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J. Post

CURRENCY

Rupiah sees greatest surge in years as foreign funds return

Tassia Sipahutar
BLOOMBERG/JAKARTA

The rupiah has seen its greatest surge since June 2016, as one the most battered emerging markets in Asia has begun to show signs of revival.

The currency jumped about 1.3 percent to Rp 14,790 against the United States dollar, extending a recovery first seen last week when optimism over a potential US-China trade deal lifted developing markets. The 10-year bond yield fell by 13 basis points.

"There's a strong buying spree among foreign investors for Indonesian bonds and stocks, with many apparently realizing that the domestic fundamentals are more resilient than anticipated, particularly with government bonds," said Satria Sambijantoro, an economist

at PT Bahana Sekuritas in Jakarta.

The rupiah was also being aided by expectations that foreign-exchange reserves rose in October, he said.

Foreign funds have been snapping up Indonesian assets in recent weeks as faster-than-forecast growth and relatively benign inflation of about 3 percent bolstered demand. The rupiah has also been shored up by the introduction of a domestic market for non-deliverable forwards (NDFs), which is aimed at reducing dollar demand in the offshore NDF market and deterring the hoarding of the US currency.

The benchmark 10-year bond yield dropped 35 basis points last week, the biggest decline since June, while the rupiah is up 2.8 percent for the month, the best performance in Asia.

Indonesia reported economic growth of more than 5 percent for the seventh straight quarter on Monday, shrugging off a series of rate hikes by the central bank. Bank Indonesia will next meet on Nov. 15.

Sambijantoro said more global fund managers were switching their allocations on Indonesia to overweight, realizing that the country's positive macro indicators — 5-plus percent economic growth and 3 percent inflation — really stood out among Southeast Asian economies.

"Indonesian stocks and bonds are well oversold and foreign investors don't want to miss the bandwagon," he said, adding that a convergence of quotes in the new domestic NDF market with the offshore NDFs was helping to curb currency volatility.

I Made Budhi Purnama Artha, head of treasury at Maybank Indonesia, said, in addition to the easing of concerns over the trade war, the strengthening of the rupiah was mostly due to a general weakening of the US dollar against other currencies.

He said the launch of the domestic NDF market had attracted hot-money players to enter, but they needed to sell their US dollar and purchase short-term bonds as they were required to have underlying assets. The situation helped increase US dollar supply in the market and triggered demand for short-term bonds.

"This has created positive sentiment toward the rupiah, and is followed by corporate clients and exporters who have been holding onto their export earnings," he said.

New country reps told to boost trade

The Jakarta Post

JAKARTA

As Indonesia's newest ambassadors prepare to leave the country to their respective posts, a senior government official has asked the high-ranking diplomats to focus on the country's economic interests.

Coordinating Economic Minister Darmin Nasution told the country's 22 newest ambassadors to focus on promoting trade, tourism and investment during a meeting.

"We told the ambassadors that Indonesia needs trade agreements, tourism, investment, exports and imports," he told reporters at the end of a two-hour closed-door briefing with the ambassadors at the Foreign Ministry in Jakarta on Tuesday.

He said the ambassadors, who had been assigned to represent Indonesia in various countries in Africa, the Americas, East Asia and the Pacific, Europe and the Middle East, were also briefed on Indonesia's current economic state and its various ongoing and pending negotiations into establishing free trade agreements with countries in these regions.

"We briefed the ambassadors so they will get the big picture without having to go through lengthy reading materials," he said.

The minister's emphasis on trade follows growing government concern over the country's widening trade deficit, which reached a five-year record high of US\$2.03 billion in July before rebounding to a \$230 million surplus in September.

The rupiah also weakened to a record low against the United States dollar at Rp 15,000 last month.

President Joko "Jokowi" Widodo has repeatedly called upon his ministers and the country's business community to increase exports in order to close the deficit.

