 2000 and 2001, respectively, to US\$ 2,18 million in 2002. The effects of the remittance sent by TKI on the Indonesian economy can not be accounted in the terms of material. But for the household level, this remittance brings a large effect that can be seen when a TKI spends money in building a more adequate home, increase in consumption of electronic goods, and others. Furthermore, most of the returned Indonesian workers gained more skills from their relevant field of works. Those skills could be used to increase those workers' marginal productivity after returning home.¹⁹

¹⁶ Koran Tempo, January 20, 2004.

¹⁷ *Loc.Cit.*, Kompas, January 5, 2004.

¹⁸ Central Bureau of Statistics, *Annual Report:2002*, Jakarta: December 2002.

¹⁹ Ministry of Manpower, *Study Kebijakan Perluasan Kesempatan Kerja bagi Tenaga Kerja Indonesia Purna Tugas*. (Policy Study of Employment Creation for Returned Indonesian Workers), Jakarta: March 1998.

Illegal TKI caught and planned to be deported back to Indonesia from Malaysia are as much as 400 thousand people. They will be sent home after finishing their punishments sentenced by the Malaysian Court of Justice, starting from fines, imprisonment, or even floggings. Whereas, the number of illegal TKI in South Korea amounting to 36 thousand will be sent home to Indonesia due to foreign labor requirement offences in that country. From Kuwait, 19 people are sent home because of the failure to fulfill the necessary documents. Numbers of TKI sent home have sharply increased from the total in 2003, they were 36 thousand people.²⁰

4. Economic Outlook and Policies Regarding International Migration

The year 2004 will be a year full of tests and challenges for the Indonesian economy, with the economy entering a new phase after the crisis of 1997, without the IMF. The Government must provide the funding for matured loans in 2003 that can not be rescheduled for in the Paris Club, which amounts are around US\$ 3 billion. At the same time, the values of government bonds matured are increasingly high in the years to come. For the year 2004, the principal, as well as the interest matured, will reach as much as US\$ 2,706 billion. Total payments of principle installments and interests of the government loans will reach US\$ 23 billion in 2004, increased from US\$ 20 billion in 2002. Despite, the income from asset sales of IBRA that accounts for much as US\$ 3,059 billion for the budget, can not be expected for because of the completion of the IBRA program due in February 2004 as well as sale of most of the assets. The end of the IMF program has the implications on Indonesia that its installments of loans must be paid to IMF in order to gain market and investor confidence related to policy credibility. The efforts to stimulate the investments is not be so easy, especially due to the decreasing of the tendency to save domestically besides the increasing in payments of matured loans. Saving rate now is only 20 percent, far below the average of 30 percent before the crisis.²¹

The general elections that will be held in 2004 will be most likely makes the investors and business practitioners more careful, due to the new Government will be established. So, it is almost unlikely that there will be new or even large investments in Indonesia this year. The general election is expected to increase the consumption just like in the previous general elections, so that the economy can accelerate. Generally, the prospects of the economic growth until 2007, as projected by many agencies and analysts including the World Bank and IMF, is still at a low level of maximum 5 percent annually. The economic growth in 2004 is predicted to be about 4 percent, whereas in 2005 is 4.5 percent and in 2006 and 2007 is about 5 percent each year. This growth clearly is inadequate to accommodate the increasing of new labor force that increases by 2 – 2.5 million per year, while the world trade volume is expected to raise from 3 percent in 2002 to 7,9 percent from 2004-2005. This development is considered could help increase the Indonesian exports and the flow of FDI to Indonesia. According to the World Bank analysis, an increase of 1 percent of the world trade volume will

²⁰ The Jakarta Post, January 14, 2004.

²¹ <http://www.bi.go.id/>

raise to the Indonesian export volume as much as 0.8 percent and Indonesian real GDP growth as much as 0.4 percent.²²

In 2002, there was a decree stipulated by the Minister of Manpower and Transmigration (Kepmennaker) No. 104A year 2002 related to the placing of Indonesian Migrant Worker overseas. One of these regulations curbed the number of informal workers sent to Asia Pacific and Middle East regions, in term of number or destination countries effective for Indonesia Worker's Placement Service Company (PJTKI). Allocation control was aimed to enhance bargaining position of the Indonesia migrant worker abroad, and also to decrease redundant placing of Indonesia migrant workers.

