

# Jokowi urges EU to stop restriction on palm oil

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In what may be his boldest move to defend palm oil, President Joko "Jokowi" Widodo has urged the European Union to stop discriminating against the commodity and remove the bloc's unfavorable policies.

In its latest move that is considered detrimental to the palm oil business in Indonesia, the world's largest producer of the commodity, the European Parliament issued in April a resolution to phase out the use of biofuel, which it said has contributed to rampant deforestation.

Speaking at the 40<sup>th</sup> anniversary summit of the ASEAN-EU cooperation held in Manila on Tuesday, Jokowi tied palm oil production to Indonesia's effort to abolish poverty, narrow the development gap and create inclusive economic growth in the country.

"The resolution of the European Parliament as well as several European countries on palm oil and deforestation, in addition to various [smear] campaigns [against palm oil products], has not only brought losses to the economy, but also ruined the image of producing countries," Jokowi said during the meeting as quoted by a press statement.

Malaysian Prime Minister Najib Razak, whose country is the world's second largest producer of palm oil, reportedly declared his full support of Jokowi's statement.

Jokowi also pointed out that the livelihood of at least 17 million Indonesians depend both directly and indirectly on the palm oil industry, underlining that 42 percent of existing oil palm plantations are owned by smallholders.

Furthermore, Indonesia has also become more aware of the importance of sustainable palm oil production, giving the EU a reason to halt the its disadvantageous policies, the President said, citing the government-backed Indonesia Sustainable Palm Oil (ISPO) certification.

The certification scheme introduces improved environmental and production standards as proven by 77 different competencies.

As of August this year, 306 out of some 1,200 palm oil producers were already ISPO-certified.

Jokowi's move follows a series of measures business players and officials have taken to help lift what they consider barriers

Jokowi tells EU to stop discrimination against palm oil

RI trying to address sustainability in palm oil production

hampering the trade of palm oil, an ingredients with a wide range applications, such as for food, cosmetics and fuel.

Earlier this year, the Indonesian Palm Oil Association (GAPKI) also pledged to promote sustainable palm oil practices during a forum hosted by the United Nations Development Program (UNDP).

Trade Minister Enggartias Lukita recently delivered a threat to the EU, declaring that if the union refused to immediately cease its negative campaign against biofuels, the Indonesian government would take strong action by disrupting import commodities from Europe.

Palm oil has been a crucial commodity for Indonesia, contributing 12.5 percent to the country's total export earnings of US\$18 billion in 2016.

Indonesia has faced recurrent trade issues with the EU over palm oil, which competes with other vegetable oils made in the bloc, such as rapeseed and sunflower oils.

In addition to the EU, the United States has also accused Indonesia of utilizing unfair trade practices, and recently imposed both preliminary anti-dumping and countervailing duties on palm oil products.

GAPKI executive director Fadhil Hasan applauded Jokowi's statements at the summit, agreeing that the president was firm in expressing his stance over the palm oil dispute.

"This [the statement] is the most fitting one to come from the President," Fadhil told *The Jakarta Post* by phone on Tuesday.

Nevertheless, said Fadhil, Jokowi's statements was bound to trigger consequences, meaning that the administration will now have to follow up on what the President said, both externally and internally.

"With this move, all related ministers should work for more concrete results with European countries and the EU," Fadhil added.

"The government should also further reinforce the implementation of ISPO [standards] among palm oil producers in the country, so they can keep up with Jokowi's promises."

# Leaders talk

# terrorism

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Tama Salim

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By skipping out early on ASEAN'S 12<sup>th</sup> East Asian Summit (EAS) on Tuesday, United States President Donald Trump missed out on a discussion about three of his favorite topics: Terrorism, North Korean nukes and international trade.

Economic grievances and complex security challenges colored the talks between Southeast Asian nations and their regional partners during the second day of high-level meetings under the banner of the 31<sup>st</sup> ASEAN Summit in Manila, giving heft to an appeal by President Joko "Jokowi" to preserve the culture of dialogue.

Underpinned by the principle of ASEAN centrality, the EAS is one of the premier multilateral forums that regularly brings together all the great powers around ASEAN.

The summit, alongside various other ASEAN-led mechanisms, is widely considered to be what veteran ASEAN diplomat Kishore Mahbubani calls "an indispensable diplomatic platform" that gathers together the US, Russia, China, Japan, India, South Korea, Australia and New Zealand. As a testament to the importance of the forum, Canadian Prime Minister Justin Trudeau conveyed during a press conference on Tuesday his wish for Canada to become a full member of the EAS.

However, Trump, according to Reuters, departed the Philippines to return home early because the start of the meetings had been delayed by about 90 minutes, leaving US Secretary of State Rex Tillerson to take his place.

