

INVESTMENT

# Here's how the World Bank thinks RI can spur foreign investment

**Bloomberg**  
JAKARTA

Indonesia needs to ease rules requiring foreign companies to use locally produced materials to spur foreign direct investment, the World Bank said, as the government chases billions of dollars in private investment.

Easier terms for foreign manufacturers and fewer restrictions on ownership in some sectors will attract more funds, Rodrigo Chaves, World Bank country director for Indonesia, said in an emailed response to questions.

"Businesses don't like unpredictable regulations," Chaves said, referring to multiple changes to the so-called negative investment list since its introduction in 2007. "We would like to encourage smart regulations, which are efficient and predictable."

President Joko "Jokowi" Widodo has taken steps to wean the country off commodities and push investment in value-added manufacturing and services to generate more jobs and to finance hundreds of billions of dollars needed for infrastructure. Indonesia's economy has expanded at an average of about 5 percent, below the 7 percent target set by Jokowi when he came to power three years ago.

The president has said Indonesia is open to local and foreign pri-

vate investors, as he seeks to ease concerns among foreign investors over the nationalist agenda.

While the introduction of the negative investment list was initially greeted favorably as it "increased transparency," a series of revisions since 2010 meant "its usefulness has been undermined", Chaves said.

The list covers a range of sectors from banking to brewing and places limits on levels of investment and ownership, and in some cases prohibits foreigners altogether. The local content requirement rules, which apply across industries from dairy to automotive, had seen Apple Inc.'s market access being curbed. The company has since overcome the barriers by building a domestic research facility.

The United States too has taken aim at the content requirements, with its Ambassador Joseph Donovan last week blaming the regulation for a "significant and persistent trade imbalance" between the two countries. The US recorded a trade deficit of almost US\$12 billion with Indonesia last year, according to the International Monetary Fund.

While thousands of kilometers of new roads and more than half-a-dozen new airports have been opened, the World Bank has said Indonesia still needs about \$500 billion over the next five years to bridge its infrastructure

gap. Chaves said that even if state revenues increase, "private sector participation is critical to close the infrastructure gap."

Indonesia has jumped 19 places to be ranked 72 out of 190 countries in the World Bank's ease of doing business index, but Chaves said challenges remain "especially with respect to predictability of the rules." Foreign direct investment into Indonesia rose 11 percent to \$24 billion in the first nine months of the year, according to official data.

Foreign investors also cite dominance of state-owned enterprises and a lack of level-playing field. Finance Minister Sri Mulyani Indrawati has said it will be "impossible" for SOEs — there are 118 operating in Indonesia — to alone handle the more than 240 projects already announced by the government.

The World Bank forecasts Indonesia's economy to expand 5.3 percent next year and Chaves said he remains "optimistic" that the country could do even better.

"While many countries wish they could grow at 5 percent, Indonesia can aspire to much higher growth rates if it continues on the path of reforms to facilitate private investments and improve human capital, the two key ingredients not just for growth but for growth that will create good jobs for Indonesians," Chaves said.

# RI takes blow from US

## over food trade, biodiesel

Agence France-Presse

WASHINGTON DC

The United States on Thursday claimed victory in a long-running trade dispute with Indonesia over import restrictions on meat, fruits and vegetables.

The World Trade Organization (WTO) ruled that Indonesia's limits on imports of horticultural and animal goods from the United States and New Zealand violate the body's trade rules. That decision upheld the preliminary ruling.

Indonesian authorities had argued that they needed to protect consumers from foods that may not meet Muslim halal dietary standards, but the WTO ruled the government had not provided evidence to support this concern.

"This is a resounding victory for the United States that should result in increased export opportu-

nities for US farmers and ranchers, as well as Indonesian consumer access to high-quality US agricultural products," US Trade Representative (USTR) Robert Lighthizer said in a statement.

"This is a complete victory for the United States and its co-complainant New Zealand."

US exports to Indonesia affected by the import licensing rules totaled US\$170 million last year.

The WTO established a dispute-settlement panel in 2015 to examine the US complaint, and ruled in Washington's favor in December. Indonesia appealed the decision in February.

In 2016, Indonesia was the ninth-largest destination for US agricultural goods, taking in \$2.6 billion in goods, according to USTR. The country was the eighth-largest source for US agricultural imports, shipping \$2.8 bil-

lion in goods to the US.

Indonesia had argued that its rules were based on health concerns and halal food standards, or aimed to deal with temporary surpluses in the domestic market. In December 2016, a panel of adjudicators faulted Indonesia, which appealed.

