

# Economic chief demands better cooperation

**Marchio Irfan Gorbiano**

THE JAKARTA POST/JAKARTA

The government is not resting on its laurels after major improvement in the country's ranking in the World Bank's Ease of Doing Business Index as it continues to push for regulatory reform in obtaining business permits in various sectors.

The Office of the Coordinating Economic Minister is working with other ministries to identify regulations in each ministry that complicate the process of obtaining permits.

Such a move is aimed at monitoring the implementation of the recently issued Presidential Regulation No. 91/2017 on business implementation acceleration, said Coordinating Economic Minister Darmin Nasution on Friday.

He said some ministries had yet to form a task force, which was



JP/Arief Suhardiman

## Darmin Nasution

mandated in the regulation for coordination purposes in serving businesses.

"We requested them to do so immediately," said Darmin.

The formation of the task force is needed to achieve the target of developing "online single submission" in March next year, which would enable investors to register businesses online, said Darmin.

He added that the short-term target in the reform was to integrate permits for all business sectors under the One-Stop In-

tegrated Services (PTSP) by January 2018 at the latest.

The regulation was signed by President Joko "Jokowi" Widodo on Sept. 22 in a bid to cut red tape surrounding the process of obtaining business permits.

The regulation mandates the government to form a task force specifically to address the business permit issuance process at various government levels. It also tasks the government with commencing an online single submission trial for business permit applications by January next year.

An expert staffer to Public Works and Public Housing Minister Mochammad Natsir, who attended the meeting with Darmin, said the task force at the ministry had identified improvements that could be made to prevailing regulations.

"We need to confirm with respective director generals pertaining to improvements in pre-

vailing regulations. We are hoping to identify the improvements by next week," he said.

He also said that under the regulation, respective institutions were not only tasked to cut red tape but to also monitor the implementation of permit issuances.

"For example, if the BKPM [Investment Coordinating Board] asked us [Public Works and Public Housing Ministry] to issue a certain permit, we will monitor the implementation," he said.

Climbing 19 places, Indonesia made its highest-ever jump to rank 72 out of 190 countries in the World Bank's Ease of Doing Business Index announced on Nov. 1. A higher ranking indicates better and simpler conditions for businesses.

However, Indonesia still lags behind many of its ASEAN peers. Thailand, a country gripped by military rule since being wracked by political chaos in 2014, scored

the highest leap to rank at 26 while Vietnam jumped 14 spots to 68<sup>th</sup> place.

The indicator is based on 11 categories that correspond to the life-cycle of businesses; starting up, accessing the labor market, connecting to electricity, registering property, getting credit, protecting minority investors, trading across borders, paying taxes, enforcing contracts and resolving insolvency.

Thailand and Vietnam ranked higher as Indonesia scored poorly in the categories of starting a business, paying taxes, getting construction permits and red tape in cross-border trading.

According to the World Bank, it takes 23.1 days on average for entrepreneurs to start a business in Indonesia, while it takes a mere four and a half days in Thailand. It also takes 200.2 days in Indonesia to get permits to build a warehouse, while it only takes 104 days in Thailand.

## ELECTRICITY

# Investors sacrificed to maintain prices

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo's call to maintain electricity prices ahead of the 2018-2019 election years has left state utility firm PLN feeling the heat, forcing it to do everything it can to tighten its belt, including bullying investors into submission.

The government's populist move to maintain non-subsidized electricity prices, which have seen no adjustments since January, is set to continue until the end of the year in what it claims as efforts to boost the country's industrial competitiveness.

Consumers of low-voltage electricity currently enjoy a rate of Rp 1,467.28 (11 US cents) per kilowatt hour (kWh), while mid-voltage electricity consumers pay Rp 1,114.7 per kWh and high-voltage electricity subscribers pay Rp 996.74 per kWh.

All the while the Indonesian crude price (ICP) has experienced a 27.3 percent increase to US\$54.02 per barrel and the country's coal reference price (HBA) a 24.5 percent increase to \$93.9 per ton from June to October, which triggered a significant jump in PLN's electricity supply cost.

The country's sole electricity off-taker saw its revenue climb nearly 15 percent year-on-year to Rp 187.8 trillion between January and September. Simultaneously, its operating expenses soared 11.7 percent to Rp 200.3 trillion.

"The real economical prices of our electricity are far above the set prices the public currently enjoys," PLN president director Sofyan Basir said recently.

This has forced PLN to undertake various efficiency measures to reduce its cost components, while also ensuring that there is no overpriced electricity generated from power plants built by independent power producers (IPP).

PLN has since reviewed several power purchase agreements (PPA) it made with IPPs for large scale coal-fired power plants in Java, especially those that have yet to start construction or received a guarantee letter of business from the Finance Ministry.

Furthermore, PLN is reviewing its PPAs with developers of old coal-fired power plants that have operated for 10 to 15 years.

"It's OK for us to bear the take-or-pay costs, but investors won't get a cent out of the projects and there's nothing they can do. So, it's better for them to reduce prices,"

Sofyan said.

The Energy and Mineral Resources Ministry sees PLN's aggressive efficiency measures as a necessity.

"Power plant technology has become more efficient and less costly. So, why keep the old prices?" said the ministry's electricity director general, Andy N. Someng, who also serves as one of PLN's commissioners.