Most leaders who actually attended the EAS, Indonesian Foreign Ministry officials revealed, used their time to raise various issues of common concern, ranging from the threat of terrorism and the nuclear tensions on the Korean Peninsula, to the wave of protectionism plaguing the world.

A common thread that emerged in the more than two-hour meeting was a need for dialogue to seek lasting solutions.

"We have to continue preserving the culture of dialogue among members of the East Asia Sum-

Jokowi invites East Asian countries to preserve culture of dialogue

Trump skips meeting, leaving Tillerson to warm his seat

mit, especially through our collective leadership in the peaceful resolution of conflict that the world currently needs," Jokowi said at the summit.

The President also called on all parties convening at the EAS to work together to keep their economies open and inclusive, so they may benefit all countries and close any development gap.

This would be reflected, for instance, in a standalone declaration on countering the financing of terrorism. In a draft of the declaration obtained by *The Jakarta Post*, EAS leaders decided "to enhance cooperation to support initiatives aimed at addressing the root causes of terrorism."

Jokowi himself addressed the issue of terrorism, warning countries not to become complacent in the aftermath of the liberation of Marawi city in the Philippines, which was held for five months by local terrorists inspired by the Islamic State (IS) movement.

Foreign Minister Retno Marsudi said that tensions on the Korean Peninsula also featured heavily on the EAS agenda, with most leaders raising it in their statements. She said the messages about North Korea mostly involved concern over the launching of missiles, and they also to varying degrees insisted on the need for dialogue.

On the South China Sea issue, most leaders welcomed the start of earnest negotiations on a code of conduct for the disputed waters, which ASEAN and China announced on Monday.

Also on Tuesday, the Regional Comprehensive Economic Part-

nership (RCEP) Summit concluded with the leaders instructing their ministers and negotiators to intensify efforts in 2018 to bring the trade pact negotiations to a conclusion.

The ongoing trade talks, which would potentially create the world's biggest trade bloc, is participated in by the 10 ASEAN member states and their six free trade agreement (FTA) partners:

Australia, New Zealand, India, Korea, Japan and China.

During the closing ceremony of the 31<sup>st</sup> ASEAN Summit and related summits, Philippine President Rodrigo Duterte symbolically handed over the chairmanship of ASEAN to Singaporean Prime Minister Lee Hsien Long, who will take on the mantle next year.

## RELIGION

# Criticism mounts as govt plans to require halal certification

Safrin La Batu

THE JAKARTA POST/JAKARTA

The government aims to enforce the 2014 Halal Certification Law as part of what it calls a commitment to protect Muslims from products forbidden under Islamic rules. The 2014 law requires all products traded in Indonesia to be certified halal.

Such mandatory certification has drawn criticism, with a consumer organization saying a halal label is not what consumers need.

Indonesian Consumers Foundation (YLKI) researcher Sudaryatmo said on Tuesday that, rather than requiring halal certification, displaying clearly a list of ingredients contained in a product would help all consumers, not just Muslims, understand whether a product contained religiously-prohibited substances.

"Regulations on permissible food and drinks must be universal. There are followers of a religion other than Islam that are prohibited from consuming certain food. Listing ingredients of a product would be helpful for them as well," Sudaryatmo told *The Jakarta Post*.

Inaugurated on Oct. 11, the Halal Certification Agency (BPJPH) under the Religious Affairs Ministry is now in charge of overseeing the process of issuing halal certificates, based on the 2014 law.

Taking control of all halal cer-

tification matters previously handled by the Indonesian Ulema Council (MUI), the BPJPH is racing against time to complete all legal and technical requirements, including setting fees and building standardized testing labs, before launching full-fledged operations at the beginning of 2019.

Religious Affairs Ministry spokesman Mastuki told the *Post* that the ministry was now completing a regulation, before further details on technical aspects, including certification fees, would be decided. "Until then, the job is still being handled by the MUI," he said.

A business entity wanting to get a halal label must register its product with the MUI, which will conduct tests in a lab run by a third party. A halal certificate can be obtained within two or three weeks for a fee of up to Rp 5 million (US\$369). The certificate must be renewed every two years.

Once BPJPH is fully operational, it will take more time for a business to get a halal certificate. The whole process may take around 50 days, according to information from the agency.

A business first needs to register its product with the BPJPH for laboratory testing, before the MUI issues a fatwa based on the lab results. The BPJPH will issue a certificate only after the council issues its fatwa declaring a product halal.

Indonesian Food and Beverage

Association (GAPMMI) head Adhi S Lukman said his association welcomed the new policy, which it believed could increase the quality of products. The main concern was whether the BPJPH was able to handle all proposals for halal certification in a timely fashion, given that such certification would become mandatory, he said.

According to GAPMMI data, the MUI can only process around 6,000 halal certificate applications a year, while around 6,000 big companies and 1.6 million home-based businesses needed their products certified.