Besides, the potential of a sharp increase in unemployment this year is large (2004), due to the fact that the manufacture and forestry firms will lay-off their workers, due to a dearth of the new international manufacturing orders and the government-lowered logging quota. Referring to those problems, the Ministry of Manpower have signed an MoU along with the Ministry of Tourism, Ministry of Agriculture and the Ministry of Maritime Development, to put on the table all the problems in carrying out programs to absorb the unemployed in those three sectors. The Ministry of Agriculture would prepare labor intensive social safety net projects, the Ministry of Tourism would provide training programs for workers, while the Ministry of Maritime Development would provide nets and vessels so that people could work as fishermen. The government would also continue to develop the labor sent abroad and the labor placement domestically. The government has set a target for sending around one million workers to the Middle East and Asia Pacific regions this year (2004), and setting of others in palm-oil plantations at home. Specifically, for the illegal TKI deported from Malaysia, the Ministry of Manpower has provided working fields, an area of one million acres of palm oil plantations in Nunukan. This plantation is expected to absorb as little as 400 thousand workers, with each receiving 2-3 acres of land.²³

For the foreign workers, the regulation for including foreign workers in PT Jamsostek will apply social security program which previously repealed by the government corporation that deals with the social security management. This will benefit foreign workers for they will have security and also will benefit Indonesian workers, as there will be more flow of funds for social security program. Moreover, it will be benefit to Indonesian economy since many consumers abroad refused to buy Indonesian products as their governments required that there are guarantees of social security program for the workers that produce those products. Better social security will tend to increase the number of foreign workers inflow to Indonesia in the future.

For the immigrants as a whole, the authority that responsible in policymaking is the Ministry of Justice under Directorate General of Immigration. There are recent issues on immigration that are considered by Directorate General of Immigration, Ministry of Justice, which are the global issues such as the presence of network of organized international terrorists, economic aspects, gender issues, and human rights. Considering the economic aspect, the procedure of request of permanent residential permits needs to be revised in order to stimulate foreign direct investment in

²² *Loc.Cit.*, Kompas, January 5, 2004.

²³ *Loc.Cit.*, Koran Tempo, January 20, 2004.

Indonesia.²⁴ Regarding gender and human rights issues, the current issues emerged are the possibility of Indonesian citizenship status for the foreign husbands of Indonesian wives, and the possibility of two citizenships in limited period for Indonesians living abroad in particular countries.

²⁴ Kompas, January 26, 2002.

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Figure 2.1. Main Economic Indicators