An Indonesian Trade Ministry official said the government would study the ruling before easing any restrictions, which cover products such as apples, grapes, potatoes, onions, flowers, juice, dried fruit, cattle, chicken and beef.

"The Indonesian government will study and conduct internal coordination related to the recently circulated Appellate Body Report, including its implications for current regulations," Oke Nurwan, Indonesia's director general of foreign trade, told Reuters.

Meanwhile, the US on Thurs-

day confirmed a plan to impose huge duties on biodiesel imports from Argentina and Indonesia, which officials said received government subsidies and therefore compete unfairly with US producers.

The punitive duties on Argentina's biodiesel were raised to as much as 72 percent, higher than the rate in the preliminary decision announced in August, while Indonesia faces rates as high as 64.7 percent, according to a Commerce Department statement.

"The unfair government subsidization of products is something the Department takes very seriously," Commerce Secretary Wilbur Ross said.

"While the United States is committed to free, fair and reciprocal trade with all countries, the Trump Administration will stand up for American workers

and companies being unfairly harmed," he said.

The Trump administration has aggressively policed trade relationships and made ending bilateral trade imbalances a centerpiece of its nationalist economic agenda.

The US imported \$1.2 billion of biodiesel from Argentina in 2016, and \$268 million from Indonesia, according to Commerce Department figures. The product is mainly used as an alternative fuel for cars.

The decision remains subject to final review by the US International Trade Commission, which is due to rule on or before Dec. 26.

The complaint was lodged by the National Biodiesel Fair Trade Coalition, an ad hoc association composed of the National Biodiesel Board and 15 domestic producers of biodiesel.

COMMODITIES

# Decade-long unreported coal exports may erode revenue

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The country may have lost billions of US dollars in revenue over the past decade owing to transfer pricing and the illegal shipment of coal, its key export commodity, raising concerns over poor control by the authority.

In a recent study, the Indonesia Corruption Watch (ICW) estimated the country may potentially lose Rp 133.6 trillion (US\$9.86 billion) in revenue from taxes and royalties, as coal exports worth \$27.06 billion from 2006 to 2016 were allegedly not reported.

It points out the gap in export data from the government and import data issued by buyer countries.

Coal exports amounted to 3.42 billion tons and were valued at \$184.85 billion between 2006 and 2016, according to data from the Trade Ministry. That compares to 3.14 billion tons in volume and \$226.52 billion in value reported by foreign buyers.

At the same time, the country's freight and insurance costs

for overseas coal shipments averaged \$20.18 per ton. In contrast, Australia only paid an average of \$16.45 per ton to similar destinations in the north.

ICW budget monitoring and analysis head Firdaus Ilyas said Indonesia's overpaid shipping costs could indicate a huge amount of unreported coal exports by recalcitrant miners.

"Mining companies often just reported their coal exports to the government based on provisional invoices, while the adjustments made in their final invoices were never reported. They have manipulated loopholes in this self-assessment system," Firdaus said recently.

Furthermore, he also alleged that a number of coal miners had created special purpose vehicles (SPVs) in tax-haven countries to avoid paying taxes.

Firdaus cited a modus operandi in which an Indonesian miner first sold its coal at prices below market standard to its SPV, and the latter would later ship the commodity to importers in India

or China at real market prices.

"But, in fact, many of those miners just shipped their coal directly to end-users. So, the transactions with their SPVs were carried out as an administrative means to avoid paying taxes," Firdaus said.

Several high-profile Indonesians, including former presidential candidate Prabowo Subianto and the children of late former president Soeharto, have recently been in the spotlight following their exposure in the Paradise Papers, a massive leak of confidential information from offshore law firm Appleby Global Group Services Ltd.

The Paradise Papers, published last week by the International Consortium of Investigative Journalists (ICIJ), reveal information on taxpayers around the world who have reportedly secretly sheltered their wealth using SPVs in offshore tax havens.

Deputy executive director of the Indonesian Coal Mining Association (APBI), Hendra Sina-dia, acknowledged rampant illegal mining practices across the

country that led to unmonitored coal exports, especially after the issuance of the 1999 Regional Autonomy Law, which grants broad authority to local administrations to issue mining permits.

Since then, the number of mining permits in the country skyrocketed to more than 10,600 in 2014 from only around 600 in 1999.

However, only 55 percent of the total permits were eventually given clean-and-clear (CnC) status, which justifies the holders' compliance with environmental policies as well as tax and non-tax financial obligations.

