

TRADE DISPUTE

Indonesia to challenge US anti-dumping duty on biodiesel

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THE JAKARTA POST/JAKARTA

Indonesia is seeking to challenge a preliminary antidumping duty imposed by the United States on its palm oil biodiesel in a move to maintain access to the world's largest energy market.

On Monday the US Commerce Department began levying a 50.71 percent duty on Indonesian biodiesel following its initial finding that the product had been sold at unfair prices and hurt US producers. The department also set similar duties on soybean-based biodiesel from Argentina.

The Trade Ministry's foreign trade director general Oke Nurwan said on Tuesday that Indonesia would take issue with the US and file its own price calculations.

The newly passed antidumping duty was much higher than the

28.1 percent dumping margin proposed initially by the US, he added.

"We will fight to oppose the US dumping accusation," Oke said in a text message.

He added that trade officials would soon meet exporters affected by the measure to discuss the matter.

The US Commerce Department's measure is a follow up to a petition lodged in March by the US National Biodiesel Board (NBB) Fair Trade Coalition, which unites the NBB and 15 biodiesel producers.

Indonesia's biodiesel has gained ground in the US in recent years as the latter has intensified its efforts to promote renewable energy sources.

US biodiesel imports from Indonesia are valued at US\$268 million last year, according to the government agency.

Following the imposition of the preliminary antidumping duty, expected to ease the claimed injury suffered by US producers while the investigation is underway, US Customs and Border Protection will start cash collection from Indonesian producers, including PT Wilmar International Ltd and PT Musim Mas, as well as Argentinian exporters.

Indonesia's Biofuel Producers Association (Aprobi) chairman Paulus Tjakrawan said the group would gather its members next week to discuss the next step it would take following the US move.

It would also anticipate the result of the US investigation and be prepared to take necessary actions, including filing an appeal at the US Court of International Trade or the World Trade Organization (WTO), he added.

"We will need to agree unani-

mously on what measures [should be taken] in a meeting next week," Paulus said. The US Commerce Department is scheduled to announce the final result of its antidumping probe on Jan. 3.

US Secretary of Commerce Wilbur Ross said in a statement on Monday that the imposition of the punitive tariffs on Indonesia's and Argentina's biodiesel showed the US commitment to defend its interests.

"The Trump Administration is committed to both free and fair trade and will defend American workers against unfair trade practices," he said. "We [...] remain optimistic that a negotiated solution can be reached both with Argentina and with Indonesia."

The move is the latest blow that Indonesian biodiesel has had to endure. The European Union has imposed antidumping duties on the product since November 2013.

Govt to ban more groups

Margareth S. Arintonang
and Anton Hermansyah

THE JAKARTA POST/JAKARTA

The government is set to ban more groups deemed as anti-Pancasila after the House of Representatives endorsed on Tuesday a regulation in lieu of law (Perppu) granting it the power to disband organizations without due process.

The law, enacted at a time when Indonesia is struggling to contain the rise of radical groups seen as incompatible to the state ideology of Pancasila and the 1945 Constitution, has been divisive.

Its proponents believe it is necessary to protect Pancasila's values, but critics say the law is overly draconian and could lead to government overreach.

The House, which is dominated by members of the pro-government coalition, decided that the Perppu, which replaced the 2013 law on mass organizations, was needed, albeit with some revisions.

Seven out of the ten political factions at the legislative institution voted in favor of the govern-

Govt identifies groups it plans to disband

Rights activists call law setback for democracy

ment's proposal during a plenary session on Tuesday.

The seven factions — the Indonesian Democratic Party of Struggle (PDI-P), the Golkar Party, the National Awakening Party (PKB), the United Development Party (PPP), the Democratic Party, the NasDem Party and the Hanura Party — were convinced that the Perppu would provide a legal instrument for the government to protect the nation from attempts to replace Pancasila.

"We are grateful for the support of the lawmakers," Home Minister Tjahjo Kumolo said shortly after Tuesday's plenary session officially endorsed the Perppu.

When asked what the government would do next following the green light from the House, Tjahjo said the government "will take measures to begin managing the existing mass organizations."

The PDI-P politician said the government had identified organizations that had openly campaigned for values that were inimical to Pancasila, even though claiming to be its defenders. He declined to name the organizations. Hizbut Tahrir Indonesia (HTI), a hard line Islamic group seeking to establish a global caliphate, is the first organization banned under the Perppu.