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP Growth	7.54	8.22	7.98	4.70	(13.13)	0.79	4.92	3.32	3.66
Real GNP Growth	7.71	7.84	8.08	4.10	(16.61)	2.53	4.28	5.69	2.59
Real per capita GDP (US\$)	845.42	858.26	883.64	475.83	236.27	263.41	201.48	188.60	213.45
Real per capita GDP growth (%)*	5.80	6.50	6.31	3.29	(14.40)	0.24	3.36	1.80	2.13
Domestic Demand growth (%) (constant prices=1993)	7.96	10.79	8.62	2.60	(27.47)	4.26	2.03	4.82	5.51
- as proportion to GDP (%)	67.80	69.41	69.92	68.52	57.26	78.84	76.67	77.69	79.09
Export growth (%) (constant price=1993)	8.77	13.39	9.68	7.80	11.18	(31.80)	26.48	1.88	2.11
- as proportion of GDP (%)	26.02	26.31	25.82	27.86	52.97	35.51	42.35	41.08	27.40
Current balance (million US\$)	(2,960.00)	(6,760.00)	(7,801.00)	(5,001.00)	4,097.00	5,781.00	7,992.00	6,900.00	7,452.00
- as proportion of GDP (%)	1.70	3.43	3.49	3.70	3.44	3.70	5.30	3.79	4.29
Gross Domestic Fixed Capital Formation (million US\$)	47,900.27	55,986.79	66,157.24	38,212.10	30,285.80	33,848.20	28,000.98	29,794.79	10,371.91
- as proportion of GDP (%)	27.57	28.43	29.60	28.31	25.43	21.65	20.96	20.85	22.51
Consumer Price Index **	157.40	172.30	185.90	198.30	198.47	202.45	221.37	249.15	274.13
Inflation Rate (%) (1996=100)	9.24	8.64	6.47	11.05	77.55	2.01	9.35	12.55	10.03
Exchange rate (year average of US\$/Rp)	2,200.00	2,308.00	2,383.00	4,650.00	8,025.00	7,100.00	9,530.00	10,435.00	9,261.17
Approved Foreign Direct Investment by Sector (million US\$)									
Agriculture	729.80	1,384.20	1,521.60	463.70	998.20	491.20	444.10	389.70	458.90
Mining and quarrying	-	-	1,696.80	1.60	0.30	14.10	2.40	118.70	49.20
Manufacturing	18,738.80	26,892.10	16,075.00	23,017.30	8,388.20	6,929.20	10,707.40	5,131.40	3,208.20
Electricity, gas and water supply	2,397.80	3,549.30	3,808.50	1,839.90	1,795.40	2,310.00	0.40	37.30	-
Construction	76.50	205.80	296.80	306.80	197.80	153.40	225.20	47.60	287.70
Trade, restaurants and hotels	343.60	1,029.30	1,761.70	472.00	672.90	507.70	1,671.60	1,231.20	254.60
Transport, storage and communication	145.10	5,539.50	694.60	5,900.00	79.00	102.70	1,218.70	378.20	3,713.20
Finance, insurance, estates and business service	1,027.80	1,192.00	3,000.20	1,397.60	1,270.90	179.40	301.60	177.40	7.40
Electrical, trading and other services	2,002.70	122.50	1,076.20	433.60	160.40	202.90	848.60	1,516.00	1,764.90
Total	23,724.30	39,914.70	29,931.40	33,832.50	13,563.10	10,790.60	15,420.00	9,027.50	9,744.10
Approved Domestic Investment by Sector (billion rupiahs)									
Agriculture	7,401.10	10,097.00	16,071.40	14,807.70	5,315.10	2,408.30	4,101.50	179.80	1,453.70
Mining and quarrying	112.40	205.10	460.10	126.30	116.30	174.00	36.40	1,198.20	786.70
Manufacturing	31,921.80	43,341.80	59,217.70	79,334.30	44,908.00	46,745.50	83,142.10	43,966.40	15,853.50
Electricity, gas and water supply	11.70	619.80	3,485.50	11,151.20	138.40	117.90	100.00	-	-
Construction	731.10	847.80	1,550.00	877.00	1,992.00	395.10	834.40	2,006.90	1,499.80
Trade, restaurants and hotels	4,341.90	3,944.90	5,151.20	2,632.80	1,231.80	1,670.90	420.40	2,551.80	683.20
Transport, storage and communication	3,119.80	3,965.90	3,065.00	4,649.40	3,260.50	225.30	1,992.80	1,488.50	3,117.70
Finance, insurance, estates and business service	3,803.80	5,337.10	9,425.70	4,300.50	1,547.50	995.50	225.60	4,540.90	255.10
Electrical, trading and other services	1,845.70	1,493.60	2,288.60	1,993.70	2,239.70	817.50	1,511.80	1,542.20	1,612.60
Total	53,289.30	69,853.00	100,715.20	119,872.90	60,749.30	53,550.00	92,365.00	57,474.70	25,262.30

Source: Central Bureau of Statistic, *Statistical Yearbook of Indonesia*, various years.

* Real GDP growth in rupiahs increases whereas Real GDP in US Dollars decreases, because of the depreciation of domestic currency relative to US Dollar.

