

Rising exports to fuel 2018 growth

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THE JAKARTA POST/JAKARTA

Export was forecast to continue growing next year amid a trend of rising commodity prices and continued ease of doing business in Indonesia, and is expected to make a positive contribution to reaching Indonesia's target of 5.4 percent economic growth in 2018.

The Finance Ministry's fiscal policy head, Suahasil Nazara, said export and import has continued to increase as of the third quarter and will continue until next year.

"We see in the third quarter, export increased by 17 percent and import by 15 percent. This means there are economic activities going on. We hope this will continue [next year]," he told reporters on the sidelines of DBS Indonesia's 2017 Asian Insights Conference on Tuesday.

"I think commodity [coal, crude palm oil] prices will remain steady but will slightly increase," he added.

Central Statistics Agency (BPS) data showed that as of September, export had increased by 17.36 percent to US\$123.4 billion and import by 13.97 percent to \$112.49 billion.

Indonesia has set a target of a 5.6 percent increase in non-oil and gas export by 5.6 percent to \$138.6 billion this year after falling by 0.34 percent last year mainly due to falling palm oil and coal prices.

Non-oil and gas export has increased by 17.27 percent to \$111.9 billion in the first nine months.

Indonesia sets economic growth to reach 5.4 percent in 2018

Export increased by 17 percent in third quarter of 2017

Suahasil also cited several other factors that may contribute to boosting the sales and production of export-oriented firms, including internal economic reform through various economic policies and continued infrastructure building to simplifying business setup and cutting logistics costs.

"If we can make electricity distribution easier [for businesses], reduce dwelling time [at ports], faster business licensing, economic activities [including export] can run well," he said.

No electricity price hike is scheduled this quarter and there are no definite plans for a price hike in the short term. However, many businesspeople in the textile, iron and steel industries have complained that the price of gas, a major component in their cost structure, remains too high.

Previously, International Monetary Fund (IMF) staff during the institution's Article IV annual visit to the country on Nov. 12 has projected export to be a major economic mover for the country.

"Growth is projected at 5.1 percent in 2017 and 5.3 percent in 2018, led mainly by higher exports and investment," IMF team leader Luis E. Breuer said as quot-

ed on a statement released on the IMF website.

The Indonesian government has recently revised its 2017 year-end economic growth target to 5.17 percent from 5.2 percent.

University of Indonesia economist Chatib Basri shared a similar view, saying export would continue to grow and contribute to gross domestic product (GDP) growth on the back of rising commodity prices.

"I'm optimistic about 2018; commodity prices will continue to hike. The coal price has now increased to \$90 per ton while 60 percent of our export are energy-related commodities, so export will increase too," the former finance minister said at the DBS event.

While protectionism continues to rise globally, especially in the United States, the Indonesian government has vowed to continue creating new free trade agreements (FTAs), especially with nontraditional markets. Moreover, the government hopes to improve existing FTAs.

Indonesia expects to conclude four agreements by the year's end, comprised of the Comprehensive Economic Partnership Agreement (CEPA) with Australia, European Free Trade Association (EFTA) and Chile as well as the Preferential Trade Agreement (PTA) with Iran.

Moreover, the government hopes to conclude separate CEPAs with the European Union and Turkey, and also the Regional Comprehensive Economic Partnership (RCEP) with ASEAN and its six major trading partners.

KPK races against time in Setya's case

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THE JAKARTA POST/JAKARTA

House of Representatives Speaker Setya Novanto's pretrial challenge to his being named a suspect in the massive e-ID graft case is scheduled to be heard on Nov. 30 at the South Jakarta District Court.

However, Setya's fate may now depend on the Corruption Eradication Commission's (KPK) ability to bring him to the corruption court before the district court issues a ruling on this, his second, challenge to the KPK's decision to name him a suspect in the case.

A pretrial motion is automatically declared void if no ruling has been made by the time the case is brought to court, as regulated by the Criminal Law Procedures Code (KUHAP). Under KUHAP, a sole judge has seven days to hear a pretrial motion and issue a ruling.

Pressure has been mounting on the KPK to complete its investigation into Setya and immediately hand over the dossier to the corruption court to ensure that the graft trial begins before the pretrial judge issues a ruling on his motion.