Jokowi's most recent call was during Trade Expo Indonesia last month, during which he urged local businesses to expand operations by exploring non-traditional markets, such as those in Africa, the Middle East, South Asia and South America, amid an ongoing trade war between the world's two largest econ-

Minister tells top diplomats to focus on trade, tourism, investment

Promoting exports main economic duty of Indonesian ambassadors, expert says

omies, the US and China.

In total, Indonesia has 13 ongoing trade negotiations with various countries and regions, including the European Union, Australia, Eurasia, Kenya, Morocco and South Africa.

Mahendra Siregar, one of the 22 new ambassadors, told *The Jakarta Post* that Darmin conveyed a very "explicit" and "realistic" briefing on Indonesia's current economic state, as well as the economic conditions of each ambassador's assigned countries.

"The minister told us about the steps that Indonesia will take in anticipating future global uncertainties," said Mahendra, who is also former head of the Investment Coordinating Board (BKPM), former deputy trade minister and former executive director at the Council of Palm Oil Producing Countries (CPOPC).

Mahendra, who last held the position of priority programs expert staff member at the Foreign Ministry, said the minister had also told the ambassadors to promote trade, investment, tourism and stronger economic ties between Indonesia and their assigned countries.

Institute for Development of Economics and Finance (Indef) economist Didik Rachbini approved of the government emphasis on trade, saying that promoting exports was the main economic duty of Indonesian ambassadors.

"Their duty is to sell Indonesian products. That's it. No need for too many other duties," he said.

Didik added that promoting exports had been a core task of Indonesian ambassadors since the 1980s when then-president Soeharto would directly give new ambassadors export targets, which, if not fulfilled, would be detrimental to their prestige before the government. **(nor)**

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ENERGY

Efforts to cut oil imports face challenge at year's end

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The government's efforts to reduce oil imports in a bid to ease the trade deficit will be put to the test in the fourth quarter as previous data show purchases of the commodity from abroad during the period have always increased as a result of the Christmas and new year holidays, according to experts.

At least two energy policies were issued recently to address the trade deficit, namely the 20 percent blending of biofuel with gasoil (B20) and the obligation of state energy holding Pertamina to purchase all domestic crude.

However, Mohammad Faisal, research director at the Center of Reform on Economics (CORE) Indonesia, projected that demand for fuel would rise as soon as November as a result of more activities in various industries.

"Usually, industries will suspend their activities in the last week of the year, so they will instead increase their production rate in November [to compensate for the lays off during the year-end holi-

day]," he told *The Jakarta Post* on Tuesday.

Separately, Pertamina external communication manager Arya Dwi Paramita acknowledged that in December, the company would need more fuel supplies to fulfill higher demand during the year-end holiday, which could span more than a week.

"Fuel volume [in December] is usually higher as a result of high mobilization caused by mass homecoming or holiday purposes," he told the *Post* over the phone on Tuesday. "We have predicted an increase in demand of high-quality gasoline, such as Pertamina [a fuel with a research octane number of 92]."

As of August, Pertamina had imported fuel products of 393,000 barrels per day (bpd), which is 6 percent higher than total imports in 2017 of 370,000 bpd. Gasoline contributed 80.4 percent of the total import value during the period, while the remaining 10.4 and 9.2 percent came from gasoil and avtur, respectively.

The oil and gas sector has been blamed as one of main contributors to the country's swelling

trade deficit this year.

Data from Statistics Indonesia (BPS) show that oil and gas imports gradually rose every month from October to December 2017, when the value reached US\$2.55 billion, the highest level over the year.

The overall value of oil and gas imports as of the third quarter of 2018, meanwhile, stood at \$22.04 billion, or 27.1 percent higher than \$17.3 billion seen in the corresponding period last year. In September alone, the value reached \$2.2 billion, still 25.2 percent lower than a month earlier.

While pinning hope on its latest B20 program and the requirement of Pertamina purchasing domestic crude, government officials have recently hinted that implementation of both policies still faces problems on the ground.