As a result, Indonesia introduced in 2014 the Regional Autonomy Law, which trimmed the power of local administrations.

"We are deeply concerned as well about these illegal coal mining and export activities, which, if left unmonitored, could lead to a drop in global coal prices," Hendra said.

According to the group, there were unreported coal exports worth around \$40 million in 2013 and \$60 million in 2014.

# KPK braces for fiercer attacks

Marguerite Afra Sapiie

THE JAKARTA POST/JAKARTA

The beleaguered Corruption Eradication Commission (KPK) has upped the ante against seasoned politician Setya Novanto, as he in turn launched legal maneuvers aimed at sending the antigraft body's leaders to jail.

The KPK announced on Friday it had, for the second time, named House of Representatives Speaker Setya, who is also Golkar Party chairman, a suspect in the high-profile graft case surrounding the national electronic ID program, which it is estimated to have caused state losses of Rp 2.3 trillion (US\$170 million).

"After conducting an examination, finding sufficient preliminary evidence and holding a case screening, the KPK has decided to issue a *sprindik* [a letter ordering an investigation] on Oct. 31 on the suspect SN," KPK deputy chairman Saut Situmorang told a press conference at the KPK headquarters in South Jakarta on Friday, referring to Setya.

Hours earlier, President Joko "Jokowi" Widodo, who has previously avoided commenting on the case, made a rare move by warning the National Police not to prosecute KPK leaders if there was not sufficient evidence to jus-

Jokowi warns police not to probe KPK leaders without evidence

KPK names Setya suspect in e-ID graft case for second time

tify such a move.

Jokowi's statement was viewed as a morale boost for the KPK, which could see chairman Agus Raharjo and his deputy Saut suspended following a police investigation into a report by one of Setya's lawyers.

The police are investigating allegations that Agus and Saut falsified documents surrounding a travel ban request the KPK sent to the immigration office against Setya in the latter's capacity as a witness in the e-ID graft case.

"We cannot afford to have [prosecutions] without evidence and facts," Jokowi told reporters at Halim Perdikusuma Air Force Base in East Jakarta shortly before flying to Vietnam, commenting on the police's investigation.

The statement came one day after the National Police chief Gen. Tito Karnavian confirmed that the police had begun to probe Agus and Saut, but claimed that the two had not been named suspects yet.

According to the 2002 KPK

Law, any KPK leader who is named a suspect shall be suspended from his or her position.

Setya's lawyer has also reported the KPK's director of investigation Brig. Gen. Aris Budiman and 24 investigators to the police, but it is not known whether the police are also probing them.

When asked about Jokowi's warning against the criminalization of KPK leaders, the National Police's Insp. Gen. Setyo Wasisto said the police would comply. "We will follow [the instruction] because the President is the highest leader [of the country]," Setyo told *The Jakarta Post*.

Separately, Saut said the President's signal of support for the KPK was in line with the Jokowi administration's anticorruption agenda.

According to Saut, the letter to request a travel ban against Setya was signed by five leaders of the antigraft body. The issuance was also in line with the 2002 KPK Law.

Saut added that he would accept it if he was named a suspect. "It's okay. It's part of the anticorruption struggle [...] If the evidence can prove that we should be named suspects, then simply prove it," Saut said.

In response to the KPK's latest move, Setya's lawyer Fredrich Yunadi went to the National Police's Criminal Investigation Depart-

ment in Jakarta to make a report against Saut.

"The KPK is in contempt of court," Fredrich told the *Post*, adding that he accused the KPK of having violated Article 414 of the Criminal Code on defying court rulings.

Fredrich said he would also file another pretrial motion against the KPK's decision to rename Setya a suspect in the e-ID case.

On Sept. 29, the South Jakarta District Court approved Setya's pretrial motion and annulled his suspect status in the case.

KPK spokesperson Febri Dian-syah said the antigraft body would stand ready to face a further legal battle should Setya launch another pretrial motion.

"The KPK will continue investigating the alleged roles of [Setya] and other parties [...] We plan to summon witnesses," Febri said on Friday.

Transparency International Indonesia secretary-general Dadang Trisasongko urged the KPK to accelerate the investigation into Setya in a bid to prevent Setya from dodging prosecution again. The KPK should learn from the first pretrial ruling that, he alleged, let Setya off the hook.

"This is a crucial opportunity for the KPK to prove its credibility and performance," he said.

