

## OUTLOOK

# Economy can weather shocks: Sri Mulyani

Ed Davies and  
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REUTERS/JAKARTA

Indonesia's economy is now in a much better position to weather any shocks on global markets due to further increases in US interest rates, Finance Minister Sri Mulyani Indrawati said in an interview on Thursday.

In 2013, Indonesia was labeled one of the "fragile five" emerging economies after suffering from sharp capital outflows when then U.S. Federal Reserve Chairman Ben Bernanke announced a tapering of its quantitative easing program.

Asked whether the rupiah currency was still vulnerable, Indrawati told Reuters she hoped not because: "fiscal policy is sound. We have a relatively low deficit compared to many other emerging country, even advanced countries."

The rupiah has fallen 0.9 percent so far this year and last month touched its weakest since mid-2016 as the dollar strengthened broadly against emerging market currencies, while Bank Indonesia unexpectedly cut interest rates.

A Reuters poll shows that traders are bearish on the rupiah for the first time since December 2016.

"We have quite a comfortable balance of payments as well as monetary policy that I think is supportive enough for growth without creating a pressure (on) inflation," she said.

The Federal Reserve has raised US interest rates twice this year and is expected to hike again in December and to start to reduce the size of its balance sheet.

On the other hand, Bank Indonesia cut rates in August and September by a combined 50 basis points in a bid to fire up economic growth that has stuck stubbornly around 5 percent for the past few years.

Indrawati said that under Janet Yellen the Federal Reserve had improved its communications over policy after saying it had previously not provided adequate time for countries to make preparations.

"Janet Yellen is almost at the end of her first term. She has gained a lot of experience in dealing with the psychology of the market," she said.

US President Donald Trump is expected on Thursday to nominate Federal Reserve Board Governor Jerome Powell as the next chair of the central bank.

Indrawati, former managing director of the World Bank, said the next head of the Federal Reserve needed to have a good understanding of the implications for the wider world of US monetary policies.

"I do hope that the choice is going to be a figure that has a very good understanding that the policy of the US is not only a matter for the US," she said.

Turning to domestic growth, Indrawati said that stronger global growth was starting to feed through to Indonesia's economy.

The government expects Southeast Asia's biggest economy to grow 5.4 percent next year, compared with a target of 5.2 percent this year helped by a recovery in exports and investment.

# Pertamina revises timeline for refineries

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

Dwi Soetjipto was all smiles when he delivered his remarks prior to the signing of a joint venture agreement between state-owned energy firm Pertamina and Saudi Arabian oil giant Saudi Aramco in Jakarta on Dec. 22, 2016.

The then president director of Pertamina emphasized the importance of expanding domestic refinery capacity in order to achieve energy sovereignty. During the same event, he praised Aramco CEO Amin Nasser for his commitment to jointly upgrade the Cilacap refinery in East Java, estimated to cost US\$5.8 billion.

"The project was [initially] targeted to be completed in 2022. But in the last meeting [with Aramco] a few minutes ago, we agreed to complete it in 2021, as challenged by Mr. Nasser," Dwi said, followed by applause from his colleagues.

Little did Dwi know that, within less than two months, he would be dismissed from his position at Pertamina following alleged infighting with his own deputy that had led to delays in several projects.

Restructuring specialist Elia Massa Manik soon replaced Dwi in mid-March to clean up the mess, and overhauling Pertamina's unrealistic timeline for refinery projects amid mounting financial burdens was one of his first tasks.

In addition to the Cilacap project, Pertamina plans to upgrade three other facilities, namely the Balikpapan refinery in East Kalimantan, the Dumai refinery in the Riau Islands and the Balongan refinery in West Java. The energy giant also plans to develop two new refineries, one in Bontang, East Kalimantan, and another in Tuban, East Java.

Pertamina estimates that it

Pertamina extends deadline for upgrade and construction of four refineries and plans to expedite one refinery project

Pertamina to renegotiate agreements with Saudi Aramco and Rosneft to ease financial burden

will spend around \$45 billion on all its refinery projects, which are expected to boost its refined fuel production capacity to 2 million barrels of oil per day (bopd) by 2025 from the current rate of 1 million bopd.

"Right from the start, I said that I didn't want to make promises that I couldn't keep. So when I first came in, I started fixing the schedule of our refinery projects to make them more realistic. Then, everyone said that Pertamina was giving up, but that's not the case," Elia said.

He said it was important for Pertamina to make a prudent, realistic plan to ensure smooth developments in its refinery projects. Otherwise, each one-year delay would cost the company hundreds of millions of US dollars, Elia added.