PLN's stern stance creates another burden for IPPs, which previously voiced concerns about the former's move to have greater control in various power plant projects nationwide.

While PLN has offered 12 mine-mouth coal-fired power plants in Sumatra and Kalimantan through

a tender, the company's subsidiaries will control a majority stake of 51 percent in nine projects. Only three will be fully developed by IPPs. PLN has said that having its subsidiaries control a majority stake will expedite development.

The mine-mouth power plants will have a combined capacity of 4,650 MW with a total investment value of \$7.2 billion. They are slated for commercial operations within the 2020-2024 period.

The Indonesian Independent Power Producer Association (APLSI) has stated that lenders will be reluctant to provide loans if the IPPs only hold minority shares in a power plant project, while, at the same time, PLN has limited room left to incur debt.

## FISCAL POLICY

# Govt to give taxpayers second chance

**Prima Wirayani**

THE JAKARTA POST/JAKARTA

The devil is in the details for those dealing with the fallout of Indonesia's tax amnesty program, which concluded in March, as it continues to be plagued by regulatory loopholes that haunt taxpayers, prompting the government to relax some of its policies.

The government has so far issued nine Finance Minister's Regulations (PMK), two Finance Minister's Decrees (KMK) and 15 Tax Director General's Regulations as follow ups to Law No. 11/2016 on tax amnesty, which was passed last year after only a month of deliberation.

As if that was not enough, the government plans this week to issue another PMK in response to public confusion surrounding an income tax waiver given for tax amnesty participants who sought property ownership transfers under the program.

The upcoming PMK will also allow both participants and non-participants of the tax amnesty to improve their compliance by self-reporting their assets, which have yet to be declared either in their tax amnesty statement letters or annual tax returns (SPT).

"This is kind of another chance for taxpayers," said Finance Minister Sri Mulyani Indrawati at a press conference over the weekend.

The declared assets will be subject to a final income tax (PPH

final), with rates set at 25 percent, 30 percent and 12.5 percent for institutional, individual and certain taxpayers like small and medium enterprises (SMEs), respectively, as stipulated in Government Regulation No. 36/2017.

Those rates are more specific compared with the existing personal income tax rates of between 5 percent and 30 percent, and corporate income tax rates of around 20 percent to 25 percent.

Taxation director general Ken Dwijugiateadi said there would be no deadline for such self-reporting as taxpayers could still make corrections to their tax reports as long as the tax office had yet to find their assets.

Several tax amnesty participants have reportedly had their ownership transfer income tax waiver (SKB PPh) applications rejected by regional tax offices, or have been required to supply various supporting documents during the process.

According to the current tax rules, participants who declared their land and buildings currently registered under other people's names are entitled to an SKB PPh when transferring the properties to be under their own names.

Agrarian and Spatial Planning Minister Sofyan Djalil acknowledged there was confusion among notaries and land offices nationwide on the scheme's implementation.

The upcoming rule revision will stipulate that taxpayers can

use either the SKB PPh or a tax amnesty participation letter to receive a notarized statement letter to process property ownership transfers at the National Land Agency (BPN).

The government claims the tax amnesty program, which ran from July 2016 to March this year, has helped widen the tax base in Southeast Asia's largest economy, where the tax-to-gross domestic product ratio stands at around 10 percent, lower than its neighbors where the figure hovers at between 13 percent and 15 percent.

The amnesty program saw Rp 4.86 quadrillion (US\$366 billion) worth of declared assets, but there was only around 965,000 participants, far below the targeted 2 million.

Yustinus Prastowo, executive director of the Center for Indonesia Taxation Analysis (CITA), welcomed the relaxation as he had proposed a similar scheme, which aimed to find a "win-win solution" for the government and taxpayers alike.

"[Providing] a tax relaxation would allow the government to raise the tax base without putting pressure on the economy," he said.

When asked whether tax amnesty participants would interpret the relaxation as unfair to them, Indonesian Employers Association (Apindo) chairman Hariyadi B. Sukamdani said the more important thing was for the government to ensure correct tax reporting among taxpayers.

# Govt, House in talks

## over redenomination plan

**Marchio Irfan Gorbiano**

THE JAKARTA POST/JAKARTA

The government has yet to give up on its plan to redenominate the rupiah despite multiple setbacks as it starts to discuss the matter again with lawmakers to propose for a redenomination bill next year.

The bill had been expected to be included in the National Legislation Program (Prolegnas) of 2018 so as to continue its deliberation after several cancellations a few years back, said Bank Indonesia (BI) Governor Agus Martowardojo.

He said the draft of the bill and its academic papers had been prepared.

Once the bill was approved into law, however, it could not be im-

plemented immediately as the country needed a transition period that could reach at least eight years before a new currency denomination was ready to fully replace the old one, he said.

"The bill will not become effective soon after approval [from lawmakers]. There will be a transition period before we have a new currency," he said over the weekend.

Agus argued that Indonesia would benefit from a currency redenomination as there would be more accountability and efficiency as a new law would cut three zeroes from the rupiah.

By reducing the number of zeroes on the bank notes, transactions would be simplified followed by price adjustments for goods and services, according to the cen-

tral bank's assessment.

The rupiah is among the weakest currencies in ASEAN in terms of its nominal value, with US\$1 being valued at Rp 13,517 at the end of last week, according to the Jakarta Interbank Spot Dollar Rate (JISDOR).