# KPK resolute on Setya's case

Kharishar Kahfi

THE JAKARTA POST/JAKARTA

The Corruption Eradication Commission (KPK) appears determined to hold House of Representatives Speaker Setya Novanto responsible for his alleged role in the e-ID graft case, as investigators are set to confront Setya in a questioning session on Monday.

The Golkar Party chairman is known to have repeatedly dodged KPK summonses in one of the biggest graft cases in the country's history before winning a pretrial motion on Sept. 29 effectively voiding his suspect status in the case. Setya, who turned 62 on Sunday, has been issued two summonses since being renamed a suspect last Friday.

"We have sent the summons [to Setya]. He is scheduled to undergo questioning as a witness for suspect Anang Sugiana Sudihardjo," KPK spokesman Febri Dian-syah said on Sunday.

Anang, the president director of PT Quadra Solution, which was part of the consortium that won

KPK issues summons to Setya for questioning on Monday

Investigators might consider detaining politician

a bid to build the e-ID system, is accused of bribing a number of lawmakers via businessman Andi Agustinus alias Andi Narogong, a defendant in the case.

KPK investigators had scheduled to question Setya either as a witness or suspect at least four times before he won the pretrial motion. On Nov. 6, about a week after he was renamed a suspect, the KPK summoned Setya again to question him as a witness.

The politician, however, failed to meet each summons, citing various reasons, for instance a visit to his constituents as the reason for his absence on Oct. 30 and that the summonses lacked legal basis since the KPK did not seek a written statement from the President to summons a lawmaker.

Setya, however, might once again dodge the questioning on Monday for the same reason, as told by his lawyer Fredrich Yunadi.

"The summons is unconstitutional as it violates the lawmaker's immunity rights as laid in the Constitution and the MD3 Law [the 2014 Legislative Institutions Law]," Fredrich told *The Jakarta Post*.

However, Febri insisted that the KPK had the right to summons any lawmaker, including Setya, saying there was no such requirement stipulated in the MD3 Law.

"A summons refers to the Criminal Law Procedures Code [KUHAP], which requires individuals to fulfill it," Febri added.

Setya's apparent reluctance to cooperate with the antigraft body has sparked calls from activists and the public, who have urged the KPK to detain the suspect immediately.

Responding to the pressure, KPK deputy chairman Saut Situmorang signaled that the KPK might consider looking into whether it could detain Setya.

"Let the investigators decide. The investigators are the ones who will determine the next steps, which will be taken effectively and efficiently in line with the KUHAP and the KPK's authority," Saut told the *Post*. "I hope there will be a change in his [Setya's] position and attitude regarding the case."

Pressure for the KPK to question Setya as a suspect also came from the Indonesia Corruption Watch (ICW), with its deputy coordinator Agus Sunaryanto having said, "If they don't do this, I'm afraid they may lose again on the pretrial battleground should the suspect file another motion."

Setya has yet to be grilled in his capacity as a suspect since the KPK charged him for the second time in the case, which has reportedly resulted in state losses of Rp 2.3 trillion (US\$169 billion).

The politician's side also said the KPK's decision to rename Setya a suspect would be challenged through another pretrial motion. However, the KPK said it would stand ready to face the battle despite previous defeat.

Nov. 13, 2017

J. Post

# RCEP trade bloc close to realization: Minister

Tama Salim

THE JAKARTA POST/MANILA

The leaders of the 10-member ASEAN and its major trading partners are close to signing an ambitious regional free trade agreement (FTA) following a wave of uncertainty plaguing the Trans-Pacific Partnership (TPP) scheme. Trade Minister Enggartias-Lukita said on Sunday that ASEAN and most of its dialogue partners under the scheme of the Regional Comprehensive Economic Partnership (RCEP) had agreed that the regional trade agreement was "the only game in town."

Enggartias-Lukita said negotiations over the RCEP, a region-wide effort to consolidate multiple FTAs between ASEAN and six dialogue partners, would be finalized in the first quarter of 2018.

Indonesia, he said, had been lauded by RCEP partners Japan, China, India, South Korea, Australia and New Zealand for its effective work in spearheading negotiations.

"[The work of our negotiators were] so thorough and detailed that we can hope to conclude the arrangement in 2018," he told reporters in Manila after a bilateral meeting between Indonesia and Japan.

The fate of the TPP has been in limbo ever since United States President Donald Trump yanked the world's largest economy out of the deal.

The original TPP would have

TPP is collapsing

ASEAN, partners to sign new trade accord

Rohingya issue will be discussed

been the world's largest FTA, covering 40 percent of the global economy. Now that the US is out of the picture, the 11 nations represent about a third of that.