Pertamina revealed plans of deadline postponements in June, with the Cilacap project's completion moved to 2023 from 2021 initially. Meanwhile, the deadline for the new Tuban refinery, worth \$15 billion, will be postponed to 2024, three years past the initial targeted date. The Tuban refinery will be developed in cooperation with Russian oil firm Rosneft.

The completion period was extended for both projects as Pertamina is currently renegotiating its agreement with Aramco and Rosneft to conduct joint marketing efforts instead of having Per-

tamina be the sole off-taker for the fuel produced, a move that would significantly increase its debt covenant.

Recently, Pertamina also announced that the completion of the Balongan and Balikpapan projects would also be delayed to 2023 and 2025, respectively, from previous deadlines of 2021.

However, the firm moved the deadline for the Dumai refinery upgrade forward to 2024 from 2025.

Despite the timeline changes, Pertamina has yet to find partners to develop the Balongan, Balikpapan and Dumai refinery projects, each worth an investment of \$5 billion to \$6 billion.

"These three projects would rely heavily on Pertamina's financial capacity. So if Pak Elia gives us the green light, we will go on. But if not, we would put them on hold. The timeline has to be ad-

justed dynamically," Pertamina petrochemical and processing megaprojects director Ardhy N. Mokobombang said.

Pertamina has projected that its capital expenditure will reach around \$10 billion to \$11 billion a year in the 2019 to 2021 period following the start of the construction of its refinery projects. In 2017, it has only allocated \$4.5 billion in capital expenditure.

"We're talking about \$45 bil-

lion worth of investments [in refinery projects]. So you can call me a liar if I say that Pertamina, which currently has total assets worth only \$50 billion, will be able to develop all of those projects by itself within the next eight years. It's nonsense. We need to create partnerships," Elia said.

As of June, Pertamina's total liabilities stood at \$26.36 billion, up 1.08 percent year-on-year (yoy).

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# BPH Migas scraps fund proposal

**Rachmadea Aisyah and Viriya P. Singgih**

THE JAKARTA POST/JAKARTA

The Downstream Oil and Gas Regulatory Agency (BPH Migas) has decided to scrap its plan to give Rp 1 trillion (US\$73.9 million) to Pertamina annually from its annual nontax revenue (PNBP) to ease the company's financial burden in its quest to fully implement the one-fuel price policy.

The proposed fund could have helped Pertamina to expand the coverage of the policy, which aims to cut the price disparity of fuel between regions across the sprawling archipelago of more than 17,000 islands.

"It was just a thought that BPH Migas head [Fanshurullah Asa] had at that time," said Harya Ad-

ityawarman, Energy and Mineral Resources Ministry's director for downstream business, on the sidelines of a press conference on Friday.

"Some people said that Pertamina had losses caused by the one-fuel price policy and Pak Asa thought that we could [give Pertamina] some Rp 1 trillion from the country's non-tax revenue," he said. "But in the end, there were procedures [that Pertamina had to fulfill]."

However, Harya said Energy and Mineral Resources Minister Ignasius Jonan had promised to hold a meeting with Pertamina to discuss the proper incentives to ease its burden, although he declined to provide further details.

He shrugged off concerns about Pertamina's possible losses

Proposed fund to help Pertamina in one-fuel price policy 'just a thought'

Pertamina may face up to US\$1 billion revenue decline annually if policy continues

that could come from the policy. "This is not about a matter of loss or profit, but about social justice."

Pertamina needs Rp 5 trillion to sell subsidized Premium gasoline and Solar diesel fuel at Rp 6,450 per liter and Rp 5,150 per liter, respectively, in 150 locations nationwide by 2019, including frontier, outermost and remote areas, known as the 3T regions. It has thus far covered only 26 loca-

tions as of November, costing the firm Rp 300 billion in losses.

Pertamina president director Elia Massa Manik had said the company might face a possible \$1 billion revenue decline annually if the government was to proceed with its one-fuel price policy until the end of President Joko "Jokowi" Widodo's term in 2019.

"The government could have taken [the one-fuel price adjustment cost] from, for instance, our dividends," Elia said recently, pointing out that Pertamina had paid Rp 12 trillion in dividends to the government last year.

"Therefore, even though we could not yet increase the fuel prices, we would not feel as though our revenues were taken away."

Pertamina's struggle to maintain the one-fuel policy price has

been exacerbated by the government's decision to ignore the rising global oil prices in the past months.

This has led to the company booking a 29.7 percent net income decline until the third quarter of 2017 to \$1.99 billion because of a 27 percent increase in its cost of sold goods and operating expenses.

"As Pak Elia has said, our fuel price formula still refers to the one issued by the Energy and Mineral Resources Ministry," said Pertamina finance director Arief Budiman.

"The formula is reiterated every quarter but it is subject to change next year. Therefore, we expect fuel price rises for 2018."