Support from the majority of lawmakers came under the condition that the law would be immediately revised to reinstate the role of the judiciary in the process of disbanding an organization.

By skipping the judicial process, the Perppu reduces the length of time needed to disband an organization from around six months as stipulated under the 2013 law, to only a week.

The revision was initiated by the PKB, the PPP and the Democratic Party to prevent the law being abused by an authoritarian administration.

"This is part of our support for the government to uphold Pancasila but at the same time uphold human rights," the Democratic Party's Fandi Utomo said.

The agreement to later revise the law was achieved after representatives of the ten political factions held a two-hour lobbying session with Tjahjo, who represented President Joko "Jokowi" Widodo's administration that initiated the Perppu.

The closed-door lobbying session failed to convince the opposition parties, the Gerindra Party, the Prosperous Justice Party (PKS) and the National Mandate Party (PAN), to back the Perppu.

They rejected the law on the grounds that there was no ur-

gency to enact it and that the government should not be granted the sole authority to determine whether a group is considered a threat to Pancasila.

"This will clearly open the way for an authoritarian government," said lawmaker Al Muzammil Yusuf from the PKS.

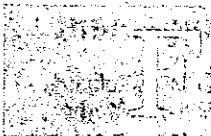
Human rights activists have called the House's decision to endorse the law a "setback for democracy" as it could be used to silence the government's critics.

A coalition of more than 25 watchdogs plans to file a judicial review to the Constitutional Court to challenge the Perppu, as they believe the Perppu is "unconstitutional."

"The Perppu will pose a threat to democracy as the government can use it to restrict freedom of speech and assembly by accusing certain groups of being anti-Pancasila," said activist Yati Andriyani from the Commission for Missing Persons and Victims of Violence (Kontras).

Meanwhile, activist Al Araf from the human rights monitor Imparsial, another member of the coalition, said the law would turn the clock back on democracy and return the country to the New Order era.

The state's Perppu blank check



or the umpteenth time democracy has been reduced to a majority decision to back government policy, no matter whether it contravenes or endangers democracy itself. The House of Representatives, vote to endorse

the government regulation in lieu of law (Perppu) on mass organizations on Tuesday is the latest example of this practice, which is no more than the tyranny of the majority.

The ruling coalition, minus the defiant National Mandate Party (PAN), outnumbered the opposition in passing into law the Perppu, which authorizes the government, specifically the Law and Human Rights Ministry, to disband mass organizations that it deems to be threats to Pancasila or the Constitution without having to wait for a court ruling as required under the old legislation enacted in 2013.

Clearly the new law gives the government a blank check to outlaw any organization or group it pleases on the grounds that their platforms or activities run counter to the state ideology or the Constitution, including Hizbut Tahrir Indonesia (HTI), which was dissolved in July based on the controversial Perppu.

Not only does the new law hand the government the power to disband any organization, it gives it the authority to judge whether a group is a menace, something that formerly lay in the hands of the judiciary as part of the checks and balances mechanism. With such privileges there is no guarantee the current or future governments will not be tempted to exercise the new power to quell critics or opposition using the pretext of national security.

For whatever reason, the new law marks a setback for democratization in Indonesia. We share the concerns of most rights groups that have condemned the Perppu that the new law could lead the country back to a previous time, when the state monopolized right and wrong and stifled freedom of speech and to organize.

Home Minister Tjahjo Kumolo said in his acceptance speech on the government's behalf that the new law would enable the government to prevent the spread not only of radicalism, but also communism, Marxism and Leninism, reminiscent of the New Order's popular lingo of *ekstrim kiri* and *ekstrim kanan*, or extreme leftist and rightist ideologies, respectively.

Indeed the government, through the new law, has shown its penchant for a revival of the bad old days, when political stability was the mantra for achieving economic well-being. Economic growth was pursued at the expense of democracy back then, but as we later witnessed such an approach was a total failure.

Of course the current government has a duty to ensure political stability to safeguard development programs and, hence, its 2019 agenda, but the choice of emulating the New Order's authoritarian methods as a short-cut is a gamble that may not pay dividends.

It is an irony that a nation that embarked on democratization almost 20 years ago is now resurrecting the ghost of authoritarianism. The government simply lacks patience when dealing with outspoken opponents, which can now accuse the government of breaching the reform spirit and paint themselves as martyrs of democracy.