"There's just so much uncertainty. So everyone [in RCEP] agrees that this is the only game in town," he said, pointing to Canada's last minute pullout from a TPP meeting in Vietnam earlier this week as another tell-tale sign.

The planned meeting of leaders of the 11 countries that remain in the TPP was unexpectedly scrapped on Friday after Canadian Prime Minister Justin Trudeau failed to turn up.

Indonesia will see to it that ASEAN can become more responsive to the many challenges that emerge in this era of global uncertainty.

Separately, speaking to reporters in Manila after the arrival of President Joko "Jokowi" Widodo from Vietnam, Foreign Minister Retno LP Marsudi underscored the importance of having a tactile and forward-thinking regional organization to continue the success ASEAN has had since its inception.

"We have been together for the past 50 years, and let the records

show that we've succeeded in creating an ecosystem of peace, stability and prosperity [in the region]," Retno said at a briefing at the Diamond hotel in Manila.

"However, we also know that the challenges ahead will grow. For this, ASEAN must be quicker on its feet, more progressive and more open-minded in responding to these challenges."

Touted as a contemporary model for regional integration, ASEAN is known as the harbinger of peace and stability in one of the most diverse regions in the world.

However, ASEAN has recently come under fire for its staggered response to emerging challenges, including in the handling of the ongoing humanitarian crisis in Myanmar, in which more than half of the Rohingya minority population was displaced and had crossed into Bangladesh.

Retno fell short of confirming whether the Rakhine crisis would

be on the agenda of the 31st ASEAN Summit, saying only that she would not be surprised if it was raised.

The issue was tabled by the minister during the ASEAN Political-Security Community Council meeting on Sunday.

Separately, Dewi Fortuna Anwar of the Indonesian Institute of Sciences (LIPI) said ASEAN must be able and willing to address difficult internal issues that affected the region collectively, instead of sweeping them under the carpet.

"While continuing to respect the non-interference principle, ASEAN must pay equal attention to other principles in the charter, e.g. democracy, human rights and rule of law," Dewi told *The Jakarta Post* in a short message.

"ASEAN must continue to be a champion of open and inclusive regionalism."

# S. Korea looks to develop RI infrastructure

Nov. 13. 2017  
J. Post

**Farida Susanty**

THE JAKARTA POST/JAKARTA

Following the state visit by South Korean President Moon Jae-in to Indonesia last week, the East Asian country has laid out concrete plans to get involved in Indonesia's infrastructure projects through both government loans and private sector financing.

In a meeting between Public Works and Public Housing Minister Basuki Hadimuljono and South Korea's Minister of Land, Infrastructure and Transport Kim Hyun-mee, the latter said her country was interested in developing two water conveyance systems to distribute water from the Karian Dam in Lebak, Banten,

Korea keen on water distribution, toll road support, housing projects

Projects to be funded through loans, private sector financing

to nearby Serpong, Tangerang, South Tangerang and West Jakarta and an intelligent transport system (ITS) in Indonesia's toll roads as well as building prefabricated houses for the low and middle-income population.

The construction of the dam, set to become the country's third largest dam after the Jatiluhur and Jatigede dams in West Java, began in October 2015 by state-

owned construction enterprises PT Wijaya Karya and PT Waskita Karya, along with South Korea's Daelim Industrial Co. Ltd.

South Korea has channeled a loan that will total Rp 1.07 trillion (US\$78.9 million) and cover most of the project's costs.

The construction, which is 48 percent complete, is expected to finish in 2019, one year faster than its initial target in 2020.

"We discussed how to complete the Karian Dam according to the schedule," Hyun-mee told reporters recently.

Once complete, the dam will be able to store 314.7 million cubic meters of water that can cover 22,000 hectares of land in Banten province.

✓ During the meeting, South Korea conveyed its commitment to provide a loan worth Rp 2.1 trillion through the Economic Development Cooperation Fund (EDCF) to build water pipes from the dam to Serpong. The loan agreement is expected to be signed at the end of 2018.

Prior to that, a feasibility study will be carried out for six months so that the project can be proposed into the government's list of foreign-funded projects, also known as the green book.

The facilities are scheduled to be finished the same time the dam development concludes in 2019.

Another water conveyance project to distribute water from the dam to Tangerang, South

Tangerang and West Jakarta will be carried out under a public-private partnership (PPP) and engage Korean government agency Korea Water Resources Corporation (K-Water).

K-Water is conducting a feasibility study for the project, which is slated for completion by January next year.