BPH Migas, appointed by Jokowi to supervise the implementation of the one-price fuel

policy, remained convinced that it would fulfill the target of 54 new fuel stations this year as mandated by the program as it invited more private companies to participate.

Listed chemicals and petroleum distributor PT AKR Corporindo is the only private company to join in the program with a target of opening five fuel stations this year.

Private firm PT Vivo Energy Indonesia, which recently kicked off the operation of its first fuel station in Cilangkap, East Jakarta, is among the interested parties as it is mulling building a distribution line in Maluku, said Ibnu Fajar, a member of BPH Migas' fuel committee.

"The more players we see in this policy, the better it will be," he told reporters on Friday.

# Solar energy investment faces hurdles

Rachmadea Aisyah  
THE JAKARTA POST/JAKARTA

Aimanuddin, a resident of Tunda Island in Banten, had spent most of his childhood literally in the dark before electricity was available to his neighborhood in the early 2000s.

The island, where the 23-year-old tour guide has spent his whole life, is only a three-hour bus ride and two-hour boat ride away from Indonesia's capital city of Jakarta. And yet, even after the government brought in solar panels to power the island years ago, he and some 300 families living there still face electricity issues to this day.

In 2014, the government came to the island again to install an electricity substation. "We have had electricity from the same grid since then, but each house only gets 260 kilowatt hours [kWh]," Aimanuddin said. "It's only enough to light our homes — there's not much left, even just to use an electric fan."

The issues do not stop there. Aimanuddin said even though authorities had provided the island's inhabitants with the infrastructure, they were left to their own devices to keep the electricity up and running. "Villagers have to chip in to pay for the solar substation's maintenance," he said.

"Also, when it's cloudy, our electricity is gone. We can use backup power from small diesel-

Solar-based energy faces lack of government coordination, fiscal incentives

Rates still above average price of fossil fuel powered-electricity

powered generators on the island, but even those will only last for several hours," he said.

Aimanuddin's story depicts the complications in using solar-based electricity. Despite the government's rigorous efforts to expand its sources of renewable energy, stakeholders of solar-based, or photovoltaic (PV) energy, still feel that the resource is being undermined.

The stakeholders' group, under the Consortium for National Photovoltaic Industry (KKIFN), has been trying to untangle the complications surrounding the adoption of PV energy.

KKIFN head Ngakan Timur Antara said the difficulties included lack of government coordination and fiscal incentives for PV investors, and most importantly, uncertainty about how much money investors should disburse in order to build a proper solar-powered plant.

Ngakan said even though it would cost US\$1 million on average to build a 1-megawatt (MW) solar-powered plant, it is consid-

erably faster to build compared to other plants.

"It only takes six months to set up a solar-powered plant if everything is done right, compared to plants of other types, which could take years to build," he said.

The consortium had targeted 6,500 MW of energy to come from solar-powered plants by 2020, but only 100 MW of had been realized so far, said Ngakan, who is also head of the Industry Ministry's Industrial Research and Development Agency.

The consortium is also still attempting to find a middle ground on the price of electricity generated from solar-powered plants.

The operating plants today are selling their products at various prices, from 6 US cents to 10 US cents per kWh. The rates are still above the average price of electricity generated from fossil-fueled power plants.

"I understand that Energy and Mineral Resources Minister Ignasius Jonan wants only affordable sources of electricity. This is still being debated until now," he said.

"However, solar-powered plant operators want the tariff to be set at 10 US cents, because otherwise they will face operational delays and will not be able produce electricity at a larger capacity."

PLN renewable energy division head Tohari Hadiat said late in August that the firm was currently on its way to build six solar-

powered plants with a capacity totaling 45 MW.

Four plants will be built in Lombok, West Nusa Tenggara, one in Minahasa, North Sulawesi, and one more in Gorontalo. The development, he said, would cost the PLN \$45 million in total.

Meanwhile, Maritje Hutapea, the Energy and Mineral Resources Ministry's director for miscellaneous new and renewable energies, said as of November, Indonesia's independent power producers (IPPs) had only operated 8-MW solar-powered plants.

"An IPP, however, is currently filing a proposal with PLN to develop a 165-MW solar-powered plant located in Sumatra," Maritje said.

Another problem was that the government should also pay attention to generating enough demand for solar-based energy.

"[Solar-based energy] markets should also be developed; otherwise, we will not be able to attract investors to sell electricity at a high capacity," said KKIFN secretary-general Nandang Suhendra.

The consortium aimed to help develop solar-powered plants in remote areas far from PLN's electricity grid to increase the market, Nandang said.

"That is what we are offering [investors in solar-powered plants]. This should open a domestic market for investors who want to engage in solar energy development," he said.