The other Southeast Asian country with a five-digit exchange rate is Vietnam, with US\$1 being traded at 22,714 dong as of Friday, according to Bloomberg data.

Former BI governor Darmin Nasution, who is now Coordinating Economic Minister, introduced the plan to slash three zeroes off the local currency in 2010, but unfavorable economic conditions put the discussions on hold.

Earlier this year, Agus revived the redenomination plan as he

argued that the economy was favorable enough to continue its deliberation, but President Joko "Jokowi" Widodo instead ordered a postponement to study the idea's impact and urgency despite support from several lawmakers.

Bank Central Asia (BCA) chief economist David Sumual agreed that current macroeconomic conditions were sound, citing stable inflation and exchange rates as two fundamental indicators.

He said a currency redenomination might create positive impact on the rupiah as it would illustrate the soundness of the Indonesian economy, but the government should study the best moment for implementation thoroughly before carrying out the program.

He argued that the longer the

transition period for implementation, the larger the cost to the government.

The government should also set more specific macroeconomic indicators required for a redenomination program to be implemented as it so far had only relied on normative arguments about economic soundness, said Latif Adam, an economist at the Indonesian Institute of Sciences (LIPI). "The indicators should be set in that we would redenominate when we have these much of an inflation, economic growth and debt ratio [to gross domestic product]."

Another important thing for the government to consider before implementing the program, he said, was to conduct a nationwide survey, which portrays how far the

public comprehended redenomination so as to prevent it from being easily confused with sanering or currency remediation.

The historically unpopular sanering is an economic policy normally implemented in a period of hyperinflation when a cut in currency value would also curb people's purchasing power.

Representing businesspeople, Chris Kanter, an advisory board member of the Indonesian Chamber of Commerce and Industry (Kadin), voiced a similar opinion that the government should conduct thorough policy dissemination to the public as it involved the national currency and to ensure that people could differentiate between redenomination from sanering.

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RAILWAY

# Government to settle dispute over LRT

Farida Susanty

THE JAKARTA POST/JAKARTA

In its bid to accelerate the development of the strategic light rail transit (LRT) project in Greater Jakarta, the government has reiterated its objective to settle a land asset dispute between two state enterprises.

The first phase of the LRT project — from Cawang to Cibubur, Dukuh Atas and East Bekasi at 41.2 kilometers — is currently being built by state construction firm Adhi Karya on land next to a toll road operated by state toll road operator Jasa Marga.

The next step is to draft an official contract, concession and public service obligation scheme (PSO) between Adhi Karya, state railway operator Kereta Api Indonesia (KAI), the Transportation Ministry and the LRT project's investors.

However, the land asset status of Jasa Marga and whether KAI will have to pay rent has left the draft finalization up in the air. Even so, Coordinating Maritime Affairs Minister Luhut Pandjaitan said the asset problem would be settled by the end of the week.

"The problem was whether this will be KAI or Jasa Marga's asset. However, it is a technical issue and it's all in the same government basket," he said recently, hinting that the asset might be handed over to KAI.

The status of the concession and PSO will affect the financial closing of the Rp 27.5 trillion (US\$2.05 billion) project. Despite the speed bumps, Luhut said the financial closing would still likely be held in December.

Similar sentiments have also come from Jasa Marga, which stated that the land initially belonged

to the government while the firm merely had the concession. "The government has given the permit for the LRT to be built there, so we only need to coordinate [with KAI]," Jasa Marga's president director, Desi Arryani, said.

She added that it was unnecessary for further administration on the coordination between Jasa Marga and KAI, as the former was only concerned that its toll road operation would be affected by the project's development. Moreover, Desi claimed that there were no plans to charge KAI for the use of land.

Previously, KAI expressed concern over whether it would have to pay rent for the use of the land, which would possibly lead to a need to jack up passenger fares for the LRT. The first phase of the project is expected to be finished by 2019. However, it has had more than its fair share of obstacles along the way due to uncertainty in the financing scheme.

The government initially planned to finance the project with the state budget, but later assigned KAI to invest in the project through a presidential regulation.

KAI will receive Rp 5.6 trillion in state capital injection (PMN) until 2019 to boost its equity to be able to borrow the loan from banks. In July, the House of Representatives approved the first batch of the PMN of Rp 2 trillion from the 2017 state budget.

The project's funding will be sourced from syndicated loans from banks, potentially from state lenders such as Bank Mandiri and Bank Rakyat Indonesia (BRI) and private lenders CIMB Niaga and Bank Central Asia (BCA) as well as state infrastructure financing firm Sarana Multi Infrastruktur (SMI). The loan is expected to reach Rp 18.5 trillion.

GRAFT SUSPECT

# IDI steps in to examine Setya's health

Kharishar Kahfi

THE JAKARTA POST/JAKARTA

As embattled House of Representatives Speaker and graft suspect Setya Novanto laid on a hospital bed, a team of doctors from the Indonesian Doctors Association (IDI) examined him following a request from the antigraft body.

The team of 10 doctors performed a series of tests on Setya, who was involved in a car accident in Jakarta on Thursday evening that resulted in him suffering from a concussion and other wounds. The tests were carried out on Sunday morning in his room at Cipto Mangunkusumo General Hospital (RSCM Kencaña) after Setya was examined by the hospital's doctors, his attorney Fredrich Yunadi said.