** The year 1994-1997 based on 1990=100; the year 1998-2002 based on 1996=100.

Figure 2. 2. Population and Labor

	1994	1995	1996	1997	1998	1999	2000	2001	2002
<i>Population (million)</i>	192.22	194.76	198.32	201.35	204.39	206.52	206.30	212.70	215.87
<i>Labor force (million)</i>	81.45	86.36	90.11	91.32	92.73	94.85	95.65	98.81	100.78
<i>Employment (million)</i>	79.20	80.11	85.70	87.05	87.67	88.82	89.84	90.81	91.65
<i>Unemployment (million)</i>	2.25	6.25	4.41	4.28	5.06	6.03	5.81	5.33	9.13
<i>Rate of Unemployment (%)</i>	2.76	7.24	4.89	4.68	5.46	3.36	6.08	5.39	9.06
<i>Number of lay-off (1000)*</i>	31.41	27.73	38.87	41.72	127.74	107.92	70.09	124.83	154.45
<i>Employment by industry</i>									
<i>Agriculture (% of total)</i>	50.60	43.98	44.02	41.18	44.96	43.21	45.28	43.88	44.34
<i>Industry (% of total)</i>	15.68	18.42	18.09	19.01	16.28	17.84	17.43	17.54	13.21
<i>Services (% of total)</i>	33.72	37.60	37.89	39.81	38.76	38.95	37.29	38.58	42.45

Source: Central Bureau of Statistic, *Statistical Yearbook of Indonesia*, various years

*The number of lay-off only covers the workers filing complaints to the Ministry of Manpower.

Figure 3.1. Number and Percentage of Female of Indonesian Workers Sent Abroad, 1994-2003*