Jokowi stymies police's antigraft squad proposal, supports KPK

**Anton Hermansyah
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THE JAKARTA POST/JAKARTA

The government has decided to put a hold on a proposal to establish the National Police's special anticorruption detachment.

During a limited Cabinet meeting on the proposal at the State Palace in Jakarta on Tuesday, President Joko "Jokowi" Widodo received input from his aides and took into account various factors, said Coordinating Political, Legal and Security Affairs Minister Wiranto.

One of the reasons was because of the limited time it has to create such a body within the year, he said.

"We just have so little time, as the 2018 state budget will soon be enacted," the minister said after the meeting.

Vice President Jusuf Kalla, as well as Administrative and Bureaucratic Reform Minister Asman Abnur, Finance Minister Sri Mulyani Indrawati, Corruption Eradication Commission (KPK) chairman Agus Rahardjo and National Police Chief Tito Karnavian, also attended the meeting.

Wiranto further explained that the formation of a new police detachment should have the permission of the Administrative and Bureaucratic Reform Ministry and the Attorney General's Office (AGO), which deal with organizational structure and

law enforcement coordination, respectively.

"The new institution and its human resources structure must be registered [with the Administrative and Bureaucratic Reform Ministry]; it also needs to obtain permission from the AGO regarding the function of law enforcement," he said.

Wiranto added that the government was keen on strengthening the existing anticorruption institutions, which are the KPK as well as the anticorruption divisions at the police and the AGO, instead of on forming the new detachment.

The former military commander said the proposal had been put on hold pending further

study but stopped short when asked if and when the plan would be discussed.

Tito earlier said that the police had requested a budgetary allocation of Rp 2.6 trillion (US\$192.18 million) to create the new squad.

The plan has been fully supported by the House of Representatives, which is currently carrying out a political attack against the KPK via a legislature inquiry.

The police's plan has also sparked concerns, as it seemed to be part of a "political agenda" to further undermine the KPK.

Wiranto said the proposal had come from good intentions from the National Police.

"The police [have made the plan] because although many of

the corruption cases have been handled by existing institutions, a lot more cases keep occurring," he said.

Meanwhile, Asman said the new detachment had been expected to integrate the function of the National Police's anticorruption divisions from central down to regional levels.

KPK chairman Agus Rahardjo acknowledged the establishment of more institutions in the same field could result in complications with coordination.

"As far as inter-institution coordination is concerned, the more institutions, the more difficult the coordination will be," he said.

Kalla also previously said that the National Police should not es-

tablish an anticorruption squad.

"[With] the KPK, it is enough. In fact, the police already have authority [to handle corruption cases]. That doesn't mean they need a new team to execute such responsibilities. [We] should focus on the KPK and support it," he said.

Indonesia Corruption Watch (ICW) deputy coordinator Agus Sunaryanto praised Jokowi's decision, which he said could reflect the President's commitment to eradicating corruption in the country.

"There are worries that the squad proposal would be used by politicians as a tool to undermine the KPK," Agus told *The Jakarta Post*.

RI undaunted by poor result in retail bond

Prima Wirayani

THE JAKARTA POST/JAKARTA

Despite the latest retail bond issuance proceeds that missed its target, the government is optimistic that it will fulfill the financing target set in the state budget, and patch up the deficit.

The latest retail bond, tagged ORI014, garnered Rp 8.94 trillion (US\$660.6 million) in proceeds. The figure is far lower than the Rp 20 trillion indicative target set by the government. In regard to the surveys carried out by 17 banks and one securities companies acting as the sales agents, the Finance Ministry has decided to slash down the target to Rp 13.4 trillion.

ORI014's low yield causes cold response among investors, official admits

Govt has realized 91% of gross debt papers issuance target this year

"We are still optimistic that we can close [the state budget financing gap] from the remaining government bonds auctions," Finance Minister Sri Mulyani Indrawati said yesterday. "The achievement in the latest ORI issuance is still within our target."

A low yield offered by the ORI014 might be the reason behind the cold response from investors, the Finance Ministry's

financing and risk management director general, Robert Pakpahan, said. The ORI014, whose tenure is three years, offers a yield of 5.85 percent a year, the lowest in history as the country enters a low interest rate trend.