In the B20 policy implementation, there seem to be issues in biofuel distribution in certain regions, especially eastern Indonesia. The government has come up with a solution in which it would reduce biofuel drop points to 10 from previously 86, and request that biofuel producers build float-

ing storage units to store the supply. However, the plan has yet to be realized.

"We are waiting for fuel consumption data from each region before biofuel producers procure the floating storage units," said Rida Mulyana, director general of renewable energy at the Energy and Mineral Resources Ministry, on Monday.

The implementation of the policy requiring Pertamina to buy domestic crude remains stalled as the Energy and Mineral Resources Ministry is waiting for the Finance Ministry's approval over a plan to revoke tax on private contractors who sell crude to the company in order to encourage them to provide the needed supply.

Djoko Siswanto, director general of oil and gas at the Energy and Mineral Resources Ministry, said several private contractors, such as Bakrie Group's oil and gas subsidiary Energy Mega Persada, had sold their crude to Pertamina. However, bigger players, such as Chevron in Rokan Block, Riau, had yet to supply the crude because of the tax issue, he said.

Vocational graduates struggle to find jobs

Kharishar Kahfi and Fadli
THE JAKARTA POST/JAKARTA/BATAM

Graduates lack proper certifications for their skills

Existing school programs not matched with industry needs

A grim future still lays ahead for many of the country's vocational school students despite the government's robust efforts to create a better link between schools and industry, with such graduates making up the greatest portion of the country's unemployed, according to a report issued on Monday by Statistics Indonesia (BPS).

The report, titled "The State of Indonesia Employment in August 2018", shows that around 7 million people were unemployed as of August this year, equating to an unemployment rate of 5.34 percent.

Vocational school graduates accounted for 11.24 percent of the country's unemployed, followed by standard high school graduates at 7.95.

"In other words, a number of jobs on offer are not being filled [by graduates of] vocational and high schools," the agency wrote in its report.

The figures have actually dropped compared to the same period last year, when the number stood at 11.41 percent for vocational school graduates and 8.29 percent for their high school counterparts.

Batam, a city in Riau Islands that has become a business and industrial center of Sumatra, is among the regions where vocational school graduates have struggled to find jobs.

The majority of the province's 41,000 job seekers are vocational school graduates.

Batam Manpower Agency head Rudy Syakyakirti said certification was among the major problems graduates faced in finding jobs.

He said graduates only received graduation certifications from their schools, but that to apply for jobs they needed certifications for their specific skills.

"The graduates should have their skills certified by [the central government] or their schools, so that they can be accepted at companies," Rudy told *The Jakarta Post* on Tuesday.

President Joko "Jokowi" Widodo previously issued Presidential Instruction No. 9/2016 on vocational school revitalization with the goal of improving the quality of Indonesia's vocational education system and workforce. The instruction contains a set of guidelines for 12 ministries as well as the governors of 34 provinces.

In addition to the presiden-

tial instruction, five ministers signed a memorandum of understanding in November 2016 to push for the development of vocational training that would link and match with industry needs. Despite these efforts, vocational school graduates have continued to make up the largest portion of the country's unemployed.

Institute for Development of Economics and Finance (Indef) executive director Enny Sri Hartati said the high unemployment rate among vocational school graduates could be caused by the discrepancy between the workforce's expectations and the offers available in the labor market.

"These graduates are longing to work in formal sectors. Meanwhile, the growing sectors tend to provide more informal jobs. As members of the workforce do not want to take these jobs, this contributes to the high rate," Enny told the *Post*.

Moreover, she added it could also be caused by a mismatch between job demand and supply in the labor market, as most vocational schools in the country still used traditional curricula that might not be suited to the demands of the market.