# No delay in Japan, RI key projects

Farida Susanty  
THE JAKARTA POST/JAKARTA

Port to begin operating in Q1 2019 as scheduled  
Land procurement to finish in February 2018

Despite a four-month delay in the construction of the US\$3 billion Patimban Port, the country is determined to begin operating it in the first quarter of 2019 as scheduled.

The Transportation Ministry looks to begin the development of what is set to become the country's new logistics base in January next year, a deadline that some worry might not be met because of current delays in the bidding process.

However, the ministry's secretary general, Sugihardjo, assured that like its partner Japan, Indonesia wanted to conclude negotiations in March 2019. His statement came after his recent participation in a meeting in Tokyo involving transportation officials of the two countries.

"There have been delays because the bidding process just started," he said, referring to the first phase of development, which comprises the construction of a car terminal and a container terminal.

"So, the contract will likely be concluded in March [next year] instead of January [next year]."

The project to turn a quiet area in Subang regency, West Java, into a busy international port much like Indonesia's main gate, Tanjung Priok Port in Jakarta, has been hindered by several issues, from the lengthy process of securing location permits from the regional administration to the slow speed in which the local team in charge of project supervision operates.

Sugihardjo said the government was taking all the necessary steps to expedite the project, including by recently holding a tender for the construction of a road leading to the port.

Land procurement is also expected to finish in February next year.

The project will require 570 hectares of land, the acquisition of which will be funded using the state budget and cost Rp 500 billion (US\$37 million).

Patimban Port will be located about 70 kilometers from the Karawang Industrial Estate and Bekasi in West Java, where many Japanese industrial firms, particularly automotive and electronics manufacturers, operate.

Indonesia hopes the port will help it jack up its automotive exports by 30 percent once it becomes operational.

It will have the capacity to handle 1.5 million 20-foot equivalent units (TEUs) of containers once it

is partly complete in 2019 and 7.5 million TEUs by 2027.

The project will be funded mostly by the Japan International Cooperation Agency (JICA) for a reported \$1.03 billion in the first phase.

Speaking on the current preparation progress, deputy chief of mission at the Japanese Embassy in Indonesia, Kozo Honsei, said that Japan was in the final stage of concluding negotiations with Indonesia over a loan agreement for the project.

"We would like to realize it as soon as possible," he said.

The Patimban Port project is one of several flagship projects between Indonesia and Japan, a long-time investor that now intensively seeks a tighter grip on infrastructure in Southeast Asia's largest economy.

Other projects include the development of the MRT system and the revitalization of the Jakarta-Surabaya railway, which will reduce travel time between Java's main cities by nearly half to only five hours.

Indonesia offered the railway project to Japan after the former disappointed the latter by granting another high-speed railway project, which links Jakarta and West Java's capital Bandung and is estimated to cost more than \$5.5 billion, to China.

JICA and the Agency for the Assessment and Application of Technology (BPPT) are carrying out two separate studies on the design of the Jakarta-Surabaya railway.

Sugihardjo said that both JICA and BPPT would present their studies, including the estimated costs of each design, on Monday and that, later, the government would evaluate the costs in terms of performance.

"We will decide on the [design] at least two weeks [from Monday] or what the fastest [design is], two days from then," he said.

The government is currently mulling whether to build a new track or build over the existing route.

Transportation Minister Budi Karya Sumadi said recently that the government would likely use the existing route, which costs an estimated Rp 62 trillion, as opposed to building a new track, which costs an estimated Rp 100 trillion.

# Millennials unhappy with foreign workers

Marchio Irfan Gorbiano  
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THE JAKARTA POST/JAKARTA

Millennials, the section of the population aged between 17 and 29 years old, have less affection for foreign companies and foreign workers than older generations.

In a survey conducted recently by Jakarta-based think tank Centre for Strategic and International Studies (CSIS), nearly half of all millennial respondents perceived foreign companies as bringing no advantages to the economy.

According to the survey, the samples for which were taken between Aug. 23 and 30, 52.2 percent of respondents believed the presence of foreign firms had positive impacts, while 47.8 percent believed otherwise.

Non-millennial respondents, categorized by CSIS as Indonesian citizens aged above 30, have a positive perception with 56 percent holding favorable views toward foreign firms, while 41.7 percent hold negative perceptions.

Despite a favorable outlook toward the presence of foreign companies in Indonesia, the millennials, however, have a negative perception of the presence of foreign workers.

Data from the survey said 77.7 percent of millennials viewed negatively the impact of foreign workers on the economy. The perception was also shared by non-

Millennials view negatively impact of foreign workers on economy

AEC seen as opportunity to spread wings

millennials, 76.2 percent of whom also viewed foreign workers as harming the economy.