"The doctors performed a number of tests on him [Setya]

to assess his mental state and whether he was able to communicate," he said on Sunday.

The doctors assessed his memory, hearing and reactions, said Fredrich, who along with Setya's wife, Deisti Astriani Tagor, accompanied the doctors in the room during the tests. He also added that Setya was asleep for most of the tests.

*The Jakarta Post* attempted to contact IDI's secretary-general, M Adib Khumaidi, regarding the tests, but had received no response as of Sunday evening.

The IDI's special team is part of the association's cooperation with the Corruption Eradication Commission (KPK), which allows the latter to request an independent health examination for graft suspects. KPK spokesman Febri Diansyah said on Sunday that the antigraft body was still coordinating with the team of doctors on

the results of the tests.

"We are still waiting for the final results, which will be used to decide the next move taken by investigators," he said, including the possibility of moving Setya to the KPK's detention center once doctors gave him medical clearance.

The IDI guaranteed the professionalism of RSCM doctors, most of whom were also IDI members, he added.

The KPK had ordered the transfer of Setya from Medika Hospital in Permata Hijau in West Jakarta to RSCM on Friday, a day after the car accident, to undergo a thorough examination. The move was reportedly made to support its investigation into the powerful politician over his alleged role in the e-ID graft case, which has been dubbed one of the biggest graft cases in the country's history, having caused state losses of Rp 2.3 trillion (US\$170

million).

Setya was on his way to Metro TV offices for an interview on Thursday evening when the car he was riding in, belonging to then Metro TV journalist Hilman Mat- tauch, reportedly crashed into a utility pole in Permata Hijau.

The KPK had also placed Setya in custody while he was receiving treatment at RSCM on Friday after the latter reportedly tried to evade arrest when a team of investigators visited his house on Wednesday evening.

The antigraft body renamed Setya a suspect in the e-ID case on Nov. 10 after he won a pretrial motion in late September that voided his suspect status.

Meanwhile, Metro TV has dismissed Hilman, who has also been named a reckless driving suspect by the Jakarta Police. Hilman submitted a resignation letter before the dismissal letter was signed, Metro TV editor-in-chief Don Bosco Salamun said as reported by *kompas.com*. The company formed an internal team to look into Hilman's alleged misconduct.

"The facts showed that there was a conflict of interest and that he had violated the code of ethics," said Don.

# Factions call for Setya's removal

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Safrin La Batu and  
Margareth S. Aritonang  
THE JAKARTA POST/JAKARTA

As current party chairman Setya Novanto is sliding deeper into a legal quagmire, which resulted from the Corruption Eradication Commission's (KPK) move to name him a suspect in a graft case, different factions within the Golkar Party have begun maneuvering to unseat the controversial leader.

Over the weekend, senior politicians on Golkar's central board and leadership of the party's regional branches have amplified the call for the convening of a national congress to elect a new chairman amid concerns that Setya's escapades to deflect the KPK's probe could adversely impact the party's electability, especially in the 2018 simultaneous regional elections.

Former Golkar Party chairman Akbar Tanjung, who now serves as deputy chairman for the party's honorary council, said an extraordinary congress would be needed to elect a credible leader who could improve the party's image.

He said under Setya's leadership the party's popularity had slumped deeply and that it risked losing more seats in the House unless a sweeping change in the party's top echelon took place.

"I am afraid that Golkar will get less than four percent of the vote and we will have no lawmakers in the House because we will be below the threshold," Akbar said, referring to the parliamentary threshold of four percent in the current election law.

Party executives at the regional level have also stepped up their call for the removal of Setya.

From Surakarta, Central Java, the secretary of the party's Surakarta branch, Bandung Joko Suryono, said the legal case implicating Setya had begun to create divisions within the party which worsened recently.

"Don't leave this issue [unresolved] for a long period of time. We call on all Golkar executive members at the central and provincial levels to immediately make a political move to save Golkar," Bandung said on Sunday.

From East Nusa Tenggara (NTT), Setya's own constituency, local Golkar leaders called on the party's central board to act swiftly to "maintain solidarity among party members."

Chairman of the party's East Nusa Tenggara branch Melki Laka Lena said the decision to hold an extraordinary congress to elect a new party chairman had to go through a proper procedure, which could start with a plenary

Senior Golkar politicians,  
local leaders call for  
Setya's removal

Party's image takes hit  
with constant news of  
Setya's antics

party meeting.

"We hope that everyone in the party's structure from local to central level as well as party elders calmly respond to the situation," Melki said.

Setya is currently being treated at Cipto Mangunkusumo Hospital in Central Jakarta after he was involved in a car accident in South Jakarta last week. The accident took place after the KPK named him a suspect in the electronic ID card (e-ID) graft case for a second time.

Responding to the growing calls for Setya's removal, Golkar deputy secretary-general Ace Hasan Syadzily said the party executives would hold a plenary meeting on Tuesday.

"We will listen to the leaders of the party's regional branches during the plenary meeting," Ace told *The Jakarta Post* on Sunday.

He added that Golkar had its own procedures to prevent a leadership vacuum.