However, the antigraft body had yet to hand his dossier to the corruption court as of Wednesday. The KPK renamed Setya a graft suspect in the e-ID graft case on Nov. 10 following his first suc-

Setya's pretrial hearing slated for Nov. 30

KPK has one week to bring Setya to court before ruling issued

cessful pretrial challenge on Sept. 29, which effectively voided his original suspect status.

"The investigators have been building a strong case against the graft suspect since we detained him," KPK spokesman Febri Dianisyah said.

The KPK immediately moved to question at least seven witnesses in its investigation into Setya after he was renamed a suspect, including former Golkar Party chairman Aburizal Bakrie, former House speaker and fellow Golkar politician Ade Komarudin and businessman Andi Agustinus, alias Andi Narogong, who is a defendant in a separate trial related to the plundering of the e-ID procurement budget, which is estimated to have caused Rp 2.3 trillion (US\$170 million) in state losses.

Setya's wife Deisti Astriani Tagor has also been questioned as a witness for Anang Sugiana Sudihardjo, the president director of PT Quadra Solution, which was part of the consortium that won a bid to build the e-ID system.

However, Febri insisted that the KPK was not racing against time in its bid to hold Setya re-

sponsible for his alleged role in one of the biggest corruption cases in the country's history.

At the House, the ethics council (MKD) seemed reluctant to start an ethics investigation into Setya, particularly since he has reportedly threatened to spill the beans about the flow of embezzled money from the e-ID project to other politicians and political parties. This has prompted speculation that the pretrial challenge will be the main factor in determining Setya's fate as House speaker.

MKD deputy chairman Sufmi Dasco Ahmad said on Wednesday that the council was still trying to coordinate with all faction leaders in the House to schedule a meeting to discuss whether there was any indication of Setya violating the House's code of ethics.

Dasco denied that the MKD was waiting for a final and binding ruling on Setya's pretrial challenge before launching an ethics investigation into Setya.

"We're also processing the [ethics] matter. But we all know that the pretrial process won't take too long. Our process here may take longer than the pretrial hearing," Dasco said.

While some factions at the House have said they respect Golkar's decision to keep Setya as House speaker until the pretrial motion decision, some continued to push the party to immediately remove him from the post for the

sake of the House's image.

"We respect the internal mechanisms within Golkar, but we want Golkar to also respect the mechanisms of the House. I think all factions and House leaders should immediately take action and ask Golkar to name a replacement for Setya," National Awakening Party (PKB) lawmaker Lukman Edy said.

Malaysia, RI to further strengthen cooperation

The Jakarta Post
JAKARTA

Malaysia and Indonesia agreed to increase cooperation in all sectors, especially in trade, during their 12th bilateral consultations held in Kuching, Malaysia, on Wednesday.

President Joko "Jokowi" Widodo, during a joint press conference with Malaysian Prime Minister Najib Razak, said figures that showed trade had increased more than 21 percent in the first half of 2017 showed that cooperation between the two countries was getting stronger.

He said Indonesia has also started exporting rice to Malaysia in October with a shipment of 25,000 tons. He added that the amount is expected to increase every year.

"Indonesia expects Malaysia can fill 20 percent of its rice import quota, about 150,000 tons, by importing it from Indonesia," Jokowi said as quoted in a statement by the Presidential Office.

Strong bilateral trade relations between Malaysia, Indonesia only getting stronger

Two draft agreements on common border issues to be signed soon

Jokowi added that the two countries, the world's top producers of palm oil, had also previously engaged in new strategic cooperation by strengthening their partnership in the palm oil industry by establishing the Council of Palm Oil Producing Countries (CPOPC) in 2015.

"We have to unite in the fight against the black campaign against palm oil," he said.

Another important issue discussed during the bilateral consultation was the protection of Indonesian citizens who live and work in Malaysia, that being a priority of the Indonesian government.

"I have also requested Prime

Minister Najib's attention on educational rights for children of Indonesian workers," Jokowi said.

Border arrangements were discussed as well.

"Indonesia expects the draft of the border crossing agreement, which has been negotiated, to be signed soon, as well as the border trade agreement," Jokowi said.

Meanwhile, Najib said that in addition to attending the annual consultation, Jokowi was also visiting Kuching to commemorate the 60th anniversary of Malaysian-Indonesian diplomatic relations.