"If even the MUI, an organization with vast experience [in issuing the halal label], can only process around 6,000 applications a year, what about a new institution?" Adhi asked.

Indonesia's largest Muslim organization, Nahdlatul Ulama (NU), expressed similar concerns. It rejected the new policy for fear it would hamper investment, as the required halal certification would be an additional hassle for businesses in a country that is struggling to alleviate complicated business regulations.

NU executive M. Sulton Fathoni said halal assurance for Muslim consumers could be achieved by strengthening supervision and law enforcement on products assumed to be halal but tainted with *haram* substances.

# Human rights groups lose hope in Jokowi

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**Nurul Fitri Ramadhani and  
Gemma Holliani Cahya**

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With the 2018 regional elections and the 2019 presidential election fast approaching, hopes are dimming that President Joko "Jokowi" Widodo will ever fulfill his promise to resolve past human rights abuse cases.

Entering his fourth year in office, Jokowi shows no signs of taking concrete actions to bring human rights violators to justice.

"It has been three years and we are losing more and more hope. Jokowi and [Vice President] Jusuf Kalla seem to be running away from their own commitment," Muhammad Isnur of the Jakarta Legal Aid Institute (LBH Jakarta) told the *Post* on Tuesday. "No progress has been made regard-

ing past human rights abuses, including the Semanggi tragedy."

Isnur was referring to the fatal protest on Nov. 13, 1998, when 17 people — including students — were shot and killed by the Indonesian Armed Forces (ABRI) in front of Atma Jaya Catholic University in Semanggi, South Jakarta. A year later, violence erupted once again between security forces and protesters in the same area, killing nine.

The two Semanggi incidents took place following a series of human rights abuses allegedly committed by security forces in the last days of former president Soeharto's rule.

On May 12, 1998, four Trisakti University students were shot dead in West Jakarta during protests that demanded political and economic reform in the New Or-

der regime. The tragedy triggered mass riots and effectively ended Soeharto's authoritarian regime.

Low-ranking police personnel were convicted in the shootings, but no one has been brought to trial for the riots.

"Like [former president] Susilo Bambang Yudhoyono, Jokowi has never even once met with protesters who take part in *Kamisán*," Isnur said, referring to the weekly rally in front of the State Palace held mainly by victims of human rights abuses.

*Kamisán*, from *Kamis* (Thursday), has been held every Thursday since Jan. 18, 2007. At the time, it was held mainly by families of victims of human rights abuses committed during and after the downfall of Soeharto in 1998. Today, *Kamisán* has become a symbol of the national strug-

gle against impunity, with young people becoming its driving force.

Jokowi also made the controversial decision last year to appoint Wiranto, who was implicated in several abuse cases in 1998, as Coordinating Political, Legal and Security Affairs Minister.

The government then shocked rights victims by promoting former members of the Army's "Tim Mawar" (Rose Team) to roles in the Defense Ministry, State Intelligence Agency (BNI) and National Counterterrorism Agency (BNPT). Former Tim Mawar members were implicated in notorious cases of forced disappearances during the 1998 riots.

The Commission for Missing Persons and Victims of Violence (KontraS) slammed the granting of impunity to rights abusers, saying that such a move reflected the

government's inability to implement transitional justice.

KontraS alleged that the appointment of Wiranto as human rights minister was part of his plan to evade responsibility.

"We urge the government to take concrete actions to resolve past rights abuses. Also, the AGO [Attorney General's Office] must be aggressive in investigating these cases," said KontraS coordinator Yati Andriyani.

KontraS is also pushing the government to establish a presidential committee to speed up the settlement of past rights abuses, which must involve credible, integrated figures that have prominent track records in resolving humanitarian issues.

It also called on the seven newly appointed commissioners of the National Commission on Hu-

man Rights (Komnas HAM) to take innovative actions in seeking resolutions.

Komnas HAM member Mochammad Choirul Anam said the most important step was to create an ad hoc institution outside the AGO to investigate the cases.

"We're still seeking a concrete concept. Maybe we can recruit a team from Komnas HAM for the ad hoc body to ease legal procedures in resolving past rights abuses," he said.

The government, meanwhile, claimed it could not solve the cases immediately because they were too complicated. "Law enforcers find it difficult to find evidence and witnesses because the cases happened a long time ago [...]. Now, the situation has changed. But that doesn't mean we should give up," Wiranto said recently.

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## Setya's wife too ill for questioning

**JAKARTA:** Deisti Astiani Tagor, the wife of House of Representatives Speaker Setya Novanto, has skipped questioning on the e-ID graft case by Corruption Eradication Commission (KPK) investigators, citing medical reasons for her absence.