Destination	1994		1995		1996		1997		1998		1999		2000		2001		2002		2003	
	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)	Total	F (%)
I ASIA PACIFIC	64,806	56.07	68,436	57.47	95,070	68.98	375,317	42.31	196,344	70.63	267,768	61.06	304,186	58.95	217,555	74.25	238,324	58.90	46,988	40.92
<i>Australia</i>	251	-	345	1.74	97	-	39	-	55	-	72	-	-	-	-	-	-	-	-	-
<i>Brunei Darussalam</i>	2,170	81.71	832	88.94	2,130	81.22	2,426	78.03	5,349	73.32	6,477	74.90	4,370	74.65	5,773	72.60	8,502	63.68	1,084	68.27
<i>Hongkong</i>	3,156	84.32	4,205	98.81	2,870	98.68	2,019	98.07	15,969	92.13	12,762	99.67	21,709	99.97	23,929	99.99	20,431	99.99	2,596	100.00
<i>Japan</i>	1,309	12.07	1,438	4.94	2,538	3.43	3,245	0.83	3,256	1.14	3,388	1.02	3,411	1.52	1,543	0.45	444	0.68	51	-
<i>The Rep. of Korea</i>	2,702	15.58	6,732	13.95	10,718	13.58	8,390	18.64	7,230	19.26	11,078	16.30	6,689	82.63	3,391	17.02	4,273	16.24	5,244	15.64
<i>Malaysia</i>	35,293	62.19	29,712	62.71	38,652	86.83	317,685	38.87	108,775	58.10	169,177	52.64	191,700	44.36	110,490	59.94	152,680	42.65	36,913	39.73
<i>New Zealand</i>	7	-	-	-	44	-	60	-	165	-	187	-	11	-	-	-	-	-	-	-
<i>Philippines</i>	-	-	-	-	-	-	-	-	14	-	49	-	1	-	-	-	-	-	-	-
<i>China</i>	-	-	-	-	-	-	-	-	267	-	315	0.32	36	-	-	-	-	-	-	-
<i>Singapore</i>	16,225	53.21	20,975	67.42	29,065	82.36	31,928	85.17	39,656	95.32	34,829	90.80	25,707	89.41	34,295	90.09	16,071	99.50	7	100.00
<i>Taiwan</i>	3,592	20.49	4,106	15.73	8,888	22.27	9,445	27.99	15,509	56.54	29,372	80.18	50,508	89.33	38,119	93.66	35,922	91.15	1,093	36.23
<i>Thailand</i>	23	-	9	11.11	23	-	44	2.27	51	0.49	41	-	12	8.33	6	-	1	-	-	-
<i>Vietnam</i>	-	-	-	-	-	-	-	-	7	-	-	-	6	-	-	-	-	-	-	-
<i>Others</i>	78	8.97	82	-	45	2.22	36	-	41	-	21	-	26	2.78	9	-	-	-	-	-
II AMERICA	4,293	0.40	3,483	0.34	1,761	-	736	-	2,191	0.08	3,519	0.43	1,509	0.07	228	1.32	40	17.50	114	21.05
<i>USA</i>	4,228	0.28	3,317	0.36	1,656	-	576	-	2,149	0.09	3,300	0.45	1,302	0.08	138	2.17	40	17.50	114	21.05
<i>Canada</i>	10	-	93	-	7	-	59	-	24	-	11	-	-	-	-	-	-	-	-	-
<i>others</i>	55	9.09	73	-	98	-	101	-	18	-	208	-	207	-	90	-	-	-	-	-
III EUROPE	1,673	0.42	1,166	1.20	768	3.65	596	0.17	1,114	1.07	1,696	3.43	359	21.71	29	52.94	68	48.53	6	83.33
<i>Austria</i>	-	-	-	-	1	-	-	-	-	-	-	-	-	6	33.33	-	-	-	-	-
<i>Belgium</i>	13	7.69	5	-	10	-	4	-	18	-	-	-	-	-	-	-	-	-	-	-
<i>Cyprus</i>	8	-	6	-	1	-	19	-	-	-	-	-	63	80.95	12	100.00	-	-	-	-
<i>England</i>	10	10.00	5	-	1	100.00	102	-	39	-	86	-	21	-	1	100.00	2	50.00	-	-
<i>France</i>	68	-	58	1.72	24	8.33	49	-	67	-	152	-	16	-	-	-	-	-	-	-
<i>Germany</i>	38	-	3	-	32	-	18	-	153	-	138	-	3	100.00	-	-	-	-	-	-
<i>Greece</i>	135	-	144	-	-	-	63	-	185	-	89	-	-	-	-	-	-	-	-	-
<i>Italy</i>	57	3.51	64	-	81	-	250	-	170	-	382	0.26	1	-	-	-	-	-	-	-
<i>Monaco</i>	267	-	132	0.76	73	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Netherlands</i>	937	0.21	663	-	445	5.39	12	-	107	11.21	290	18.97	77	44.16	10	10.00	55	58.18	6	83.33
<i>Norway</i>	29	-	2	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Switzerland</i>	2	-	1	-	1	100.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Others</i>	109	0.92	83	-	99	-	74	1.35	375	0.21	559	0.19	178	0.44	-	-	11	-	-	-
IV MID. EAST & AFR.	106,581	91.45	47,518	88.43	122,563	93.92	126,328	93.07	167,574	92.24	154,636	89.94	129,165	91.28	121,180	91.51	241,961	92.24	67,253	90.70
<i>Arab Emirates</i>	2,626	93.41	3,912	97.26	7,054	95.25	9,062	99.12	15,061	97.95	17,584	97.80	9,558	98.09	11,027	95.57	7,779	95.73	1,283	94.54
<i>Saudi Arabia</i>	103,718	91.49	43,451	87.75	115,209	93.90	116,844	92.67	151,288	91.99	131,157	88.97	114,067	90.58	103,235	90.49	213,603	91.45	59,482	89.69
<i>Others</i>	237	51.05	155	54.19	300	71.00	422	74.41	1,225	53.62	5,895	88.18	5,540	94.08	6,918	97.02	20,579	99.11	6,488	99.15
TOTAL	177,353	75.46	120,603	67.47	220,162	82.09	502,977	54.94	367,526	78.87	427,619	70.81	435,219	68.30	338,992	80.36	480,393	92.06	114,361	70.18

Source: unpublished data from the Ministry of Manpower and Transmigration.

*Data for the year 2003 accounted up to the month of June.