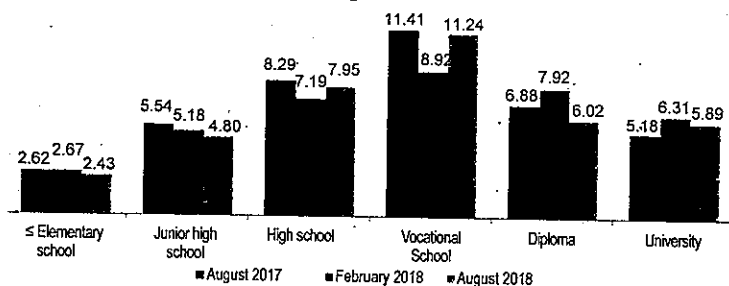
Enny's statement was echoed by Indonesian Institute of Sciences (LIPI) researcher Anggi Afriansyah, who said that such factors had led to an oversupply of workers in certain sectors.

According to Education and Culture Ministry data from 2017, there were more than 300,000 business and management vocational school graduates, while the market required less than 120,000 people in this sector. On the other hand, the fisheries and maritime sector needed more than 3.3 million workers last year, while the vocational school had only provided 349,000 qualified graduates.

Responding to the findings, the President said the government was still working to improve the quality of Indonesia's vocational training and schools.

"We are still improving vocational education so workers are absorbed by the labor market. We are working with Germany on this matter," said Jokowi.

Unemployment rate according to level of education



Source: Statistics Indonesia

MASS TRANSPORTATION

MRT result of daring decision: Jokowi

Fachrul Sidiq and
Marguerite Afra Sapiie

THE JAKARTA POST/JAKARTA

After more than three decades of planning and development, the MRT service in Jakarta is just around the corner with President Joko "Jokowi" Widodo having tried out the country's first and only subway line for the first time months before its official operation.

Jokowi took a 16-kilometer-long journey from the Hotel Indonesia traffic circle in Central Jakarta to Lebak Bulus in South Jakarta within 30 minutes on Tuesday morning. "This project is 97 percent complete. We are only 3 percent away and we expect it to be fully operational in March 2019," Jokowi told reporters at the MRT depot in Lebak Bulus.

Impressed with the trip, the President expressed optimism over the MRT playing a vital role in easing traffic congestion.

"People's lives will become more efficient," he said.

Riding with Transportation Minister Budi Karya Sumadi, Jakarta Governor Anies Baswedan and PT MRT president director

William Sabandar, the President lauded the service, saying it did not produce any noise despite moving at 60 km per hour. He also complimented the modern stations, which he said were better than the ones in Singapore.

An integrated public transportation system that connects the MRT, the light rapid transit (LRT) system, the airport train and Transjakarta and public buses was key to addressing chronic traffic issues and reducing the use of private cars in Greater Jakarta, he said.

Jakarta is home to over 4.4 million cars and 13 million motorcycles, according to data from the Jakarta Police. However, the actual figure is higher when taking into account those who use private vehicles to commute to the city from the capital's outskirts.

Jokowi stressed that the second phase of MRT construction, which connects the Hotel Indonesia traffic circle to Ancol in North Jakarta, would begin early next year, along with the East-West MRT line connecting Cikarang in West Java and Balaraja in Banten.

The planned fare for the ser-

vice is Rp 8,000 to Rp 9,000 (54 to 61 US cents).

He urged other big cities to construct similar mass transportation services, which he believes is the future of transportation in cities.

"It takes courage to execute the construction of this kind of mass transportation. If we don't dare to make a decision, we won't understand there are existing problems and challenges that come with it," Jokowi said.

The plan to have a mass subway train system in Jakarta dates back to 1985 but it had been delayed several times for a number of reasons, such as the 1997 Asian financial crisis. Former Jakarta governor Fauzi Bowo secured a deal with Japan International Cooperation Agency in his tenure in 2012. But only in October 2013, when Jokowi served as governor, did construction for the ambitious project kick off.

Still, it has faced various challenges, pushing back the official launch year to 2019 from 2018.