"There is so much progress in political, economic, social, security and border cooperation," the Malaysian leader said.

"It is the will of both governments to keep improving relations so that more opportunities and potential can be realized."

Najib said he also appreciated Indonesia's efforts to tackle the problem of smoky haze so that Malaysia no longer had to suffer from the pollution in the past two years.

"It was part of serious attention given by the Indonesian government to the haze problem, which has given relief to Malaysians, including those living in Sarawak," he said.

Prior to the annual consultation, Najib hosted a limited meeting with Jokowi, who was accompanied by Coordinating Human and Culture Development Minister Puan Maharani, Foreign Minister Retno Marsudi and Indonesian Ambassador in Malaysia Rusdi Kirana.

Jokowi was also accompanied by a number of other ministers during the annual consultation such as Defense Minister Ryamizard Ryacudu, Justice and Human Rights Minister Yasonna Laoly and Trade Minister Enggartiasto Lukito.

After the meeting, Najib and Jokowi witnessed the signing of a memorandum of understanding on Islamic higher education, which was signed by Retno and Malaysian Higher Education Minister Idris Jusoh.

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Lawmakers reject mining holding plan

JAKARTA: The House of Representatives has rejected the government's plan to establish a state-owned mine holding company involving several mining firms such as aluminum producer PT Inalum, diversified mining company PT Aneka Tambang (Antam), tin mining company PT Timah and coal mining company PT Bukit Asam.

"We see the establishment of a holding company as against the law," said Martji Agoeng, a member of House Commission VI overseeing mining affairs, as quoted by *Tribunnews* in Jakarta on Wednesday.

He said the House had rejected Government Regulation (PP) No 72/2017, a revision of PP No. 44/1915 on the procedure of the management and injection of state funds into state-owned enterprises (SOEs), which was a reference for the establishment of a holding company.

He said the revised regulation had tried to eliminate the House's role of monitoring the SOEs. "After the establishment of a holding company, the current firms will become subsidiaries. Therefore, the House will not have the authority to monitor the firms," said Martji of the Prosperous Justice Party (PKS).

Antam, Timah and Bukit Asam held on Oct. 29 extraordinary shareholders meetings, which were believed to be an initial step toward the formation of the holding company.

Another Commission VI member, Inas Nasrullah, criticized SOEs Ministry, which did not involve lawmakers when Antam, Timah and Bukit Asam handed over their respective Series B shares to Inalum, which was another step toward establishing a holding company.

Inas said the commission would summons SOEs Minister Rini Soemarno to explain the issue. — *Tribunnews*

Pertamina rejects two mandated blocks

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THE JAKARTA POST/JAKARTA

State-owned energy giant Pertamina officially washed its hands of two oil and gas blocks given by the government, namely the East Kalimantan and Attaka blocks, as they were deemed economically unfeasible under the newly introduced gross-split scheme.

Earlier this year, the government ordered Pertamina to take over eight expiring oil and gas blocks in 2018 — comprised of the Tuban, Ogan Komering, Sanga-Sanga, Southeast Sumatra, North Sumatra Offshore, Tengah, East Kalimantan and Attaka blocks — using the new production-sharing scheme (PSC).

American oil and gas giant Chevron, along with its Japanese partner Inpex Corporation, currently operates the East Kalimantan and Attaka blocks, for which the contracts will expire in October 2018 and December 2017, respectively.

The government initially handed over all expiring oil and gas blocks to Pertamina as a way to offset its mounting financial burden in the downstream sector.

Within the first nine months of 2017, Pertamina's revenues climbed by 17.8 percent year-on-year to US\$31.38 billion. Nonetheless, its net income fell by 29.7 percent to \$1.99 billion, driven by a 27-percent increase in its cost of goods sold and operating expenses as a result of the recent hike in

Pertamina returns East Kalimantan, Attaka blocks to govt due to high costs

Pertamina income fell by 29.7% yoy in first nine months of 2017

Under the scheme, upstream oil and gas contractors are responsible for exploration and exploitation costs within a block as the profit split is divided up front. In contrast, the previous cost recovery PSC forced the government to reimburse these costs.

Since the gross split was only introduced this year, Pertamina conducted a thorough evaluation regarding the cost structure and risks of operating those blocks. As

global oil prices.