Indonesia has the lowest intake of foreign workers compared to Singapore, Malaysia and Thailand. There are fewer than 75,000 expatriates annually, according to data from the immigration office.

Yose Rizal Damuri, the head of the department of economics at CSIS, said the findings revealed a different perspective toward foreign capital and foreign workers.

"When we talk about foreign firms, it means foreign capital flowing into Indonesia that helps open new job opportunities. The millennials widely shared this view," he said, adding that millennials might be drawn to working in foreign firms because of better wages and working environment.

In the case of foreign workers, Yose said, there were negative perceptions owing to the fear that foreigners would take away jobs from locals.

The survey also revealed that millennials also had a positive view of the ASEAN Economic Community (AEC), with 84 percent of respondents deeming the economic cooperation as benefit-

ting the economy.

Yose said the favorable view was supported by strong understanding as public discussions were intense around 2015, the year the AEC was fully established, coupled with millennials' international interests.

"Millennials saw this [AEC] as their chance to spread their wings and work abroad. Many of them expressed their desire to work in Singapore, for example," he said.

The survey revealed millennials had more affection for Singapore than Malaysia when it came to economic cooperation.

Malaysia is at the top of the list of ASEAN countries cooperating economically with Indonesia, but deemed to cause the most disadvantages to the economy. Some 54.7 percent of respondents believe so, followed by Singapore at 5.5 percent and Vietnam at 4.9 percent.

When it comes to the question of which ASEAN country brings the most benefits to Indonesia, 36.1 percent of respondents prefer Singapore, followed by Brunei Darussalam with 19.7 percent and Malaysia with 18.2 percent.

The survey also found that Indonesian millennials were *galau* (indecisive) when it came to politics.

Among the millennials, President Joko "Jokowi" Widodo came out on top as the most electable candidate, with 33 percent of respondents saying they would vote for him if the election was held

today, while 25 percent of them said they would vote for Gerindra Party founder Prabowo Subianto. Meanwhile, 54.2 percent of non-millennials said they would vote for Jokowi, while 24.5 percent would vote for Prabowo.

Bandung Mayor Ridwan Kamil came in at third place with 5.8 percent of the vote, followed by Surabaya Mayor Tri Rismaharini with 4.8 percent. Former president Susilo Bambang Yudhoyono garnered 4.7 percent, followed by Indonesian Military chief Gatot Nurmantyo with 4.2 percent.

Other figures included former Jakarta governor Basuki "Ahok" Tjahaja Purnama, Jakarta Governor Anies Baswedan and Yudhoyono's eldest son, Agus Harimurti.

"That is relatively weak for Jokowi as an incumbent. But for newcomers, getting more than 4 percent is strong enough," CSIS political researcher Arya Fernandes said. "It shows that millennials are actually waiting for new faces, but as of now they are left to choose between Jokowi and Prabowo. They are still open to new figures."

Regarding political parties, the survey found that 26.5 percent of millennials would vote for candidates from the Indonesian Democratic Party of Struggle (PDI-P), Jokowi's party, followed by Gerindra with 17.8 percent, Yudhoyono's Democratic Party with 13.7 percent and the Golkar Party at 10.7 percent.

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## Jokowi to summon Tito over Novel case

JAKARTA: President Joko "Jokowi" Widodo will summon National Police Chief Gen. Tito Karnavian to ask him about the progress of their investigation into the acid attack against Corruption Eradication Commission (KPK) investigator Novel Baswedan.

"It must be clear how far the investigation has gone. Everything must be clarified and solved completely," Jokowi said on Friday, as quoted by *kompas.com*.

Jokowi, however, did not respond to questions about whether he would form an independent fact-finding team to assist with the investigation.

Almost six months has passed since two unidentified men splashed acid on Novel's face on the early morning of April 11, causing severe injuries to his face and eyes. Since then, a team of doctors has been providing Novel with intensive treatment in Singapore.

The National Police's Criminal Investigation Department chief Comr. Gen. Ari Dono Sukmanto said Novel's case was difficult to solve because of a "hit-and-run" method where the perpetrators immediately fled the scene. Such cases, he said, may take years to solve. — JP

# Jokowi gaining ground in conservative West Java

Marguerite Afra Sapiie

THE JAKARTA POST / JAKARTA

During the 2014 presidential election, Joko "Jokowi" Widodo, struggling to win the hearts and minds of West Java voters, suffered one of his worst defeats to rival Prabowo Subianto in the province, which holds the largest constituency in the country.

Often regarded as a religiously conservative province, West Java has been widely regarded as a stronghold of the Islamic-based Prosperous Justice Party (PKS), which helped Prabowo win 59.78 percent of the vote there, compared to Jokowi's 40.22 percent.