City-owned PT MRT Jakarta, which operates the train, said the stations were nearly ready and

that it was waiting for the remaining trains to arrive in Jakarta. Nine trains are already in the city and the remaining seven are expected to arrive in December.

The company held a market forum on Tuesday, inviting potential construction projects for the second phase of the project, which spans 7.8 km.

The MRT's project management head for construction division 1, Heru Nugroho, said the construction of the second phase would present more challenges compared to the first phase.

"We will face worsened soil conditions. There will most likely be soft soil conditions and land subsidence," he told members of the forum. "It will be constructed along heritage and cultural areas. The ground level design along Harmoni-Kota needs to be designed to preserve the cultural identity of the surrounding area."

He added that tighter security measures would need to be applied during construction since the project would run through two landmarks in the capital, namely the Central Bank building and the Presidential Palace.

Solar panels 'will be cheaper' than coal-fired plants by 2021

The Jakarta Post

JAKARTA

Financial analysts have suggested that the government increase the use of solar energy, instead of relying on coal, to gradually cut down on energy subsidies with investment in renewable energy expected to be more competitive economically than investment in coal after 2021.

"The cost of solar photovoltaic [facilities] started declining four years ago and is at half the price from 2014. It will have a dramatic impact on the competitiveness of coal power over the next decade," financial analyst Matt Grey of London-based climate change think tank Carbon Tracker Initiative (CTI) told a press conference

In a bid to increase the affordability and accessibility of electricity to Indonesia's lower-income families, the government spends trillions of rupiah annually on electricity subsidies for PLN.

The government projected in July for electricity subsidies to jump to Rp 59.99 trillion (\$3.99 billion) this year from the budgeted Rp 52.66 trillion, due to a double-hit of increasing global oil prices and rupiah depreciation.

IEEFA finance analyst Erika Hamdi concurred with the CTI on the importance of investing in more competitive means of electricity production, arguing that a move to increase subsidies would burden taxpayers.

Furthermore, she noted that

on Monday.

He acknowledged that the cost of power generation using photovoltaic (PV) facilities was US\$120 per megawatt hour (MWh), far higher than the \$43 with coal.

Coal-fired power generation is calculated based on the international price of around \$100 per ton.

"It will be cheaper to build new solar PVs than to run existing coal plants by 2028," Grey told the conference, which was hosted by the Centre for Energy Research Asia (CERA) and attended by a representative of the Institute for Energy Economics and Financial Analysis (IEEFA).

However, if the domestic coal price was capped by the government at the current level of \$70

the real cost of solar power plants in 2018 was as low as \$100 per MWh, lower than the \$120 assumed by the CTI, which calculated the cost based on a global average.

"If we take that [the \$100 cost] into account, then the inflection point will be much sooner than 2028," she said.

Grey added investing in solar power was an opportunity for Indonesia to deliver its promise to cut down on carbon emissions by 29 percent.

The International Energy Agency calculated that, in order to meet its carbon-reduction target, Indonesia would have to rid itself of coal-fired power plants by 2040.

The CTI study estimated that,

per ton, electricity production with PVs would become cheaper after 2030, he added.

Grey said the decline of renewable energy costs was a global megatrend.

A case in point, he said, was that, as of last year, generating electricity from offshore wind farms had become cheaper than gas and coal-fired power plants in the European Union because of the region's free-market energy development policy, which lowered the cost of producing electricity from renewable energy.

Indonesia, however, differs from the EU because state-owned utility company PLN dominates domestic electricity production by 69 percent and monopolized electricity transmission and distribution.

if Indonesia were to rid itself of coal-powered plants by 2040, then the plants' stakeholders would have to bear up to \$34.7 billion in liabilities, of which 43 percent would be borne by PLN and taxpayers.