Deisti is former commissioner of trading company PT Mondialindo Graha Perdana, which, according to evidence obtained by the KPK, owns the biggest stake in security printing company PT Murakabi Sejahtera, one of companies participating in the e-ID tender process.

KPK spokesman Febri Diansyah said the antigraft body summoned Deisti for questioning on Friday. "However, she couldn't come and sent us a letter, informing that she was sick," he said on Tuesday.

Febri further said the witness attached a doctor's note explaining that she needed to rest for a week from Nov. 10. "We have rescheduled the questioning for next Monday [Nov. 20]."

KPK investigators were set to question the former commissioner as a witness for suspect Anang Sugiana Sudihardjo, the president director of PT Quadra Solution, which was part of the consortium that won the tender for the procurement of the e-ID system.

Anang is alleged to have bribed lawmakers via businessman Andi Agustinus, aka Andi Narogong, another suspect in the case. — JP

## ENERGY

# Indonesia's appetite for coal only set to grow bigger

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

Indonesia's mandatory coal supply for the domestic market is projected to increase next year amid growing sales of electricity generated by coal-fired power plants, a situation that might weigh on the country's liquefied natural gas (LNG) business.

The Energy and Mineral Resources Ministry plans to oblige coal mining firms in the country to allocate a total of 114 million tons of the fossil fuel for the domestic market obligation (DMO) in 2018, up 5.65 percent from the 107.9 million tons this year.

About 80 percent of the allocation will be used to support operations of power plants, said Agung Pribadi, the ministry's director for the minerals and coal business.

"We have gathered all stakeholders, and they have agreed to allocate 114 million tons of coal next year, including for coal-fired power plants, smelters and the textile and cement industries," Agung told *The Jakarta Post* on Tuesday.

State electricity firm PLN has projected that coal demand for electricity generation will soar by 18.4 percent to 90 million tons in 2018, following an increase in the capacity factor of its power plants in certain regions, including Sumatra.

The increase in the capacity factor, which is the ratio of the ac-

tual energy produced by a power plant to its maximum generation capacity, is based on the assumption that PLN's electricity sales will grow by more than 5 percent next year.

The 2018 growth prediction for PLN's electricity sales is higher than the 3.1 percent year-on-year increase to 163.6 terawatt hours (TWh) seen in the first nine months of 2017.

As of 2016, Indonesia operated power plants of various types with a combined capacity of 51,860 megawatts. Nearly 48 percent of that comes from coal-fired plants. Meanwhile, combined-cycle facilities and gas-fueled plants accounted for another 21.7 percent and 7.6 percent, respectively.

According to its latest electricity procurement business plan (RUPTL), PLN envisions the development of additional coal-fired power plants with a total capacity of 31,900 MW in the 2017-2026 period. Hence, its annual coal consumption is projected to soar to more than 150 million tons by 2020.

The domination of coal in national electricity generation would eventually decelerate gas demand growth, said Edi Saputra, senior analyst for gas and power at Wood Mackenzie Asia Pacific.

He said PLN would still rely on coal as the cheapest source of energy for its base load power plants, while gas-fueled facilities would only be used as peakers, which generally run only during

peak hours of electricity demand.

"If the utilization of gas-fueled plants only reaches 30 to 40 percent, gas demand won't be as big as predicted," Edi said.

Even today, the government is struggling to find domestic buyers for all of Indonesia's LNG cargoes, as PLN has prefers to use natural gas or coal.

As of October, there were still 14.18 uncommitted LNG cargoes for this year and 37.51 cargoes for 2018, according to the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas). Each LNG cargo is equal to around 125,000 cubic meters of gas.

PT Badak NGL, the operator of a major LNG plant in Bontang, East Kalimantan, failed to find domestic buyers for 38 LNG cargoes this year, or 22.2 percent of its full-year production of 171 cargoes. Thus, it has sold those 38 cargoes on the spot market.

Badak has estimated there will be 47 uncommitted LNG cargoes next year from a total production of around 160 to 170 cargoes.

Therefore, state-owned energy giant Pertamina, which controls a stake of 55 percent in Badak, has started looking for retail customers able to absorb the excess LNG.

"For instance, we have started supplying LNG to hotels in Bandung [West Java], Balikpapan [East Kalimantan] and Ambon [Maluku]. The volume is relatively small, but it is still commercially viable," Pertamina gas director Yenny Andayani said.

# High-profile graft suspects left in limbo

**Kharishar Kahfi**  
THE JAKARTA POST/JAKARTA

The Corruption Eradication Commission (KPK) made headlines in January this year when it named Emirsyah Satar, the former president director of state-owned flag carrier Garuda Indonesia, a corruption suspect for allegedly accepting bribes from United Kingdom-based engineering firm Rolls-Royce Holdings.