However, a recent public survey has revealed that Jokowi might turn the tables and increase his electability rating in West Java to surpass Prabowo in the third year of his administration, increasing the possibility that Jokowi wins the majority of the vote in the province should he seek reelection in 2019.

"There is a strong possibility that the votes for Jokowi in West Java significantly increase in

Jokowi's electability surpasses Prabowo in West Java: Survey

Jokowi lost to Prabowo in province in 2014

2019, compared to the 2014 presidential election," Charta Politika executive director Yunarto Wijaya told *The Jakarta Post* on Friday.

A survey conducted by Saiful Mujani Research and Consulting (SMRC) released on Thursday revealed that 25.7 percent of the 820 people polled in West Java said they would vote for Jokowi if the election was held at the time of the polling. Prabowo came second in the poll, garnering 22 percent of the vote.

Jokowi's positive performance during his three years in office, particularly in infrastructure development, security and law enforcement, has changed public perception in West Java, the survey, conducted from Sept. 27 to Oct. 3, said.

The survey also revealed that

Bandung Mayor Ridwan Kamil, who has secured support from the NasDem Party, the Golkar Party, the National Awakening Party (PKB) and the United Development Party (PPP), is the West Java gubernatorial candidate with the highest electability.

Golkar, NasDem and the PPP have all declared support for Jokowi in the 2019 presidential election, with the latter two parties publicly stating that they would throw their support behind the Bandung mayor in the West Java election as long as Ridwan supports Jokowi in 2019.

Tailing Ridwan was incumbent Deputy Governor Deddy Mizwar, who has gained the backing of Gerindra, the PKS and the National Mandate Party, with 3.8 percent.

Ridwan's candidate status in the West Java regional election next year also influenced public perception of Jokowi, as Ridwan was more closely associated with Jokowi than Prabowo, Yunarto said, adding that the PKS also lost ground because current West Java Governor Ahmad Heryawan

was no longer eligible to run for the gubernatorial seat in 2018.

The ruling Indonesian Democratic Party of Struggle (PDI-P) has yet to declare support for a candidate in West Java. However, should the PDI-P choose its own candidate and not Ridwan, it would still help out Jokowi, he said.

"Jokowi's electability would continuously increase if the winner of the West Java election was someone other than the Gerindra-backed [Deddy]," Yunarto added.

Centre for Strategic and International Studies (CSIS) political analyst Arya Fernandez said that the West Java election would affect the contestation between Jokowi and Prabowo, should the two once again run head-to-head in 2019. "If the figure closely associated with Jokowi wins, it would serve to benefit Jokowi," Arya said, adding that, conversely, Jokowi would be at a loss if the figure close to Prabowo wins.

Even though the PKS has the highest number of supporters in West Java, the PDI-P controls the provincial council with 20 seats.



# Dozens of netizens face charges over Setya memes

**Kharishar Kahfi**

THE JAKARTA POST/JAKARTA

Indonesian netizens went into a frenzy last month when a picture of House of Representatives Speaker and Golkar Party chairman Setya Novanto in intensive care at a private hospital in Jakarta circulated online, drawing ridicule from critics who accused him of posing for the shot.

The politician, who was then accused of evading Corruption Eradication Commission (KPK) questioning, has not taken the online mockery lightly and is determined to press defamation charges on the owners of 69 Facebook, Twitter and Instagram accounts.

"We reported them for defamation as stipulated under the 2008 Electronic Information and Transactions [ITE] Law," Setya's lawyer, Fredrich Yunadi, told *The*

*Jakarta Post* on Friday.

The police were quick to follow up on the report by arresting on Wednesday evening a woman suspected of distributing a meme deemed to have defamed the high-profile politician.

Head of the Jakarta Police's cybercrime division, Sr. Comr. Asep Safrudin, said the suspect, identified as 29-year-old Dyann Kemala Arrizqi, was only joking when she uploaded the meme on social media.

That, however, did not stop the police from charging Dyann, who is a member of the Indonesian Solidarity Party (PSI). The party's secretary-general, Raja Juli Antoni, told the *Post* she was in shock and shutting herself away.

The police's move has drawn criticism from civil rights activists, who accuse the force of recklessly handling the reports, saying

they should have conducted mediation before leveling charges.

"Prosecuting someone for alleged defamation should be a last resort," said Damar Juniarto, the regional coordinator for the Southeast Asia Freedom of Expression Network (SAFE-net).

However, the ITE Law, seen by many draconian, has granted any citizen the right to press criminal charges on those they believe have defamed them.

Setya opted not to undergo mediation with the netizens he reported.