National Development Planning Board (Bappenas) head Bambang Brodjonegoro said last week that, because Indonesia had not yet decoupled energy consumption from economic growth, the absolute amount of carbon emissions would rise to 1,669 million tons in 2030 from the 453 million tons in 2010.

He said Bappenas aimed to slash a maximum of 300 million tons of carbon dioxide from 2030's predicted level of 1,669 million tons. (nor)

PAN 'family business' may hinder Taufik replacement: Observer

Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

Competition between National Mandate Party (PAN) chairman Zulkifli Hasan and chief patron Amien Rais is heating up over who should replace graft suspect Taufik Kurniawan as House of Representatives deputy speaker.

Amien, one of the most outspoken critics of President Joko "Jokowi" Widodo, has reportedly insisted on giving the deputy speaker seat to his son Hanafi Rais, who is also deputy chairman of the House Commission I overseeing defense.

Another possible candidate is Mulfachri Harahap, PAN's faction

leader at the House who is considered by some PAN members to be more experienced than Hanafi.

Mulfachri is also said to have close ties with Zulkifli, who picked him to lead the PAN faction in 2015.

A number of PAN executives have said that the final decision would be made by both Amien and Zulkifli, who are two most influential figures in the party.

PAN secretary-general Eddy Soeparno said on Tuesday that the party's central executive board would hold a meeting on Wednesday to decide on the replacement by weighing several crucial elements.

"Seniority is one of the bench-

marks that we should consider, in addition to character, track record and good communication skills," he said.

Amien's son is married to Zulkifli's daughter, making them in-laws. Yet the two are known to have taken opposing political stances in the past, including over the 2019 presidential race.

Amien has refused to support Jokowi's reelection bid, while Zulkifli has said he was open to the possibility of PAN endorsing Jokowi and remaining part of the ruling coalition.

The party is currently endorsing Prabowo Subianto and Sandiaga Uno in the 2019 race.

On Tuesday, however, PAN ex-

ecutive Yandri Susanto denied PAN was dealing with an internal party struggle over Taufik's replacement.

"There is no division among party executives or members. [The decision] will be reached through a consensus," he said.

Political observer Ari Nurcahyo said Amien's ambition in pushing for Hanafi and shunning the party's merit system was apparent and that if Amien insisted on his plan, PAN would be a family business.

"PAN must be transparent in choosing either Hanafi or Mulfachri," Ari said. "Without transparency and should they insist on choosing Hanafi, the public

will see [the move] as an attempt to satisfy Amien's interests. That can be a mistake."

The Corruption Eradication Commission (KPK) named Taufik a suspect last week in a bribery case linked to the special allocation funds (DAK) for Central Java's Kebumen regency in the revised 2016 state budget. He is currently in KPK custody.

PAN has since suspended Taufik from his position as the party's deputy chairman, but has yet to recall him from the House deputy speaker position.

House Deputy Speaker Fadli Zon of the Gerindra Party said that, as of Tuesday, the House had yet to receive an official notifica-

tion from PAN regarding Taufik and his seat.

The 2018 Legislative Institutions (MD3) Law stipulates that the party of the former speaker has the authority to appoint his replacement after a resignation.

House Deputy Speaker Agus Hermanto said Taufik's absence would not easily sidetrack the House in carrying its work because the six-member leadership and decision-making process were based on "the collective and collegial" principle.

"If Taufik is unable to do his duty, there are four other deputy speakers and one speaker who are able to support the position if he leaves," Agus said.

PKS politicians to battle it out for deputy gov seat

Callistasia Anggun Wijaya
THE JAKARTA POST/JAKARTA

The Prosperous Justice Party (PKS) is set to propose members Ahmad Syaikhul and Agung Yulianto to the City Council for the Jakarta deputy governor position following an agreement with the Gerindra Party.

After a months-long tug of war, Gerindra and the PKS agreed in a closed meeting on Monday that the latter would nominate its members to take the seat left vacant by former deputy governor Sandiaga Uno. He had resigned in August to run as the vice-presidential candidate for Gerindra chairman Prabowo Subianto in the 2019 election.