Emirsyah was accused of accepting bribes amounting to US\$2 million in cash and assets pertaining to the procurement of airplane engines produced by the engineering giant during his tenure as president director between 2005 and 2014.

More than nine months have passed since the announcement was made, but the antigraft body, which is currently under scrutiny from the House of Representatives, has yet to complete the case dossier for Emirsyah, let alone send him to the corruption court.

The bribery case implicating Emirsyah is one of several KPK cases investigations that have stalled. Four other cases have yet to be solved by the KPK, including one implicating Richard Joost Lino, the president director of state port operator Pelindo II.

The antigraft body named Lino a graft suspect for allegedly using his authority to enrich himself in the procurement of three quay container cranes from China worth \$20 million in 2010.

Lino, who was officially charged by the KPK in December 2015, has held the suspect status for nearly two years.

The cases have been stalled for a number of reasons.

The KPK said it had yet to determine the state losses that incurred by Emirsyah's and Lino's cases, as the Supreme Audit Agency (BPK) and the Development Finance Controller (BPKP) have yet to complete their probes.

KPK investigators have questioned dozens of witnesses in both cases. In Lino's case, 55 witnesses were questioned, the latest being former Pelindo II finance director Orias Petrus Moedak in October.

The commission, however, has struggled to collect evidence located overseas to build a stronger case against the suspects.

KPK struggles to collect overseas evidence

KPK prohibited by law from dropping investigation

"[With Lino's case] we were hindered because we haven't obtained several [pieces of] evidence abroad as we don't have jurisdiction there," KPK spokesman Febri Diansyah told *The Jakarta Post*.

He added that the antigraft body was finalizing plans on joint investigation with several law enforcement institutions in other countries.

"The graft investigations in several countries might take a long time depending on the complexity," Febri said.

"We will keep trying to gather evidence from abroad to build strong cases against each suspect."

The KPK is not a new player in resolving transnational graft cases, having previously resolved two cases abroad, including one centered on the use of bribery at state oil and gas firm Pertamina to secure a 2004-2005 fuel additive contract worth \$4 million for UK-based fuel additives manufacturer Innospec Limited.

According to the Criminal Law Procedures Code (KUHAP), the suspect status of an individual remains until investigators complete their case dossier to be handed to the court, unless the latter issues an investigation termination warrant (SP3). The antigraft body, as mandated in the 2002 KPK Law, is not authorized to issue an SP3.

The lengthy investigations have sparked criticism on whether the KPK violated the suspects' rights by practically leaving them in a legal limbo.

However, University of Indonesia (UI) law expert Ganjar Bondan said suspect naming was a necessary part of an investigation.

"There is no deadline for investigations on graft cases," Ganjar said. "I think it's allowed as long as there's a need to probe deeper to resolve the case."

The argument was echoed by Transparency International Indonesia (TII) secretary-general Dadang Trisasongko, who said that as long as the antigraft body did not detain the suspects, no regulations have been violated.

# Morowali: A tale of China's grip on rich region

A multibillion-dollar injection by Chinese investors into Morowali in Central Sulawesi has turned the backwater into an economic center almost overnight. The Jakarta Post's **Viriya P. Singgih** visited the regency last month to look into China's push to exert its economic might in Indonesia, as the world's second largest economy strives to turn the regency into the world's biggest center for integrated nickel-content stainless steel production. Here is the first of two editions of the coverage.

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One afternoon in October, two Indonesian workers on their lunch break sat on a stainless-steel platform under a giant, orange gantry crane at the Morowali industrial park, operated by PT Indonesia Morowali Industrial Park (IMIP) in Morowali, Central Sulawesi.

Behind them, three Chinese workers were chatting. Suddenly, an Indonesian worker approached the Chinese workers aggressively, kicked a nearby wall and stared intimidatingly at them. With the motivation unclear, the Indonesian worker then walked away looking irritated.

"That often happens here," one IMIP staffer, who wished to remain anonymous, told *The Jakarta Post*.

While IMIP operations provide employment, exclusive treatment for Chinese workers has triggered feelings of alienation among local blue-collar workers. The company pays the Chinese workers far more than their local counterparts, provides them with separate lodgings and a canteen, and prohibits them from roaming around outside the industrial complex.

But for Chinese investors, profits may offset the trouble as Sulawesi is rich in quality nickel, and a lack of government supervision has made it easy for big companies to operate without restraint.

Since 2012, 16 new nickel smelters have been under construction on the island, with Morowali set to become the capital of nickel extraction and processing. Nickel is used widely in mobile phones, cars, food preparation equipment, buildings, steel products and power generation.

Morowali, which covers an area of 5,472 square kilometers, or more or less the same size as Brunei Darussalam, contains at least 370.59 million tons of nickel reserves, enough for decades' worth of mining.

The regency has long relied on

nickel mining to support its economy, despite the much-criticized environmental impact.