**F (%) accounted from the percentage of female workers to total workers sent to each country.

Figure 3.2. Number of Working Permit Issued for Foreign Workers by Type of Occupation, 1994-2002

No.	Type of Occupation	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Manager	8,254	13,624	12,663	8,762	7,080	9,338	5,520	8,875	4,777
2	Professional	11,053	11,874	11,163	12,969	12,929	8,275	7,455	12,105	4,915
3	Supervisor	8,293	8,254	8,281	5,409	3,502	2,102	1,007	699	367
4	Technicians/Operator	13,822	23,407	16,551	10,052	8,984	9,293	731	23	15
5	Others	-	-	-	-	1,455	-	150	2,617	13,776
Total		41,422	57,159	48,658	37,192	33,950	29,008	14,863	24,319	23,850

Source: Unpublished data from the Ministry of Manpower and Transmigration.

Figure 3.3 Number of Foreign Workers in Indonesia by Country of Origin, 1994-2002

Country of Origin	1994	1995	1996	1997	1998	1999	2000	2001	2002
Australia and NZ	3,210	3,564	4,120	3,584	2,509	2,376	1,463	1,840	2,279
China	N/A	N/A	N/A	645	666	549	595	905	1,158
England	2,087	2,264	2,738	1,817	1,573	1,884	1,321	1,456	2,218
Japan	6,457	9,443	6,480	5,558	5,661	2,761	2,071	3,026	3,411
Philippines	2,386	2,721	1,897	1,877	1,189	919	629	781	946
South Korea	5,539	11,668	6,985	6,226	6,078	1,728	1,449	2,161	2,325
Taiwan	3,728	5,694	3,428	2,701	2,536	1,102	793	909	977
USA and Canada	4,142	4,491	6,043	3,203	2,948	3,712	2,120	2,673	3,127
Others	13,873	17,314	16,867	12,226	10,790	13,977	4,422	10,568	7,409
Total	41,422	57,159	48,558	37,837	33,950	29,008	14,863	24,319	23,850

Source: Unpublished data from the Ministry of Manpower and Transmigration.

Figure 3.4. Number Working Permit Issued for Foreign Workers by Sector, 1995-2002

Sector	1995	1996	1997	1998	1999	2000	2001	2002
1 Agriculture	1,693	4,243	1,431	1,144	871	680	878	806
2 Mining & quarrying	6,358	6,946	2,997	3,313	2,020	1,765	2,984	4,119
3 Manufacturing	36,429	22,299	19,574	16,378	18,758	4,374	3,895	5,161
4 Electricity, gas, and water supply	948	930	332	334	95	56	96	69
5 Construction	2,196	311	3,086	2,696	1,149	1,205	1,701	1,902
6 Trade	5,015	525	4,049	3,383	3,260	3,444	4,819	4,940
7 Transportation	792	971	590	485	455	494	703	927
8 Finance and Insurance	771	882	1,045	862	694	548	789	955
9 Other Services	2,485	4,027	4,088	2,525	1,706	2,297	4,124	4,971
Total	56,687	41,134	37,192	31,120	29,008	14,863	19,989	23,850

Source: Unpublished data from the Ministry of Manpower and Transmigration.

Figure 3.5. Number of Foreigners Arriving in and Departing from Indonesia by Visa Types, 1994-2002

Visa Types		1994	1995	1996	1997	1998	1999	2000	2001	2002
Short Visit	Arriving	3,333,917	3,760,548	4,628,000	3,841,516	3,617,661	3,925,862	2,812,115	3,742,057	2,801,373
	Departing	3,471,782	3,703,146	4,436,342	2,468,577	3,277,658	3,581,068	2,263,330	3,548,285	4,132,731
Temporary Resident	Arriving	197,600	225,821	287,483	264,896	295,799	222,471	128,096	129,521	419,101
	Departing	199,389	239,608	225,856	344,174	276,394	220,309	118,264	237,308	136,333
Permanent Resident	Arriving	84,060	55,720	85,689	31,487	179,854	79,618	122,139	65,585	31,856
	Departing	72,086	41,163	85,222	37,655	171,320	91,825	113,134	98,701	7,671

Source: Unpublished data from Directorate of Immigration

Figure 3.6. Number of Indonesian Exiting from and Returning to The Country, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002
Returning	1,782,330	1,900,471	2,747,996	2,018,715	1,390,525	2,023,639	2,556,753	1,691,969
Exiting	1,943,164	1,959,186	2,047,996	1,894,796	1,509,159	2,102,896	2,505,098	2,369,447