The long-term allies also agreed to perform a fit and proper test on candidates before their names are officially submitted to the City Council. The PKS said it was confident that one of its own would be best suited to help Jakarta Governor Anies Baswedan.

According to PKS member and City Council Deputy Speaker Triwisaksana, 53-year-old Ahmad was chosen because of his expe-

rience in bureaucracy as he had served as Bekasi deputy mayor in West Java before running for deputy governor in the province's gubernatorial election this year. Agung was nominated because of his background as an entrepreneur, he said.

Ahmad Syaikhul, Agung Yulianto to undergo fit, proper test conducted by Gerindra, PKS

Ahmad was born and raised in Cirebon, West Java. After graduating high school, he continued his studies at a State College of Accountancy (STAN). He later landed a job as an auditor at the South Sumatra Supreme Audit Agency (BPKP), which he held from 1986 to 1989.

In 2004, he left the agency and tried his luck in politics by running for a seat in the Bekasi Council. In 2008, Ahmad ran for Bekasi mayor but lost to Mochtar Mohammad and his running mate,

Rahmat Effendi.

In the following year, he succeeded on becoming a member of the West Java Legislative Council. He then successfully ran for Bekasi deputy mayor alongside Rahmat in 2013.

Ahmad said he was ready to fill the Jakarta deputy governor's seat and undergo the fit and proper test.

"God willing, I will look back to my experience as deputy mayor in Bekasi. [I will discuss policies] that can benefit Jakarta during the test," Ahmad told *The Jakarta Post* on Tuesday.

He lauded the capital's various flagship programs, such as the zero down payment housing scheme and the OK OCE entrepreneurship program, saying that Jakartans needed them.

Ahmad also said he would help Anies implement and develop the aforementioned programs should he be appointed deputy governor.

"The most important thing is to develop harmony between the governor, deputy governor, City Council and other stakeholders, so we can collaborate well," Ahmad said.

Meanwhile, 49-year-old Jepara-born Agung from Central Java is a businessman in the consumer goods sector.

What mattered to him, he said, was that the deputy governor post be filled by a PKS politician. He acknowledged that Ahmad had more political experience, but he still looked forward to contributing to Jakarta.

"I would do my very best [as deputy governor]," Agung said, claiming that he had a close relationship with Anies, whom he helped in the 2017 Jakarta gubernatorial campaigns.

Wasisto Raharjo Jati, a political researcher with the Indonesian Institute of Sciences (LIPI), said experience was vital for the new deputy governor, so he believed Ahmad would be better suited for the job.

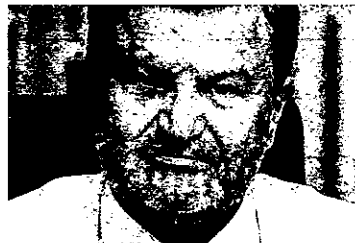
"The deputy governor post is a strategic one, because these officials have control over the arrangement of the city budget," he said.

The new deputy must also be able to work with the governor in disseminating the city's programs to the grassroots level and also implement them.

Russia ready to help, cooperate

with Indonesia

The Defense Ministry is hosting the biennial Indo Defence Expo and Forum from Wednesday until Saturday at Jakarta International Expo, showcasing the capabilities of the Indonesian defense industry and what foreign companies have to offer Indonesia. The Jakarta Post's **Novan Iman Santosa** held an email interview with **Victor Kladov**, director for international cooperation and regional policy at Rostec, a Russian state holding conglomerate for defense and hi-tech companies, some of which are taking part in Indo Defence. The following are excerpts from the interview:



Courtesy of Rostec

Victor Kladov

Question: How do you see industrial relations between Russia and Indonesia in recent years? Which areas have seen the most active cooperation?