When the process is done, the Public Works and Public Housing Ministry will put the project in a bidding under the right-to-match scheme for K-Water as the solicitor of the project.

The Korean minister also expressed Korea's interest in installing an ITS in toll roads.

"The ministry of public works [and public housing] plans to im-

plement this ITS in 3,000-kilometer-long toll roads by 2019. [...] In November, Korean experts will visit [Indonesia] to analyze and investigate the site and [figure out] how to implement this project," Hyun-mee said.

For the housing project, state-owned construction firm PT Pembangunan Perumahan will team up with Korean construction firm Hanwha Engineering and Construction.

Basuki said the ITS in toll roads would help in the flow of traffic across multiple lanes, as outlined in its e-toll program.

"We have another offer from Hungary and we will compare its price with this [South Korea's offer]," Basuki said.

# RI aerospace dream takes off with new aircraft

The Jakarta Post

JAKARTA

President Joko "Jokowi" Widodo stood among a group of elementary school children who, dressed in their signature red and white uniforms, prepared to toss paper planes into the air at Halim Perdanakusuma air base on Friday.

Standing proudly behind them was the locally-manufactured N-219 aircraft, which the President officially inaugurated during a naming ceremony, and is expected to boost the country's aerospace industry. The paper planes symbolized the country's dream of developing aviation technology that could stand the test of time.

Jokowi chose Nurtanio as the name for the aircraft that was jointly built by state aircraft manufacturer PT Dirgantara Indonesia (PTDI) and the National Institute of Aeronautics and Space (LAPAN).

Nurtanio was named after Nurtanio Pringgoadisuryo, an Indonesian aerospace industry pioneer. Beginning his career in 1946, Nurtanio made the first all metal fighter aircraft in the country's history. Called Sikumbang, the aircraft was followed by a long line of other aircraft innovations and productions. He died while flying a modified Aero 45 aircraft

Jokowi names N-219 aircraft Nurtanio after Indonesian aerospace industry pioneer

National Heroes Day observed nationwide

he called Arev in March 1966.

"He was a patriot who dedicated his life to the country's aviation industry without expecting anything in return," the President said at an event at the Halim Perdanakusuma air base in Jakarta on Friday.

The announcement was part of National Heroes Day, which falls on Nov. 10, and commemorates the Battle of Surabaya between Indonesia and Allied Forces in November 1945, which proved to be a turning point in the Indonesian War of Independence.

The creation of Nurtanio also marks a milestone in the country's industriousness, the legacy of which may prove an inspiration for future generations.

The twin-engine turboprop aircraft, with a capacity to hold 19 people, was specifically designed to reach remote areas in mountainous terrain, such as in Papua.

The President expressed hope the aircraft would help improve

connectivity in remote regions and contribute to narrowing the large price gaps for commodities that impact these regions.

PT DI plans to mass produce the aircraft after acquiring the production certificate from the Transportation Ministry next year. The firm's legal and public relations manager Irlan Budiman said that the company aimed to enter the aviation market.

"The first N-219 aircraft will be ready to enter the market in 2019," Irlan said on Thursday.

Capt. Esther Gayatri Saleh successfully completed a test flight from Husein Sastranegara Airport in Bandung, West Java to Jakarta on Wednesday in preparation for the ceremony.

The ceremony followed a series of events to commemorate National Heroes Day. The President named four local figures as national heroes on Thursday and early Friday. He and Vice President Jusuf Kalla and several ministers also visited the Heroes Cemetery in Kalibata, South Jakarta to pay respect to the country's late heroes.

Meanwhile, in Medan, North Sumatra, high ranking officials held a ceremony in which flowers were tossed into the ocean to pay tribute to the fallen heroes at Belawan I Naval Base on Friday.

North Sumatra Legislative Council speaker Wagirin Arman who served as the inspector of the ceremony said the commemoration of National Heroes Day was to bolster the spirit to develop, protect and maintain the Unitary State of Indonesia (NKRI).

In Jambi, residents proposed that two local figures, Raden Mattaher and Depati Parbo, be honoured as national heroes on the back of their roles in fighting the Dutch colonialists during the Jambi Sultanate era. The head of the Jambi Culture and Tourism Agency Ujang Hariadi said the two were worthy of being named national heroes along with Jambi sultan Thaha Syaifuddin who had received the title previously.

A building and a local airport had been named after the two figures, he said, citing Depati Parbo Airport in Kerinci regency and Raden Mattaher Hospital, a Jambi regional hospital.