Bank Indonesia (BI) has slashed 200 basis points (bps) from its policy rate — the BI seven day reverse repurchase (repo) rate — from January 2016 to October 2017 to 4.25 percent. "This [the ORI rate] already reflected the secondary market yield at the time. We will stick with that," Robert said.

He brushed off concerns that the poor achievement would adversely affect the country's state budget financing. With the

ORI014 proceeds, the government has realized 91 percent of its gross debt papers issuance target set at Rp 712.9 trillion this year.

"The remaining 9 percent will be fulfilled from seven auctions until December," Robert added, expressing optimism that his office could meet the financing target given various options it had and the encouraging result of the previous auctions.

The latest auction held last week, for instance, resulted in Rp 22 trillion of funds from the Rp 17 trillion target, he went on to say. Currently, the government is mulling efforts to issue treasury bills (SPN) with a tenure of one month, or less, to bridge its financing needs this or next year

depending on its cash flows, Robert said.

However, he continued, there's no such need to issue the SPN now. "This will enrich our financing options going forward."

The chance for the government to achieve its debt paper issuance target is still widely open even as domestic and global institutional investors were still having a big appetite toward emerging markets' bonds, including those of Indonesia, economists suggested.

"The government will easily achieve the target by year-end as the market is currently good and demand from investors remains high," Bank Mandiri economist Andry Asmoro wrote in a text

message yesterday.

Institute for Development of Economics and Finance economist Bhima Y. Adhinegara voiced a similar view, pointing to the fact that the government's bond auctions were usually oversubscribed. "The investor's appetite to enter emerging markets is still there although a big amount of money has returned to the United States following the announcement of the government's tax reform plan," he said yesterday.

The global investor's behavior in the last two years, Bhima continued, showed a positive trend where investors were now eager to enter emerging markets for higher yields.

Gatot cleared, but cancels US trip on Jokowi order

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THE JAKARTA POST/JAKARTA

Indonesian Military commander Gen. Gatot Nurmantyo had been cleared and rebooked on another flight shortly after being denied entry by United States Customs and Border Protection (CBP) on Saturday, but he chose not to go at President Joko "Jokowi" Widodo's order.

Gatot and a US official in Washington DC shed some light on Saturday's incident in which the Indonesian Military commander was denied entry to the US despite having been invited to visit the country by the US military.

A US Department of Homeland Security spokesman was quoted by CNN on Monday as saying that the US Embassy in Jakarta had informed Gatot that he might be "delayed in his ability to board his flight," citing protocol issues.

"The passenger was rebooked on another flight and cleared to board. He chose not to travel," the spokesman said.

In his first statements to the media after the incident, which has triggered angry reactions in

Gatot chose not to travel: US Department of Homeland Security

Gatot said Jokowi ordered him to cancel US trip

Indonesia, Gatot revealed that he was ordered by the President to cancel his trip after being informed that he could not board a US-bound Emirates flight.

Gatot said he reported the incident to Jokowi after it happened, quoting the President as saying, "OK, don't go. How can you go?"

Gatot said, "My trip to the US was based on the President's directive; therefore, I represent the government."

Gatot added that he was disappointed by the incident but insisted that Indonesia-US relations remained cordial and would let the Foreign Ministry resolve the issue.

Gatot, his wife and his delegation were due to travel to the US on Saturday to attend a conference on counterterrorism by the invitation of Gen. Joseph Dunford, the chairman of the US Joint Chiefs of Staff.

Minutes before boarding his

flight, he was informed by an airline official that he and his wife were not allowed to enter the US-bound flight on an order from the CBP.

"Am I disappointed? Yes, I am disappointed. Why? Gen. Dunford and I are good friends," Gatot said.

"When I was there last time, we had coffee in the morning at his home, and in the evening we were invited to dinner, had good steak, and what was more impressive was that American soldiers sang our Indonesian folk song, 'Bengawan Solo.' I had expected to meet him again."

The US Embassy in Jakarta has issued an official apology to Gatot for the inconvenience, but Foreign Minister Retno LP Marsudi said that Indonesia was still waiting for a clear explanation regarding the incident.

Contacted separately by *The Jakarta Post*, Foreign Ministry spokesperson Arrmanatha Nasir insisted there was no new information conveyed by the American side to Indonesia concerning the military commander's rejected entry into the US.