Even so, Pertamina president director Elia Massa Manik said the firm was still committed to making big investments in the upstream sector to maintain production.

The gross-split scheme has not been popular among oil and gas players, notably due to the absence of clear taxation guidelines.

The prolonged issuance of the tax regulations has led the Energy and Mineral Resources Ministry to postpone the auction of 15 oil and gas blocks to Dec. 31 from the initial Nov. 27 date. Deputy Energy and Mineral Resources Minister Arcandra Tahar said the new regulation on gross-split scheme would soon be issued.

The government has previously

a result, the firm found it too costly to develop the East Kalimantan block due to its need for a large amount of funds for its abandonment and site restoration.

Pertamina also had to return the Attaka block as it had uninitialized operations with the East Kalimantan block. "Pertamina was initially mandated to take over eight blocks. But two blocks have been returned to the government, namely the East Kalimantan and Attaka blocks," Ego Syahril, the Energy and Mineral Resources Ministry's oil and gas director general, said on Tuesday.

"We will prepare the bidding documents and then offer the two blocks through a special auction early next year," he added.

confirmed the upcoming government regulation on taxation under the gross-split scheme would provide the minister with the authority to determine the sliding scale split in a cooperation contract and scrap domestic market obligation (DMO) for investors, in addition to a reduction in income tax to 25 percent from the initial 35 percent.

Moreover, contractors will be able to carry forward losses and compensate it with earnings in the next tax year for a maximum of 10 years, up from the previous five years. Indirect taxes paid by contractors, including value-added tax (PPN) and land and property tax (PBB), will be compensated by additional splits with equivalent value.

RAILWAY

Cost of Jakarta LRT project set to bloat

Winnie Tang

THE JAKARTA POST/ JAKARTA

The government is in the process of recalculating the funds needed to build the Greater Jakarta light rail transit (LRT) system, as it turns out that the project's cost will jump drastically from initial projection.

State-owned railway company PT Kereta Api Indonesia (KAI), which acts as the investor, said more funds were needed to build new terminals and to change the train signaling system from fixed block to moving block.

"We are still in the process of finalizing the evaluation of capital expenditure. Hopefully, the figure can be determined this week, as we will have a meeting at the Office of the Coordinating Maritime Affairs Minister," KAI finance director Didiek Hartantyo said on Wednesday.

Recently, Coordinating Maritime Affairs Minister Luhut Pandjaitan said the investment for the LRT system, which will include tracks totaling 82 kilometers across Greater Jakarta, could reach Rp 31 trillion (US\$2.29 billion), exceeding the earlier forecast of Rp 27.5 trillion.

The government plans to cover Rp 7.6 trillion of the total project costs through two state capital injections (PMN): one amounting to Rp 4 trillion in 2017 and another of Rp 3.6 trillion next year.

Since the PMN funds only cover about 25 percent of the total amount needed, KAI aims to collect the remaining funds through a syndicated loan from state-owned and private banks. Some banks have signaled their interest in participating in the project, namely Bank Mandiri, Bank Rakyat Indonesia, CIMB Niaga and Bank Central Asia.

Despite the increase in investment for KAI, state-owned construction firm PT Adhi Karya, which acts as project contractor, has emphasized that its own cash flow would be unaffected.

"The infrastructure costs for Adhi Karya remain the same at Rp 22 trillion," Adhi Karya finance director Harris Gunawan told *The Jakarta Post* on Wednesday.

Adhi Karya has so far invested Rp 5 trillion. As of Nov. 15, the Greater Jakarta LRT project had reached a stage of completion of 25 percent, and it was expected to finish before May 2019, he added.

Apart from the Greater Jakarta LRT project, KAI is focusing on finishing construction on the railway connecting Soekarno-Hatta International Airport in Cengkareng, West Jakarta, and Manggarai in South Jakarta.

The company raised Rp 2 trillion on Wednesday from the issuance of its first corporate bonds. Around 55 percent of the bond proceeds will be used to complete

work on the Soekarno-Hatta airport train, and the remaining 45 percent will be allocated for train procurement.

The bond issuance is divided in two tranches. Bonds in Series A have a coupon of 7.75 percent and a maturity period of five years. Meanwhile, bonds in Series B offer a seven-year tenor and a coupon of 8.25 percent.