Local authorities, academics and historians are set to provide comprehensive research to the central government to support the proposal. (dra)

ARYA DIPA FROM BANDUNG,  
APRIADI GUNAWAN FROM MEDAN AND  
JON AFRIZAL FROM JAMBI CONTRIBUTED  
TO THIS STORY.



MINING

## Inalum negotiating electricity price for next project

**Stefani Ribka**

THE JAKARTA POST/JAKARTA

State-owned aluminium producer PT Indonesia Asahan Aluminium (Inalum) is currently negotiating an electricity price with a power supplier in North Kalimantan for its expansion project in the province in a bid to more than triple production to 1 million tons by 2025.

The firm's corporate secretary Ricky Gunawan said the management had asked for 3 US cents per kilowatt hour (kWh) from power supplier PT Kayan Hydro Energy, a joint venture between Chinese

and Indonesia companies that plans to generate power from the Kayan River.

The agreement is expected to be made within the next six months while Inalum is conducting a feasibility study for the new factory in Tanah Kuning industrial estate in the province.

"We're negotiating the price now but they haven't agreed with our offer. [The price] 3 cents per kWh should be fine [as by comparison] our basic cost to generate hydropower is 1.5 Cents per kWh," he said recently.

Besides producing aluminium, Inalum also runs a hydropower

plant in North Sumatra.

The \$700 million factory in North Kalimantan is part of the company's expansion to more than triple its production to 1 million tons by 2025 from 260,000 tons today.

Current national demand for aluminium stands at 800,000 tons. Inalum can currently only supply 30 percent of national demand, which is projected to increase 3.5 times to 2.8 million tons by 2025. The firm also exports 30 percent of its production.

Besides the planned factory in North Kalimantan, the firm is

now adding production lines to its old plant in Kuala Tanjung industrial estate, North Sumatra, to reach a capacity of 300,000 tons from its current capacity of 260,000 tons.

Inalum aims to earn \$69 million in net profit this year, an increase of approximately 5 percent from last year. However, it had already booked around \$64 million as of September and is projected to earn \$75 million by year-end.

"Besides cost efficiency, the increase in the aluminium price has also contributed to our higher profit," Ricky said.

# MUFG entry plan indicates industry's attractiveness

Prima Wirayani

THE JAKARTA POST/JAKARTA

Japan's Mitsubishi UFJ Financial Group (MUFG) is the latest foreign bank to make strides into Indonesia's lucrative banking industry by planning to acquire shares in mid-sized Bank Danamon.

As reported by several foreign media outlets, MUFG is in talks to acquire a 40 percent stake, worth ¥200 billion (US\$1.8 billion), in Bank Danamon. Singapore's Temasek Holdings currently owns about 68 percent in the bank.

South Korean and Chinese financial groups have also acquired Indonesian banks.

China Construction Bank Corporation (CCB) established its local arm, CCB Indonesia, as a result of a merger between lenders Bank Windu Kentjana International and Bank Antardaerah after an acquisition by CCB in November last year.

South Korean lenders Shinhan Bank began operating in Indonesia in May last year after acquiring Bank Metro Express in November 2015. Its compatriot, financial firm Apro Financial Co. Ltd., recently acquired a 40 percent stake in private lender Bank Andara and has signed an agreement to purchase 77.38 shares in Bank Dinar.

"Our banking industry is like a pretty girl who catches men's attention," Financial Services Authority (OJK) commissioner for banking supervision Heru Kristiyana said on Friday. "The industry's assets have grown by about 6 percent annually to Rp 7,150 trillion [\$528.5 billion] at the moment [...] and its NIM [net interest margin] is around 5 percent."

NIM is a measure of the difference between the interest income generated by banks and the amount of interest paid out to deposit holders.

High NIM is what lures foreign banks into the market other than the country's vast population and low banking penetration, which leaves room for expansion. Prospective economic and loan growth are also among the reasons, according to a recent survey held by finance consulting firm PwC.

Indonesia's NIM stands at between 2 and 8 percent compared

High NIM is what lures foreign banks into the market

More investors have expressed interest in buying Indonesian banks

to around 4 percent in the Philippines, between 2 and 3 percent in Malaysia and 2 percent in Singapore, according to data compiled by PwC.

As of September, bank loans grew moderately by 7.86 percent year-on-year (yoy) compared to 8.26 percent recorded earlier in the month. Third party funds rose to 11.69 percent yoy from 9.6 percent in August, OJK data showed.