With Setya dodging of the KPK probe currently drawing the most attention, Golkar's electability could suffer a serious blow if its central board fails to make a quick decision to find a replacement, said Pangi Syarwi Chaniago, a researcher from Voxpol Research Center and Consulting.

"Golkar now only has a little over a month to remove Setya before next year's [regional] elections kicks off. In early 2018, the party should focus on the consolidation of its constituency and devising a strategy to win the elections," Pangi said.

A change of party leadership could also decide the party's stance in the 2019 presidential election, he said.

Pangi added that Golkar could see rival factions intensify their fight soon. "The factions of Aburizal Bakrie and Agung Laksono of course remain," he said, referring to the two factions that clashed in 2015.

If Aburizal's faction or that of Vice President Jusuf Kalla controlled the party, President Joko "Jokowi" Widodo could run into trouble in the 2019 election.

Responding to the speculation, Ace said: "So far, Golkar maintain its support for Jokowi because it is the mandate of the national congress in Bali [last year]."

# Netizens poke fun as Setya struggles

Nurul Fitri Ramadhani and Apriadi Gunawan

THE JAKARTA POST/JAKARTA/MEDAN

The Corruption Eradication Commission (KPK) ordered the transfer on Friday of graft suspect Setya Novanto from Medika Hospital in South Jakarta to Cipto Mangunkusumo General Hospital (RSCM), Central Jakarta — a move it claimed would “support its investigation” against Setya for alleged corruption.

The House of Representatives speaker — who has been re-named a suspect in the e-ID card graft case — was involved in a car accident on Thursday evening, in which he reportedly suffered a concussion.

The vehicle Setya was traveling in reportedly crashed into an electricity pole in the Permata Hijau area in South Jakarta.

But instead of gaining sympathy from the public, he has once again turned into a prime target for meme makers and netizens’ zany outlandish humor.

Based on the endless string of comments coloring social media platforms, the public seems to be having a difficult time believing in the validity of the car accident, particularly after Setya repeatedly cited various medical reasons to dodge KPK questioning.

Almost immediately after news of the accident broke, netizens began posting comments and jokes about Setya online, even though he had lodged a report with the police against 68 social media users for allegedly uploading defamatory material about him.

Memes were also spread through the WhatsApp mobile messaging application.

As of Friday afternoon, the hashtag #SaveTiangListrik (save the electricity pole) became a trending topic on Twitter and Instagram, with many jokingly suggesting that the electricity pole Setya had crashed into was the real victim of the accident.

A photo depicting an electricity pole lying on a hospital bed with the comment; “Get well soon, babe, be strong,” went viral.

“This man really knows how to entertain Indonesian netizens with his never ending drama #SaveTiangListrik,” read a Tweet.

Most netizens implied that they believed Thursday’s accident — which occurred a day after Setya went missing and escaped KPK detainment — had been staged.

On Friday, the antigraft body insisted on placing Setya under

KPK transfers Setya to RSCM

Netizens criticize Setya for repeatedly citing illness

KPK custody while he is receiving treatment at RSCM.

“He is doing quite well following RSCM treatment; [his condition] is not so concerning,” said KPK deputy chairman Laode Muhammad Syarif.

In September, Setya skipped several KPK summonses for questioning, claiming that he was receiving medical treatment for rising blood sugar levels.

At that time, the hashtag #PapaSakit (daddy is sick) became a trending topic.

That same month, the Golkar politician was admitted to a different hospital, reportedly to undergo heart surgery.

Just days after he won a pre-trial motion that effectively revoked his suspect status on Sept. 29, he was discharged from the hospital and continued with his activities as usual.

The situation quickly inspired the trending hashtag #PapaSudahSembuh (Daddy is better).

President Joko “Jokowi” Widodo himself urged Setya on Friday to follow the antigraft body’s legal procedures.

Setya was responsible for convincing the country’s second-largest party to back Jokowi for the 2019 presidential race.

The Jakarta Police also named journalist Hilman Mattauch a suspect of reckless driving following the accident. Hilman was reportedly behind the wheel of the car that evening, and was taking the Golkar chairman to a television studio for an interview when the accident occurred.

Instead of gathering together to protect Setya, the elites of Golkar — the country’s oldest political party — are preparing to appoint an acting chairman and, further, a new chairman through an extraordinary meeting.

The Golkar executive board recently signaled it was losing hope in Setya and preferred to focus on saving the party’s deteriorating image ahead of the 2018 regional elections and 2019 legislative elections.

Several names have surfaced of potential candidates in Golkar’s chairmanship race, but party politician and Industry Minister Airlangga Hartarto is believed to be the most likely hopeful.



# Inalum set to fly high on Freeport deal

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

State-owned aluminum producer PT Indonesia Asahan Aluminium (Inalum) is inches away from becoming the long-coveted mining holding firm and has prepared to deal with its first task at hand; acquiring gold and copper miner PT Freeport Indonesia (PTFI).

President Joko Widodo's administration issued on Nov. 14 Government Regulation (PP) No. 47/2017 on additional state capital injection for Inalum, through which the government has transferred all of its Series B shares in three state mining firms, namely PT Aneka Tambang (Antam), PT Timah and PT Bukit Asam, to the aluminum producer.

As a result, the three miners will change their status to subsidiaries of Inalum, from liability firms owned by the state.