KAI appointed five underwriters — PT Mandiri Sekuritas, PT Bahana Sekuritas, PT BCA Sekuritas, PT BNI Sekuritas and PT Danareksa Sekuritas — for the bond sales.

The bonds offer was oversubscribed by 2.5 times, indicating substantial interest from investors, Didiek argued.

KAI targets to boost its revenue by 23 percent in 2018, primarily from passenger and cargo transportation. In addition, it projects an increase of 16 percent in its bottom line next year.

Mount Agung's eruption has yet to affect tourism

Ni Komang Erviani

THE JAKARTA POST/DENPASAR

It was a cloudy, rainy morning on Wednesday at Kuta beach, Bali, and a number of foreign tourists were enjoying their holiday. Many of them could be seen surfing, while others were lying on wooden beach beds, having a beer or other cold drink.

Some 70 kilometers from Kuta, Bali's tallest volcano erupted on Tuesday afternoon in a small phreatic eruption, less than a month after the alert level was lowered from the highest level to the third-highest level.

The volcanic ash cloud spewed by Mount Agung — located in Karangasem regency — has yet to affect tourism on Indonesia's most famous resort island, amid concerns about bigger eruptions yet to come, according to the provincial tourism agency.

"Everything is running normally here," Bali Tourism Agency head AA Gede Yuniartha Putra said on Wednesday.

Private tourist operators were also of the same opinion, with Ida Bagus Agung Partha Adnyana, chairman of the Bali Tourism Board, saying that Bali tourism was running well since there had

Tourism running as normal in Bali, says provincial tourism agency

Agency optimistic about target of 5.5 million tourist arrivals this year

been no travel cancellations recorded so far.

Last month, following an increase of the volcano's alert status to the highest level on Sept. 22, tourist operators in Bali had raised concerns after thousands of foreign tourists canceled their trips to the Island. Chairman of the Bali chapter of the Indonesian Hotel and Restaurant Association (PHRI) Tjokorda Oka Artha Ardana Sukawatisaid, at that time, that around 70,000 tourists had canceled their plans to visit Bali between October and November.

The National Disaster Mitigation Agency (BNPB) had also estimated that, since Sep. 22, Mt. Agung had cost up to Rp 2 trillion (US\$147.9 million) from canceled tourist visits, halted mining operations and evacuees' lost working hours.

However, the provincial tourism agency said on Wednesday that the increased activity of Mt.

Agung, which had forced more than 100,000 residents to flee in recent months, would not affect tourism in the future.

"I am certain that the target of 5.5 million [foreign] tourist arrivals can be reached by the end of this year. And we will set a target of 6.5 million foreign tourist arrivals in 2018," AA Gede said.

As of September, the province had recorded around 4.5 million tourist arrivals.

Bali tourism private stakeholders have also been preparing for evacuation and alternative plans for their customers should further eruptions take place.

"We are preparing many things, including the procedure to evacuate tourists. However, we cannot give more details now," Ida Bagus said. "We hope no [bigger] eruption occurs. But if it happens, we are ready."

The small eruption has also yet to disrupt the operation of Ngurah Rai International Airport.

"Airport operation is still normal. Passenger arrivals are still normal and no flights have been cancelled," state-owned operator PT Angkasa Pura I's communication and legal division head Arie Ahsanurrohim said.

As a precaution, however, the

airport has reactivated the Emergency Operation Center (EOC) following Tuesday's eruption.

"Since there are many stakeholders in the airport, all decision must be made together. Through the EOC, coordination and monitoring of the mountain is expected to be swifter and more effective," Arie said.

The small eruption, however, prompted Indonesia's neighbor Singapore to issue on Wednesday a travel advisory for its citizens in Bali "to be ready to evacuate at short notice."

"Singaporeans should defer non-essential travel to the affected areas of the island at this juncture," Singapore's Ministry of Foreign Affairs said in the travel advisory, urging its citizens in Bali to also monitor the development of Mt. Agung closely amid concerns of eruptions that could "severely disrupt air travel."

At least five villages located within the danger zone of Mt. Agung were affected by the volcanic ash, including Pidpid, Nawakerti, Bukit Galah, Sebudi and Abang village, *kompas.com* reported.

As of Wednesday, the number of Mt. Agung evacuees was about 25,997 people in 229 shelters across Bali.