"We will move forward with the report as we have handed it over to the police's investigators," Setya said on Friday after testifying against graft defendant Andi Agustinus, aka Andi Narogong, at the Jakarta Corruption Court.

Since the House passed the law in 2008, activists have been con-

cerned that draconian articles in the law could threaten freedom of expression, as the articles could easily be used to criminalize anyone for expressing their opinions.

An amendment to the law was made in 2016 to allay concerns that the law was a threat to the country's democracy and freedom of speech. Among points revised was the maximum sentence for individuals convicted of defamation, which was reduced from six to four years' imprisonment.

With the revision, the police could no longer detain those charged with defamation under the ITE Law.

Activists, however, have argued that the defamation articles in the law could still be used to curtail freedom of speech. In the past few years, more people have fallen victim to the law.

As of October this year, 201

cases of online defamation have been reported since the House passed the law in 2008, according to SAFE-net data.

The data also showed that the number of cases had increased under President Joko "Jokowi" Widodo's administration, with 48 cases in 2015 to 54 cases in 2016. For comparison, only 32 cases of online defamation were recorded under president Susilo Bambang Yudhoyono's administration from 2008 to 2013.

The latest example of defamation prosecution using the law took place in September, when an organization linked to the Indonesian Democratic Party of Struggle (PDI-P) reported journalist Dandhy Dwi Laksono to the East Java Police for publishing a Facebook post comparing PDI-P leader Megawati Soekarnoputri and Myanmar State Counselor Aung San Suu Kyi.

## JUDICIARY

# Supreme Court recruits 1,500 judges after 7-year break

Safrin La Batu

THE JAKARTA POST/JAKARTA

More than 1,000 potential judges are set to participate in on-the-job training for two years before they can serve in various courts across the country, which has long suffered from a shortage of judges.

The Supreme Court has announced that 1,607 out of more than 25,000 applicants had passed a series of tests this year, including an interview by law experts, in one of the largest recruitment of judges, and the first held after a seven-year hiatus.

While an online system was introduced this year and promoted as a tool to enable a more merit-based selection system compared to past methods, questions remain on how far the training program could support the Supreme Court's ongoing reform, which began in the early 2000s.

Indonesia's courts have been in the media spotlight in recent years, following corruption scandals implicating several judges and court officials.

The Supreme Court is set to involve relevant parties, including the Judicial Commission and the Corruption Eradication Commission (KPK), in its new training program by providing, among others, a six-month capacity building course.

"The KPK will give [potential judges training] on how to prevent corrupt practices," Supreme Court spokesman justice Suhadi said on Sunday.

He did not elaborate on how the training program could help build an integrity system to restore public trust, but claimed that the online recruitment system has already promoted greater accountability and significantly reduced nepotism.

In the selection process, the Supreme Court has also received assistance from relevant state institutions, such as the Administrative and Bureaucratic Reform Ministry, as well as the National Civil Service Agency (BKN).

Supriyadi Widodo, executive director of Indonesia Criminal and Justice

Reform (ICJR), said one of the biggest challenges the Supreme Court faced was how to root out the strong hierarchy approach in courts that only foster corrupt practices.

"Will they [potential judges] be strong enough to face the court system? Young judges are vulnerable when facing senior ones," Supriyadi said.

"This selection process can actually become the entry point for a [full] reform" if the Supreme Court is serious enough to give the new judges a chance to build a better system, Supriyadi added.

Judicial Commission deputy chairman Sukma Violetta previously said in a discussion in September that hierarchy had become one of the causes of corrupt activities in court.

"[Personal] factors of liking and disliking someone were also identified in our study. There were, for example, some senior judges who were trying to expel dissenting opinions [among a panel of judges overseeing a case]," Sukma said.

Jakarta-based Indonesian Legal Roundtable (ILR) previously revealed in its annual report that Indonesia's rule of law index last year dropped to 5.31 from 5.32 in 2015.

Among the factors causing this drop, according to ILR, was that many judges struggled to remain objective when handing down a verdict. According to the study, judges' objectivity had fallen to 1.44 from 1.48 in 2015.

A previous study in 2016 by United States-based World Justice Project (WJP) also showed that Indonesia scored low on the rule of law index, landing in 61<sup>st</sup> position out of 113 countries in the study. The country's standing was far below neighbors Singapore and Malaysia, which ranked ninth and 56<sup>th</sup> respectively.

Meanwhile, the Judicial Commission has also vowed to focus on supervising the final selection process after the candidates undergo the two-year job training, said spokesman Farid Wajdi.

"Corrupt activities, such as cheating, plagiarism and nepotism, will not be tolerated," Farid warned.