A government ban on the export of mineral ores in 2014 profoundly hurt the regency, as miners were forced to stop exporting nickel ore, including to China, their largest market. Morowali's economy only grew 0.09 percent throughout 2014, according to the Central Statistics Agency (BPS).

But as IMIP's construction project on a 2,000 hectare site gained traction in 2015 after commencing in the third quarter of 2013, Morowali's economy has soared, with growth of 67.82 percent in 2015.

IMIP is 75 percent owned by China-based Shanghai Decent Investment Group and 25 percent owned by local mining firm Bintangdelapan Group, which is linked to several retired Army generals, including Lt. Gen. (ret.) Sintong Panjaitan, a former special forces specialist during the reign of president Soeharto.

With IMIP's huge operation, Morowali is a safe haven for Chinese investors, where local workers come to make a living alongside thousands of illegal Chinese workers, while anti-Chinese sentiment grows in Jakarta and the rest of Java.

Morowali's Bahodopi district, the center of IMIP's operations, has been transformed from a desolate mining site with no electricity into a bustling industrial area, where state-owned lender Bank Rakyat Indonesia (BRI) recently saw its branch record the third-largest transaction volume in the archipelago.

"The development has yet to be completed, and we are hiring new workers to ensure timely progress in accordance to the project's schedule," IMIP senior vice president for external relations Slamet Viktor Panggabean told *the Post* recently.

IMIP has set a deadline to complete the industrial complex in mid-2019, and expects to employ between 22,000 and 25,000 workers by then.

As of October, IMIP has employed more than 15,000 Indonesian workers, more than double the number of registered residents in Bahodopi, in its six affiliates and sister companies, that act as tenants on the industrial complex, including ones tasked to construct and operate nickel and steel processing facilities.

At the same time, IMIP also employs around 2,500 Chinese workers, 1,500 of which were categorized as experts and already had proper work permits while the other 1,000 are construction workers with "permits pending."

However, three IMIP workers interviewed by *the Post* said the ac-

tual number of Chinese workers stood between 5,000 and 6,000.

Working in two shifts a day, it is claimed the Chinese workers work harder than their Indonesian colleagues, and that they are prohibited to set foot out of the complex as some of them are working illegally.

Supervision of the foreign workers is the responsibility of the immigration office in Banggai, a regency located some 700 km from the IMIP site.

The office had only registered 2,031 foreigners in Morowali, while the Morowali Manpower and Transmigration Agency said the central government had granted a quota of 1,223 foreign workers to a number of companies in the regency as of October.

Novly T.N. Momongan, head of the Banggai Immigration Office, admitted the challenges in moni-

toring the illegal foreign workers after the implementation of the free-visa policy.

"Foreigners holding tourist visas are prohibited from receiving a salary during their visit," Novly said.

IMIP's Slamet confirmed that, initially, all of the company's Chinese workers entered Indonesia using tourist visas, which only last for one or two months.

The Investment Coordinating Board (BKPM) has expressed its concern over the number of unreported Chinese workers at IMIP.

"The company has never explained whether the reported foreigners will work in the construction or production stage," BKPM third region director Wisnu Wijaya Sudibyo said. "However, it seems like there is a large number of foreign workers that have yet to be reported to us, especially construction workers."

IMIP government and legal relations head Askurullah argued that there had been discretion from the central government over the use of foreign workers in order to boost the development of the Morowali industrial complex, especially because the complex had been included in the list of national strategic projects.

The discretion, he said, paved the way for IMIP to begin developing the industrial complex without a building construction permit (IMB), in addition to using foreign workers without proper working permits.

"The deal is that we can start the work and then obtain all the necessary permits step by step," Askurullah said. "The Manpower Ministry has also given the green light for the use of foreign workers."



# Morowali investors jittery

## over policy uncertainties

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PT Indonesia Morowali Industrial Park (IMIP) currently has two top priorities. First, establishing the world's biggest integrated nickel-content stainless steel production compound by 2019, and second keeping the government from making life even more difficult.

IMIP's story can be traced back to 2007, when Bintangdelapan Group started its mining operations in a 47,000-hectare concession in Morowali, Central Sulawesi, through subsidiary PT Bintangdelapan Investama (BDI).

Shanghai Decent Investment Group, a subsidiary of Chinese giant steelmaker Tsingshan Group, teamed up with Bintangdelapan in 2009 as part of its global expansion.

The two were able to produce and export around 3.5 million tons of nickel ore to China in 2013, before Indonesia introduced its raw-mineral exports ban at the beginning of 2014 in an effort to encourage the country's processing sector and create added value.

The ban turned out to be the starting point of a massive influx of Chinese investment, as Tsingshan and Bintangdelapan signed a cooperation agreement in October 2013 to develop a new industrial estate in Morowali, designed to supply nickel-based products to China in the long run.