The three miners, which had a combined market capitalization of Rp 48.2 trillion (US\$3.56 billion) as of Friday, are slated to ask for permission for the shares transfer in extraordinary general shareholders meetings on Nov. 29 in Jakarta. If things go well, the mining holding firm is good to go.

"The main goal of this holding firm is to join the Fortune Global 500 List before 2025 and the acquisition of PTFI will be a big trigger to meet that target," Inalum

New state mining holding firm expected to take over 51 percent of PTFI's shares within two years

Inalum's assets to reach \$6.6 billion from \$2 billion

finance director Oggy Achmad Kosasih told *The Jakarta Post* recently.

The Fortune Global 500 List is an annual ranking of the world's largest 500 companies by revenue released by *Fortune* magazine. State-owned energy giant Pertamina is the only Indonesian firm featured on the 2017 list, ranking 289th with revenue of \$36.48 billion in 2016.

The government has projected Inalum as a state mining holding company to take over 51 percent of PTFI's shares by the first quarter of 2019 at the latest.

At present, American mining giant Freeport-McMoRan (FCX) owns 90.64 percent of PTFI. Meanwhile, another 9.36 percent has been transferred to Inalum from the Indonesian government through the issuance of PP No. 47/2017.

The government demands FCX divest its majority stake in PTFI, among other things, in return for the extension of PTFI's operating permit in the country, set to expire in 2021. The miner currently operates the Grasberg mine in Papua, known as the world's largest gold

and second-largest copper mine.

However, the two parties have yet to come to terms on the value of PTFI's shares.

The government previously calculated the remaining 41.64 percent shares to be taken over from PTFI to be worth \$2.46 billion, while FCX's estimation is set at \$6.6 billion because it takes into account Grasberg's reserves and operation until 2041.

Even so, Inalum corporate secretary Ricky Gunawan was optimistic the company would have the financial capacity to acquire PTFI after its transformation into a holding firm.

"We will be ready, as we will have a larger asset base through this consolidation," he said.

The establishment of the mining holding company will jack up Inalum's assets to more than \$6.6 billion from only around \$2 billion at present.

The combined revenues of Antam, Timah and Bukit Asam stood at \$1.98 billion in the first nine months of 2017, while Inalum's top line reached \$360 million as of October.

Furthermore, the total net profit of the three miners was \$194.6 million between January and September, while Inalum's bottom line was \$75 million by the end of October.

Fajar Harry Sampurno, the State-Owned Enterprise (SOE) Ministry's undersecretary for

mining, strategic industries and media affairs, said his side had also asked the Workers Social Security Agency (BPJS Ketenagakerjaan) to help finance the acquisition of PTFI. However, the ministry cannot force the institution to participate as it is not an SOE.

As of August, BPJS Ketenagakerjaan had managed employee social security funds totaling Rp 293.54 trillion from a total of 24.1 million members.

PUBLIC SPACE

# Anies lifts Ahok-era ban, allowing Monas for religious rites

The Jakarta Post  
JAKARTA

Jakarta Governor Anies Baswedan said on Sunday he had revoked a local regulation banning religious activities from being held at the National Monument (Monas) park, Central Jakarta.

While attending the celebration of the Prophet Muhammad's birthday at At-Taqwa Mosque, South Jakarta, Anies told his supporters that he had revised the standard operational procedure (SOP) for Monas that had been issued by his predecessor Basuki "Ahok" Tjahaja Purnama.

"Before, it was only used for state ceremonies, but now we will allow cultural, education and religious activities to be held there," he said.

The new governor said the administration would hold a religious event at the park next Sunday, on Nov. 26, to commemorate National Heroes' Day.

He said the city administration would organize a full-day event, with a cultural parade in

the morning and a religious ceremony at night.

"The city administration will organize a nationalist sermon after the evening prayer, followed by *zikr* [religious chants] and *tausyiah* [sermon]," he said, adding that he invited all citizens to come.

In 2015, Ahok prohibited citizens from holding mass religious activities in the area.

He argued that at that time he had allowed prayer group Majelis Rasulullah to hold a religious event at Monas, but that members abused the permission and used it to make space for street vendors.

Ahok claimed he was not the one who made the rule, citing Presidential Decree No. 25/1995 on the development of the Medan Merdeka (Independence Square) area, including Monas, which orders that the area remain a "neutral zone" without commercial or political activities.

He used the regulation as a reference to issue the operational procedure for Monas in January

2015. The SOP only allows state ceremonies and activities related to history, art and culture at national and international levels to be held at the park.

Political expert from Paramadina University Hendri Satrio said Anies' move showed his goodwill toward upholding religious freedom, but would also bring him added headaches with street vendors returning to the area.

He added that it could also show his bias toward certain religious groups.

"How will Anies respond if more than one religious community wants to hold an event there at the same time? It may cause the tensions from the gubernatorial election to rise again," he said.

During the election campaign, Anies received support from conservative Muslim groups that accused Ahok of committing blasphemy.

Amnesty International Indonesia director Usman Hamid said Anies' decision was hardly a sign of progress for religious freedom.

He said if Monas was used as a site to mobilize his supporters, it would again reinforce minority versus majority sentiments.

"Monas is a public space. [...] Anies must ensure that it is a place for all citizens, not just citizens from one religion," he said.