Source: Unpublished data from Directorate of Immigration

Figure 3.7. Remittances sent by Indonesian Workers Abroad, 1994-2003 (Thousand US\$)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003*
ASIA PACIFIC	1,881.6	243,328.4	591,656.0	821,462.4	743,791.9	737,056.8	883,847.7	1,782,354.0	1,794,412.3	7,719.0
<i>Australia</i>	-	2,064.9	1,618.5	1,524.8	672.7	607.9	395.2	-	-	-
<i>Brunei Darussalam</i>	-	4,055.8	2,928.1	14,185.4	30,641.8	31,935.0	17,740.8	11,704.1	9,124.2	189.5
<i>Hongkong</i>	-	22,839.8	19,055.4	22,229.1	82,260.4	94,525.9	157,413.5	84,246.2	71,930.9	759.9
<i>Japan</i>	178.9	15,411.8	12,508.9	45,703.3	29,407.7	31,756.2	34,264.0	13,097.6	3,768.9	36.1
<i>The Rep. of Korea</i>	-	6,477.8	26,934.5	56,209.8	45,093.5	44,507.4	51,229.9	8,836.2	11,182.5	1,077.7
<i>Malaysia</i>	401.2	68,221.8	170,271.9	514,262.7	334,332.0	298,719.8	325,162.9	10,746.3	146,254.8	2,528.0
<i>Philippines</i>	-	44.9	47.5	38.3	30.5	143.5	263.2	-	-	-
<i>People Rep of China</i>	-	275.2	212.3	359.0	905.0	2,202.7	1,878.9	-	-	-
<i>Singapore</i>	1,301.6	86,971.9	70,326.1	111,124.3	162,134.6	133,346.3	85,695.2	48,963.6	25,451.1	261.5
<i>Taiwan</i>	-	20,233.7	287,570.7	54,889.7	56,894.3	97,073.8	208,175.1	1,604,750.8	1,526,699.0	2,866.4
<i>Thailand</i>	-	158.5	88.3	355.0	273.2	372.3	257.8	0.9	0.9	0.1
<i>Vietnam</i>	-	-	-	53.6	31.8	20.8	41.9	-	-	-
<i>Others</i>	-	16,572.3	93.7	527.4	1,114.3	1,845.0	1,329.4	8.3	-	-
AMERICA	961.0	30,558.8	18,335.8	19,341.6	13,524.1	21,776.4	22,722.0	1,532.2	221.8	18.5
<i>USA</i>	961.0	30,031.1	17,545.8	17,882.7	12,360.3	20,508.2	21,174.1	927.4	221.8	18.5
<i>others</i>	-	527.6	790.0	1,458.9	1,163.8	1,268.2	1,547.9	604.8	-	-
EUROPE	-	12,133.8	6,186.0	8,013.7	6,866.6	10,431.4	9,791.1	461.8	721.9	9.5
MID. EAST & AFR.	369,741.5	267,920.0	228,062.0	411,681.1	486,971.1	524,471.9	395,179.4	189,471.2	384,428.7	6,669.0
<i>Arab Emirates</i>	16,832.2	9,514.2	6,968.4	14,778.1	13,691.7	22,406.6	18,230.6	14,484.4	10,188.6	124.9
<i>Saudi Arabia</i>	349,011.7	244,526.9	220,448.6	395,182.7	471,002.0	492,368.5	356,754.4	162,693.7	336,385.6	5,757.8
<i>Others</i>	3,897.6	13,878.9	645.0	1,720.3	2,277.4	9,696.8	20,194.4	12,293.1	37,854.5	786.4
Total	372,584.1	553,940.9	844,239.8	1,260,498.9	1,251,153.7	1,293,736.5	1,311,540.3	1,973,819.2	2,179,784.6	14,416.1

Source: Unpublished data from the Ministry of Manpower and Transmigration.

*The amount of remittances in the year 2003 accounted up to just the month of May 2003