Hence, IMIP was established to operate the industrial estate. Shanghai Decent controls a 74.69

percent stake in IMIP, while the remainder is owned by BDI.

However, after IMIP realized US\$2.4 billion of its committed \$6 billion investment in Morowali, the government suddenly relaxed its mineral-exports ban in early 2017, allowing miners to export low-grade nickel ore with content below 1.7 percent, under certain circumstances.

"The government can decide to do whatever it feels is right to do. But remember, we have poured in a big investment here and that should be protected and respected. Consistency, especially in terms of regulations, is a very sensitive matter for investors," IMIP chief executive officer Alexander Barus told *The Jakarta Post* recently.

Furthermore, Barus said the government should start thinking about balancing the supply and demand of nickel ore in the country, especially considering the development of many new nickel smelters in recent years. Otherwise, IMIP might be forced to import nickel ore in the next two decades, he added.

In the period of 2012 to 2016, Indonesia saw the development of 32 new processing facilities

with a total investment of \$18 billion, two-thirds of which were nickel smelters.

As of last year, Indonesia's measured nickel resources stood at 1.43 billion tons, while its proven nickel reserves amounted to 238.64 million tons.

When the Morowali industrial complex is fully developed, IMIP has estimated it will process around 14 to 19 million tons

of nickel ore per year in four smelters operated by its four affiliates: PT Sulawesi Mining Investment (SMI), PT Guang Ching Nickel and Stainless Steel Industry (GCNS), PT Indonesia Tsingshan Stainless Steel (ITSS) and PT Tsingshan Steel Indonesia (TSI).

Tsingshan controls the majority stake in all four firms through its various subsidiaries and affiliates, including Shanghai Decent, Guangdong J-Eray Technology Group and Ruipu Technology Group.

"We can only produce around 4 to 5 million tons of nickel ore per year from our mine [in Morowali]. That means we will have to buy more than 10 million tons of nickel ore per year from outside the region," Barus said.

As of October, IMIP had com-

pleted the development of three of the four nickel smelters with a capacity of producing 1.2 million tons of nickel pig iron (NPI) per year from the total expected capacity of 2 million tons.

SMI, GCNS and ITSS are also all expected to have a stainless-steel slab factory with a combined capacity of 3 million tons, all of which will be used to manufacture 2.5 million tons of hot rolled coil (HRC) and 500,000 tons of cold rolled coil (CRC) per year.

"We will eventually export all of our HRC because, at present, the country has no facility to process such material," said Barus, while adding that the CRC might also be exported if there was no demand from the domestic market.

At present, IMIP has exported some of its NPI, stainless-steel slab and HRC through its own port inside the Morowali industrial park. However, no details are available yet on the exact figure of

those exported products.

IMIP senior vice president for external relations Slamet Viktor Panggabean said the company had routinely reported its exports to the Poso Customs and Excise Office in Central Sulawesi, which would later send its officials to Morowali to check the exported goods and their documents.

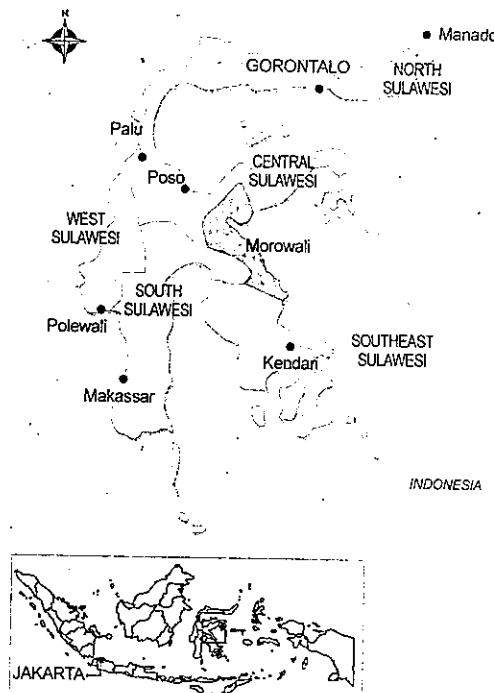
"We have no choice. It takes us three days to go back and forth to Poso, while one day's delay in shipping would cost us \$20,000 in demurrage," Slamet said.

Moreover, IMIP also plans to develop a carbon steel factory worth \$960 million, with an annual capacity of 3.5 million tons.

PT Dexin Steel Indonesia, a joint venture between IMIP, Shanghai Decent and Delong Steel Singapore Projects, is expected to start constructing the factory in early 2018 and complete it in mid-2019.

The Office of the Coordinating Maritime Minister has formed an inter-ministerial team to expedite the development of the Morowali industrial complex, which is expected to be a special economic zone (KEK) in the near future.