## COMMODITIES

# Industry experts upbeat about climbing price of palm oil

Winnie Tang

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The palm oil industry may see the light at the end of the tunnel next year as the price of palm oil is expected to maintain its upward trend after falling to a record low two years ago, industry experts have estimated.

Dorab Mistry from Indian consumer goods producer Godrej International Ltd. projected that the crude palm oil (CPO) price would rise from around US\$735 per ton at present to \$800 per ton — based on CIF Rotterdam — by January next year. Despite high production in September and October, stockpiles remained lower than expected, he added.

“The peak of production has passed [...] We are going to enter a period of tighter stocks, and as a result, higher prices,” Mistry said during the 13<sup>th</sup> Indonesian Palm Oil Conference.

He further estimated that the price would also potentially hit \$850 per ton by March next year because of tight inventory triggered by — among other factors — disruption in the production of other vegetable oils.

Climatologists have warned about a possibility of La Nina, marked by plenty of rainfall, in 2018. A strong La Nina may affect the production of soybean, a rival vegetable oil to palm oil, in the United States and South America.

Mistry's projection was based on several factors, including the Brent crude price, which may hover at between \$45 and \$60 per barrel, and the stronger dollar against currencies from countries such as Brazil, Argentina and India.

Mistry also estimated that palm oil production in Indonesia, the world's largest producer of the commodity, would increase by 8.8 percent to between 36.5 million

and 37 million tons in 2018, while in Malaysia, it might rise by 4.5 percent to 19.97 million tons.

Another industry expert, James Fry of global commodities consulting firm LMC International, projected the palm oil price to exceed 2,800 ringgit (\$661) a ton before returning to dipping below 2,500 ringgit based on the prediction of Brent crude prices at \$60 per barrel.

In July, the Brent crude price averaged \$48 per barrel, then hiked to \$52 in August and \$56 in September and October. It will be affected by Saudi Arabia's desire to raise the stock price of oil-giant Saudi Aramco before the company conducts an initial public offering (IPO), and the US shale oil's response to higher prices.

“If you think the Saudi's will hold sway, at least until the second quarter, the CPO futures will peak at 2,950 ringgit in January and then fall back toward 2,600 ringgit,” Fry said.

He cautioned, however, that the price hike might not be sustainable and could potentially fall by July next year to 2,300 ringgit whenever the Brent prices dipped to \$55 per barrel. Fry's price forecast was based on three Brent figures as he believed that the Brent price is an effective reference to determine the price of palm oil.

“The palm oil price is [closely] tied to the petroleum price. The petroleum price sets the floor to the bottom of the palm oil price. How much palm oil is above petroleum depends on stocks,” Fry told reporters.

Despite a bright price outlook from renowned industry players and analysts, Indonesia's largest palm oil industry group, the Indonesian Palm Oil Producers Association (GAPKI), which had organized the annual conference, offered a more pessimistic view.

GAPKI executive director Fadhil Hasan said the association's outlook would be mild and limited in the first half of next year, expecting the price to average between \$710 and \$720 per ton, then drop in the second half during the harvest season.

In 2015, due to oversupply, abundant stockpiles of substitutes and a drop in commodity prices, the price of palm oil began to plunge, according to GAPKI's analysis. It started to gain last year on the back of lower stockpiles as a result of El Nino, which pressured yields, and Indonesia's biodiesel program, which requires the blending of palm oil and diesel fuel.

The trend continued this year as a result of the global economic recovery, which has so far boosted demand from major markets, such as China and India as well as greater demand from new markets, and the lingering effect of irregular weather pattern caused by El Nino.

In 2018, moreover, the price of palm oil will be determined by crude oil prices, the price gap between palm oil and soybean oil, economic growth, especially in developing countries, and policies on palm oil in key markets, namely the European Union and United States.

The EU and US have launched renewable energy initiatives that require the substitution of fuel with alternative sources, including soybean and palm oil.

“Biofuel mandates will no longer become a factor that pushes the palm oil price, unless it can be implemented for non-PSO [public service obligation]. Consequently, the biofuel program will serve merely as a price stabilizer instead of a factor that jacked up the price as seen in 2016,” Fadhil said.

## Palm Oil Price Outlook

US\$/MT	2015	2016	Jan.-2017	Feb.-2017	Mar.-2017	2017	2018	2019	2020	2025	2030
Palm oil	623	700	809	774	736	750	761	771	782	839	900
Soybean oil	757	809	872	835	813	860	870	880	890	944	1,000
Coconut oil	1,100	1,475	1,815	1,703	1,547	1,600	1,584	1,567	1,551	1,474	1,400
Groundnut oil	1,337	1,502	1,520	1,545	1,578	1,500	1,515	1,529	1,544	1,620	1,700

Source: The Indonesian Palm Oil Producers (Gapki) and others