Meanwhile, non-performing loans (NPL) — the ratio between bad debts and total loans — dropped slightly to 2.93 percent gross in September from 3.05 percent in August.

"These figures have lured investors," Heru added. "Corporate actions carried out by foreign or domestic firms are common. For us, it's about how to push them to actively contribute to our economy, such as channeling more loans to infrastructure development."

Heru stated his office had invited Danamon's officials to explain the acquisition plan and was told that MUFG had only expressed its wish to acquire the stakes and had yet to submit any documentation to both Temasek and the OJK.

Heru admitted that several investors had expressed interest in buying Indonesian banks, but his office could not name them as yet because no official documents had been submitted.

In its efforts to consolidate the country's 115 banks, the OJK has prioritized market-driven principles rather than taking regulatory ones, OJK chairman Wimboh Santoso said.

"We welcome investors who want to acquire our banks. We will support the process," he added.

Wimboh expressed optimism that the industry would grow faster next year as shown in its loan growth expectation of between 12 and 13 percent from 9 to 10 percent this year. The growth will be supported by a better macroeconomic situation and bad debt management carried out by banks.

# Astra to further expand non-auto businesses

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THE JAKARTA POST/  
CIPANAS, WEST JAVA

Diversified conglomerate PT Astra International seeks to further diversify its business portfolio in a bid to reduce its dependency on the automotive business.

Weakening automotive sales in the past few years have affected Astra, which produces and sells Toyota and Daihatsu cars and Honda motorcycles, among other products, by way of slower revenue and profit growth.

Astra's investor relations head, Tira Ardianti, said the business diversification was crucial to allow the group to have a more sustainable business.

"It is our long-term objective to have more balanced net incomes from the automotive and non-automotive businesses," Tira recently said. "Some businesses are volatile, so if they are more balanced, it is better for Astra's business."

Tepid growth in the sales of four-wheelers and two-wheelers, mainly caused by the economic slowdown that has curbed people's purchasing power, caused

Diversification vital for Astra's business sustainability

Firm present in property, infrastructure sectors

Astra to gradually shift its focus from the automotive sector to the non-automotive sector a few years ago.

From January to September, 65 percent of the group's net income totaling Rp 14.18 trillion (US\$1.05 billion) came from the automotive business, which also includes automotive financing and insurance services.

The remainder derived from non-automotive businesses, particularly contributed by its subsidiaries in the commodity sector, namely coal and palm oil.

Last year, 85 percent of its net profit came from the automotive sector, while the rest from the non-automotive sector.

Listed on the Indonesia Stock Exchange in 1990, Astra has operated in several key business sectors, particularly automotive, mining and agrobusiness.

The conglomerate has also been expanding into financial

services, infrastructure and logistics, information technology and most recently the property sector.

It saw the topping off two projects, namely Menara Astra, a 47-story office building, and Anandamaya Residences, high-end apartments, in February. Located in the Sudirman Central Business District (SCBD) in South Jakarta, both projects cost Rp 8 trillion.

Menara Astra is scheduled to be completed in June next year, while Anandamaya is slated to be completed in the first quarter of 2018.

Through its subsidiary, PT Astra Land, Astra also increased its stake to 67 percent from 50 percent in a joint venture with PT Mitra Sindo Makmur, a subsidiary of property developer PT Modernland Realty, in September.

While its infrastructure arm, PT Astratel Nusantara, also concluded in May the Rp 5 trillion acquisition of a subsidiary of property developer PT Surya Internusa, PT Baskhara Utama Sedaya.

Baskhara owns 45 percent shares of PT Lintas Marga Seda-

ya, which holds the concession of the 116-kilometer Cikopo-Palimanan toll road in West Java.

With the acquisition, Astra holds concessions for six toll roads spanning 353-km, with 268-km already operational.

Apart from the parent company, a similar diversification move was also taken by Astra's heavy equipment distributor, PT United Tractors, which branched out to the energy and gold mining sectors, Tira said.

Through its subsidiaries, United Tractors, Astra is developing two coal-fired power plants in Barunang, Central Kalimantan and Jepara, Central Java, respectively.

United Tractors finance and accounting director Iwan Hadiantoro said the firm aimed to shift its orientation from the coal business to non-coal business, with the latter contributing 30 percent to its overall revenue by 2020.

"United Tractors is similar to Astra, to some extent. We now rely largely on coal, which makes up 80 to 90 percent of our revenue," he said.

The firm's venture into gold mining in particular was driven by the more stable price of gold, Iwan added.