Answer: Indonesia is one of the key and most promising markets for Rostec in the Asia-Pacific region. At present, our cooperation covers a number of promising areas, including medicine.

For instance, one of Rostec's most technologically advanced holding companies, Shvabe, has recently supplied a full range of neonatal care equipment to several Indonesian cities. This equipment provides a full complex of procedures for newborn care, including those with extremely low birthweight.

At the same time, we hope to broaden and deepen cooperation with our Indonesian part-

ners. Rostec is ready to supply a wide range of civil products, from cross-country vehicles and aircraft to IT solutions, to Indonesia.

One of the most promising lines of our cooperation is aviation. Rostec's holding Russian Helicopters is working actively to promote civil helicopters in the Indonesian market for government agencies and private companies of the country.

Incidentally, on Dec. 3, 2018, a demo tour of the Ansat and Mi-17LA2 helicopters is to take place in Malaysia, to which Indonesian operators and potential clients of Russian helicopters are invited.

The export potential of Rostec's products in this part of the world is traditionally high, and we are in active dialogue with our Indonesian partners regarding

some key areas.

What are Rostec's plans in terms of cooperation with Indonesia in the coming years? What are the key areas for growth and greater cooperation?

In our view, one of the key mechanisms of promotion of our products, including in Indonesia, is the transition from simple supply to technological and industrial partnerships.

I mean programs for establishment of facilities for service, repair, maintenance, production of components and spare parts for Russian equipment.

Many countries, and Indonesia is no exception, are increasingly interested in gaining access to technologies in order to be able

to produce rather than to depend entirely on imports.

Joint development and production of both military and civil products is a global trend, which will determine the whole 21st century. From simple forms of cooperation, from hardware, everyone is moving toward software and technologies. Rostec possesses unique expertise and technologies in a wide range of industries, and we are ready to offer solutions our Indonesian clients need.

We are ready psychologically, technologically, organizationally, and legislatively to expand industrial partnerships with Indonesia. And we are ready to go as far as our Indonesian partners are ready to go.

Indonesia often has to deal with the aftermath of natural disasters. Is Rostec also interested in cooperating with Indonesia in this sector?

Rostec's enterprises produce a wide range of civilian products that can be used to deal with effects of natural disasters. These are medicinal goods and special refrigerators for their storage, hi-tech medical equipment, including diagnostic

and therapeutic equipment, drones for monitoring, cross-country vehicles and aircraft.

Besides, we have the Smart City complex in our portfolio, which has a functionality allowing to forecast natural, technological, biological, social and ecological hazards.

The Safe City component of the Smart City project is a complex of software and technological solutions for rapid determination and prompt reaction to various incidents posing social danger.

Implementation of artificial intelligence in various subsystems of the Safe City, such as video surveillance equipment capable of timely automatic fixation of potential hazards as they emerge, to perform analytical processing of large volumes of data from various sources and systems, has a significant effect in assurance of the appropriate security level.

In general, we are certainly interested in the Indonesian market. We fully understand the need of Indonesia for such facilities, and we are open to cooperation with the colleagues in this area.

KAMAZ is coming onto the

market in Indonesia. What was the reason for this decision? Does the company plan to assemble trucks in the country?

Indeed, in August 2018, Rostec's company KAMAZ established the subsidiary company PT KAMAZ Trucks Indonesia in Jakarta, which received the status of the official importer of the automotive manufacturer. Besides, the first distributor in Indonesia was appointed this year, and an agreement for delivery of 41 vehicles has been signed with it. We plan to deliver the pilot lot by the end of 2018.

KAMAZ has started to develop the dealer and service network, including training of the local staff and transfer of technologies for maintenance and repair of its products. Opening of certified service centers in Java, Sumatra and Kalimantan is planned.

The decision to actively enter the market of Indonesia is quite logical from a business perspective — this is one of the key markets for KAMAZ. In the future, we will be able to consider organization of truck assembly in the territory of Indonesia, if necessary.