Andreas Harsono of Human Rights Watch said following the recent Constitutional Court ruling that ordered the government to recognize native-faith followers, Anies also had to accommodate the approximately 200 religions and beliefs systems currently being practiced by people in Jakarta.

"Otherwise, it will again add to the impression that Jakarta is an Islamist city that discriminates against minorities," he said.

The Indonesian Communion of Churches (PGI) spokesperson Jeirry Sumampow said the regulation would have hardly any effect on the Christian community as churches had never used Monas for religious events.

"Whether it is allowed or not, it does not affect us," he said. (dis)

# DKI most intolerant after ugly election

Fachrul Sidiq

THE JAKARTA POST/JAKARTA

"This mosque is not a place to hold prayers for the deceased supporters and defenders of blasphemers," read a banner erected at a mosque in Jakarta in reference to those planning to cast their votes for then governor Basuki "Ahok" Tjahaja Purnama, a Christian Chinese-Indonesian, in the gubernatorial election.

Such banners were a common sight in Jakarta during the election earlier this year, which was marred by religious and racist sentiments. Ahok, whose background was politically exploited, eventually failed to seek reelection and was sent to prison for blasphemy after making a comment about a Quranic verse, which he believed had been used by politicians for personal gain.

The city's officials took down more than 1,100 banners deemed provocative ahead of the second round of the election in April, which saw Anies Baswedan and Sandiaga Uno defeat the incumbent in a landslide.

Prior to the election, many religious sermons turned political, with preachers directing worshippers to cast their votes based on their beliefs, a criterion they deemed to override all other factors.

A video showing groups of children chanting "Kill Ahok now" during a night parade just before Ramadhan began in May went viral online, showcasing the even more terrifying reality that such

Jakarta most intolerant of 94 cities studied across archipelago

Jakarta ranked 65<sup>th</sup> in 2015

Jakarta's tolerance index decreased following events surrounding election

intolerant messages had reached children.

For years, Jakarta has been a melting pot, a place where people of diverse backgrounds have come in search of opportunities and a better life, making the sprawling capital a miniature version of multicultural Indonesia.

The electoral race, however, brought out the ugly side of Jakarta. This was reaffirmed by a study conducted by rights group the Setara Institute from November 2016 to October which found that the Muslim-majority city was the most intolerant among 94 cities studied across the archipelago 2017.

The study, called "The 2017 Index of Tolerant Cities," measured whether a city's mid-term regional development plans, government actions and statements toward intolerance and policies improved tolerance among people of different groups.

In a similar study published in 2015, Jakarta ranked 65<sup>th</sup>.

"Jakarta's tolerance index decreased because of a number of

events related to the election, for example, the refusals to pray for the deceased and politically motivated religious sermons," Setara researcher Halili said.

In its study, the group found 24 violations related to religious freedom, such as persecutions of minority groups, vigilantism and the use of houses of worship as places to spread hate speech.

Such acts were the biggest factors that contributed to Jakarta being named the most intolerant city.

Bogor, Bekasi and Banda Aceh, were previously named as the three least tolerant cities in 2015.

Bekasi, a satellite city to the east of Jakarta, crawled its way up to 53<sup>rd</sup> position, following a strong gesture by Mayor Rahmat Effendi, who defended the construction of Santa Clara Catholic Church, despite strong opposition from conservative Muslim groups.

Bonar Tigor Naipospos, Setara deputy chairman, called on the current Jakarta administration, led by Anies, to heal the city's wounds that had been opened up by the divisive election by empowering more interfaith interactions and discussions.

"The government should approach religious clerics and organizations and encourage them to spread the message of tolerance and create a narrative embracing differences," he said. Manado was crowned the most tolerant city among those studied across the country, followed by Pematang Siantar in North Sumatra and Salatiga in Central Java.

# Residents evacuated from besieged Papuan villages

Nethy Dharma Somba and Gemma Holliani Cahya

THE JAKARTA POST/JAYAPURA/  
JAKARTA

Isolated in two villages for almost two weeks amid escalating tension between security forces and the National Liberation Army of West Papua (TPNPB) in Mimika regency, Papua, dozens of residents from the villages of Kimberly and Banti were finally evacuated to the regency capital, Timika, on Friday morning.

Papua Police spokesman Sr. Comr. AM Kamal said security personnel had evacuated 150 people from Kimberly and 194 from Longsoran, an area in Banti, under strong protection from a joint force of military and police personnel.

"Thirteen personnel of the Army's Special Forces [Kopassus], supported by 30 members of the 751<sup>st</sup> Raider battalion, gained control of Kimbeli village, while two teams from the Army Strategic Reserves Command's [Kostrad] Combat Reconnaissance Platoons [Tontaipur] regained control of Banti village from the TPNPB," said Cendrawasih Military District Command spokesman Lt. Col. M. Aidi.

"Within less than two hours, they managed to take over the two villages and push back the OPM/TPN members, who ran into the forest," he added.

Those who have been evacuated, all of whom originate from outside the area, walked for two hours to reach Timika and were taken care of by their respective communities there.

Meanwhile, hundreds of indigenous residents — who are originally from Kimberly and Banti — opted to stay in their villages.

"They were born and grew up in Kimberly and Banti, so they don't want to leave. They only asked us to provide security and logistical assistance until the situation in the two villages returns to normal," said Kamal.