"The ministry has not received further information apart from that which was conveyed by the

US Embassy in Jakarta yesterday," Arrmanatha said.

The ministry's director general for American and European affairs, Muhammad Anshor, also responded similarly.

When asked whether the statement from US Homeland Security was an official response to Indonesia's inquest, Anshor insisted the question was best directed to the US Embassy in Jakarta.

The US Embassy could not be immediately contacted for a response.

Analysts have warned that the US refusing to explain the matter could potentially harm relations between the two countries.

"We now also know that Gen. Gatot was rebooked and offered a new flight but declined. We still need to know what the specific security protocols or problems were — beyond some possible glitch — that led to his denial of entry," Center for Strategic and International Studies researcher Evan A. Laksmana told *the Post*.

"The lack of clarity, even in private rather than public communications, and the subsequent offense could fester and hound US-Indonesia security relations if left unaddressed."

KRAKATAU STEEL

Hot stripped mill to be operational by 2019

Stefani Ribka

THE JAKARTA POST/JAKARTA

State-owned steel maker PT Krakatau Steel is optimistic that its second hot stripped mill (HSM) will be ready in 2019.

The mill is part of its efforts to establish a steel complex with an annual output of 10 million tons in Cilegon, Banten, by 2025.

The firm's general manager for research and technology, Yusuf Marhaban said construction was more than 25 percent complete as of this month, after the ground-breaking in August last year.

"The construction of this HSM is included in the 10 million tons cluster project, in a bid to reduce our steel import dependence and steel trade deficit. Today, we import more [steel] than we export," he told reporters on Tuesday.

Once completed in 2019, the US\$400 million mill will run at a production capacity of 1.5 million tons of steel per annum, adding to the first HSM, which is running at a capacity of 2.4 million tons per year.

To reach the 10 million ton capacity, the second HSM will then be upgraded to produce 3 million tons of steel in 2021 and the first HSM will be upgraded to produce 4 million tons of steel by 2025, making a total output of 7 million tons.

The remaining 3 million tons will come from Krakatau Steel's subsidiary Krakatau Posco — a joint venture with South Korean steel giant Posco — which has been running since 2013 and the other 1.5 million tons from a cold rolled mill (CRM), which is planned for construction.

Previously, Krakatau Steel president director Mas Wigrantoro Roes Setyadi said the second HSM, once completed, would be operated by Krakatau Posco while the CRM would possibly be operated by a new joint venture among Krakatau Steel, Posco and Japanese Nippon Steel.

To curb the trade deficit in iron and steel, which reached US\$4.3 billion in 2016, the government has launched stricter import inspections and safeguards to reduce steel imports.

The efforts led to a 4.2 percent reduction year on year (yoy) to 9.1 million tons in the first nine months of this year, Central Statistics Agency (BPS) data show.

"We hope that imports won't increase with the rising international steel price," wrote Iron and Steel Industry Association (IISIA) executive director Hidayat Triseputro in a text message on Tuesday.

He expects the domestic steel consumption to increase by around 5 percent to around 13.5 million tons this year, from 12.7 million tons last year. With the decline in imports, he hopes the market share for local iron and steel will reach 45 percent, a slight increase from 40 percent last year.

Oct. 25, 2017

J. Abst

BPOM, KPK to prevent license foul play

JAKARTA: The Food and Drug Monitoring Agency (BPOM) has received assistance from the Corruption Eradication Commission (KPK) to anticipate possible foul play in the management of drug and food monitoring, particularly in the issuance of licenses.

“This is to ensure the licensing [management] is carried out in a clean and accountable manner,” said the BPOM’s deputy for drugs and addictive substances monitoring Nurma Hidayati, as quoted by *kompas.com*.

KPK deputy leader Basaria Panjaitan proposed a better drugs-control system and establishing monitoring desks at a local level across the country.

The KPK released a study on drug and food monitoring management late last year and recommended, among other things, overhauling the drugs-control system.

The study was concluded only months after the country was shocked by the distribution of fake vaccines that prompted President Joko “Jokowi” Widodo to instruct his administration to revamp the BPOM and the management of drug and food monitoring.

Last month, the BPOM was in the spotlight after the discovery of widespread distribution of “PCC” drugs containing over-the-counter painkiller paracetamol and carisoprodol, a sedative banned in Indonesia since 2013. —JP