"If the plan is realized, we might be able to get special tax treatment, while the industrial estate will be declared a vital object. [...] We will also get all the help we need to develop various public facilities here," Slamet said.



### Secluded Morowali

Getting to the IMIP site in Morowali from Jakarta is a pain-staking endeavor. There are three ways to get there. The first way is to fly from Jakarta to South Sulawesi's capital, Makassar, and then take an hour's flight directly to Morowali, which is scheduled to run twice a week.

The second route is to fly from Jakarta to Central Sulawesi's capital Palu. From Palu, the site can only be accessed by land and takes around 15 hours by car.

The third route is to fly from Jakarta to Southeast Sulawesi's capital Kendari. From there, the site can be accessed by a boat that takes four-hours, or by car that takes seven hours.

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J. Post

# Anti-Chinese specter raises head in C. Sulawesi regency

The residents of Bahodopi district in Morowali, Central Sulawesi, have swallowed rumors about the presence of thousands of Chinese workers at an industrial park managed by China's joint venture PT Indonesia Morowali Industrial Park (IMIP).

However, they can hardly see the Chinese workers in their neighborhood. Although unseen, it has not averted growing anti-Chinese sentiment and rallies in the past year.

"What I always remember is what the speakers often yell at the rallies: 'The Chinese have invaded Bahodopi,'" Asbut, the head of hamlet V in Keurea village of Bahodopi told *The Jakarta Post* last month.

Morowali, a regency of 114,000 people that is about 1,700 kilometers from Jakarta, has experienced drastic changes in recent years following the establishment of the 2,000-hectare industrial complex.

Thousands of people from nearby provinces have flocked to the regency in droves for work or to establish new businesses.

IMIP has employed about 2,500 Chinese workers, 1,500 of which were categorized as experts and already have work permits, while the other 1,000 are construction workers with "pending permits."

However, three IMIP workers interviewed by *the Post* last month said the actual figure could reach between 5,000 and 6,000, raising concerns over possible illegal working activities at the industrial complex.

The three also shared the same story on how countless Chinese workers fled to a nearby forest when immigration officials launched a raid.

"The Chinese workers had been informed beforehand about the raid. Hence, they had some

time to run away and hide in the forest," said a 31-year-old excavator operator.

It is hard for the Chinese to mingle with local workers inside the industrial complex, especially due to language barriers and cultural differences.

IMIP has employed hundreds of translators, mostly from Batam in Riau Islands, to help the Chinese communicate with the locals. But miscommunication is often inevitable.

For instance, in a video that went viral on social media in May, a Chinese foreman, shouting in Mandarin, refused to allow several Muslim Indonesian workers perform Friday prayers.

A translator then tried to mediate but he failed to convince the foreman, who stubbornly kept ordering them back to work.

Sometimes, quarrels erupt because a Chinese foreman gave an order by pointing his feet to-

ward something, a gesture that is deemed highly impolite by Indonesians.

Furthermore, IMIP's exclusive treatment of the Chinese may further increase feelings of segregation among the locals, especially when the company provides the Chinese with separate lodging, a canteen and pays them more than the locals.

"I've asked some of the Chinese workers, through the help of the translators, how much they get paid. They said their monthly pay could reach as high as Rp 20 million [US\$1,482.9], half of which were paid in rupiah for their daily needs here, while the rest is transferred to their relatives back in China," said a 21-year-old excavator operator. "The Chinese work as heavy equipment operators just like me, but I only get paid Rp 4.7 million a month."

IMIP's human resource manager, Achmanto Mendatu, said it

was only natural for the Chinese to receive higher payment because they were considered experts or skilled workers tasked with monitoring the constructions of various facilities at the complex.

Moreover, he said, all Indonesians recruited by the company were considered unskilled workers who needed to be trained before being promoted and getting a raise.

"When Indonesian experts work in other countries, such as in Vietnam or elsewhere, they will also get higher payment rates compared to the locals there. So, it's actually a common practice," Achmanto said.

IMIP senior vice president for external relations Slamet Viktor Panggabean, meanwhile, acknowledged that there were cultural differences that made it hard for the Chinese to get along with the local workers.

However, he said the Chinese tended to have a better work eth-

ic, especially considering that they have to work 12 hours a day in two shifts, compared to the locals who only worked eight hours a day in a three-shift schedule.

"But the Chinese workers won't be here forever because we aim to complete the knowledge transfer process within the next five years," Slamet said.

He also explained the presence of Chinese workers was inevitable because they were employed by Chinese companies that won the bidding rights for many procurements needed by IMIP.

Chinese workers, he said, were sent by the winning firms to provide construction guarantees and to supervise the installation of many components, leaving IMIP with no other option but to employ the workers before their permits were cleared.

"It will take at least three months for us to process all of their work permits," said Slamet.