Two security posts had been set



Reuters/Muhammad Yamin

**Rescued:** A member of the Indonesian Red Cross (right) assists evacuees from villages authorities said had been occupied by armed separatists, near the Grasberg copper mine operated by Freeport McMoran Inc. in Timika, Mimika regency, Papua, on Friday.

Joint security operation freed almost 350 people from two villages

Military says evacuation needed after negotiations proved fruitless

up in the villages to remain there until the situation improved, Aidi added.

Cendrawasih Military Commander Maj. Gen. George Elnadus Supit said on Friday that the police and military operation had been seen as the only option left.

"When the negotiation reached deadlock, we conducted the rescue operation," he said.

More than 1,300 people had been held hostage by armed Papuan separatists since Nov. 5.

Tensions have risen in Mimika after a Mobile Brigade (Brimob) officer died in an exchange of fire with armed assailants in Utikini, Tembagapura district, in late October. On Nov. 5, an armed group

set ablaze five kiosks owned by local people in Utikini.

Human right activists have called for peaceful negotiations, saying dialogue was the best way to settle the violence. However, the National Commission on Human Rights (Komnas HAM) said on Friday that the TPNPB was reluctant to sit down and talk with the government.

"The National Police chief has agreed to mediate [...], but even though we have communicated with the TPNPB, they have yet to commit to [dialogue]," Amiruddin Al Rahab, a Komnas HAM commissioner, said on Friday.

He said a mediation process could not be rushed, because it involved several stages, beginning with preparation to pre-mediation, mediation and post-mediation.

On Wednesday, the TPNPB claimed responsibility for the recent attacks in Mimika.

"This is a war. We will continue our attacks until Papua's sovereignty is recognized," Heng

ky Wamang, one of the TPNPB leaders, told *The Jakarta Post* in a phone interview on Wednesday.

However, Hengky denied the allegation that the group had held residents hostage and claimed it had instead protected the villagers, whose lives were at risk because of the conflict.

"We are protecting the civilians in these two villages who cannot leave their homes in this war situation. It is not safe out there, and if they do leave the villages and are shot by police, we might be accused of being the shooters," he said.

Papuan human rights lawyer Yan Christian Warinussy had said earlier that dialogue was the only way to end the violence in Papua and prevent it from recurring.

President Joko "Jokowi" Widodo has pushed for infrastructure development in the easternmost province and has stated the importance of dialogue between Jakarta and the Papuans to end the violence.

# China's top aluminum maker mulls moving plants to Indonesia

**Bloomberg**  
SHANGHAI

Aluminum smelters standing idle and cold because of President Xi Jinping's flagship supply-side reforms could run hot with molten metal once again — just not in China.

The nation's top producer of the metal, China Hongqiao Group Ltd., is considering whether to physically relocate shuttered plants to other countries, with Indonesia at the top of the list of possibilities, according to chief executive officer Zhang Bo.

Hongqiao, also the world's biggest smelter, has been forced this year to cut capacity as part of Xi's drive to curb oversupply and reduce pollution.

Zhang said on Wednesday that moving idled facilities to the Southeast Asian nation, already a big supplier of raw materials to China and where Hongqiao has alumina operations, could be preferable to scrapping them. It would also match up with Indonesia's policy of wringing more wealth from its abundant resources by processing them at home.

Relocating to Indonesia "would be in line with the Chinese government's push on overseas expansion," Zhang, son of Hongqiao's billionaire founder Zhang Shiping, said in an interview at a conference in Fuzhou.

Relocating to RI in line with China's push for overseas expansion

Indonesia most suitable destination

He said the company is talking to investors in the country. "We are optimistic on the outlook for aluminum demand in Indonesia, just as we are familiar with their local society," he said.

Hongqiao's tentative plan could add a new twist to China's shake-up of its industrial complex, which has helped fire up global metals markets. The ruling Communist Party wants to halt untrammelled expansion now that its economy is maturing and demand growth is slowing, and as the population becomes much less tolerant of pollution.

"Some of Hongqiao's plants were closed not because their technology was bad or uneconomic, but for political reasons," Yi Zhu, analyst at Bloomberg Intelligence, said by phone from Hong Kong. "The private mills like Hongqiao are going to face greater pressure under supply-side reforms, so moving some operations overseas is one possible solution."

Indonesia has already attracted major Chinese metals producers. Tsingshan Holding Group,

the world's biggest maker of stainless steel, has expanded operations there to include a huge steel complex that's poised to export worldwide.

"We are studying how much capacity Indonesia can take and how much we can move from here, but it won't be big at the beginning as aluminum and alumina are very different in terms of technology, etc.," Zhang said.

"We are talking to other countries as well, but Indonesia is the most suitable as we have the alumina project there and also they have big demand."

Hongqiao is a prime target of the supply-side reforms that have swept China this year, and which have helped lift aluminum prices in London by 25 percent. The firm, based in the east coast province of Shandong, agreed in August to close nearly a third of its capacity, accounting for 2.68 million metric tons, because it had built plants without proper approvals.

The firm plans to add a second 1-million-ton alumina plant to its Indonesian operation by end-2018, CEO Zhang told the conference Thursday. The company is very confident about the project after "the most difficult times" in terms of integrating the business cultures of China and Indonesia. Hongqiao has a 56 percent stake in the venture, which started its first plant last year.