

Identity politics haunts 2019 race

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THE JAKARTA POST/JAKARTA

Sectarianism is looming large over the 2019 general elections, with the Islamist groups behind the downfall of former Jakarta governor Basuki "Ahok" Tjahaja Purnama calling on Muslims to vote against the presidential candidate and political parties that backed the city's first Chinese and second Christian governor.

In a big rally that shows the growing clout of the Islamists in Indonesian politics, hundreds of thousands of conservative Muslims flocked to the National Monument (Monas) in Jakarta on Sunday to commemorate the second anniversary of the 2016 anti-Ahok rally that led to his imprisonment for blasphemy.

Ahok, a close ally and deputy of President Joko "Jokowi" Widodo when the latter served as Jakarta governor, was found guilty of insulting the Quran in a blasphemy case that was widely condemned as flawed and politically charged.

The rally, organized by a group calling itself the 212 Rally Alumni, was billed as a "reunion" for those who participated in the 2016 protest, although it quickly turned into a political stage for opposition leaders and outspoken critics of the Jokowi administration.

Other than calling on Muslims to boycott candidates backed by political parties that had supported Ahok, they also endorsed the anti-Jokowi movement bearing the moniker #2019GantiPresiden (2019ChangePresident).

Protesters brought thousands of flags of various colors bearing the Islamic creed "There is no God but Allah", also known as the *tauhid*, and chanted slogans in defense of the flag, which they called "the Prophet's banner".

Hundreds of thousands of conservative Muslims rally against Ahok supporters

Approaching election contributes to scale of Sunday's rally, analyst says

The flag seems to have served as a unifying symbol for the various Islamist groups joining the 212 movement in the wake of a controversy surrounding the burning of one by members of Banser, a paramilitary group under the Nahdlatul Ulama's youth wing, GP Anshor, which is considered to be pro-Jokowi.

A report released in April 2018 by the Institute of Policy Analysis of Conflict (IPAC) highlighted fractures in the 212 Movement following Ahok's conviction, but analysts said the upcoming elections might prove to be a unifying factor among sympathizers of the political-religious movement.

Gerindra Party chairman Prabowo Subianto, who is challenging Jokowi in the presidential race for the second time, made a brief appearance at the rally together with Jakarta Governor Anies Baswedan, who beat Ahok in the 2017 regional elections.

Other opposition coalition politicians were also in attendance, including National Mandate Party (PAN) founder Amien Rais, People's Consultative Assembly (MPR) Speaker Zulkifli Hasan and Gerindra deputy chairman and House of Representatives Deputy Speaker Fadli Zon.

"I'd like to thank the committee for inviting me today. I'm proud at seeing millions of Indonesians, millions of Muslims, gathering here peacefully," Prabowo said in his speech at the rally. "I am proud to be an Indonesian

Muslim."

Jokowi, who appeared at the 2016 rally, was not invited to this latest event and neither was his running mate and Indonesian Ulema Council chairman Ma'ruf Amin, once an influential figure among the 212 activists.

Ma'ruf had previously signed a fatwa declaring that Ahok's remarks were blasphemous, which was considered a trigger for the 2016 rallies.

Islam Defenders Front (FPI) leader Rizieq Shihab took part in the rally through a phone call from Saudi Arabia, where he lives. He called on his supporters to continue the fight against Ahok during the 2019 presidential and legislative elections.

"During the 2019 elections, it is haram for us to vote for presidential and legislative candidates backed by parties supporting the blasphemer," he said, in a reference to Ahok. "Let's vote for presidential and vice presidential candidates based on the decision of *ijtima ulama* [the consensus of the ulema]."

Prabowo had been recommended as a presidential candidate at a gathering organized by the National Movement to Safeguard the Ulema Fatwa (GNPF) in August, while all the parties that backed Ahok in 2017 are now supporting Jokowi.

ISEAS-Yusof Ishak Institute research fellow Quinton Temby said the upcoming elections and the flag-burning incident contributed to the scale of Sunday's rally. "I think the approaching election is focusing the views of a certain constituency that the government is in some sense against Islam," he told *The Jakarta Post*.

"There's a sense of the movement building momentum and small incidents like a flag burning in a regional town take on national significance."

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J. Post

November inflation seen easing to 3.15%

JAKARTA: Indonesia's annual inflation rate is expected to ease slightly in November and stay comfortably within the central bank's target range, a Reuters poll showed on Friday.

Twelve analysts in a Reuters poll forecast annual inflation at 3.15 percent, easing slightly from 3.16 percent in October.

Inflationary pressures in November stemmed from an increase in food prices and house rent, but prices of other food such as chicken and sugar were declining, Maybank Indonesia's chief economist Juniman said.

The central bank had targeted Indonesia's inflation to be within the range of 2.5 to 4.5 percent by year-end.

The core inflation rate, which excludes government-controlled and volatile prices, is expected to accelerate slightly to 2.97 percent, compared with 2.94 percent in October.

Bank Indonesia (BI), the country's central bank, raised interest rates for a sixth time since May on Nov. 15 to anticipate rising interest rates in developed economies, including the United States, and shore up the rupiah.

The rupiah hit its weakest in 20 years against the dollar in October, but the return of foreign inflows helped it gain over 5 percent in November. So far this year, the currency is still down around 5.5 percent, making it the third-worst performer among emerging Asian currencies, after Indian rupee and Chinese yuan.

BI had estimated that inflation rate at year-end will be 3.2 percent, within the target, partly due to its tightening cycle. — *Reuters*

Rupiah strengthens, uncertainties remain

Riska Rahman

THE JAKARTA POST/JAKARTA

Indonesia may see another episode of extreme rupiah volatility next year because of increasing global uncertainties that will stir the world's economy, an economist has said.

For almost a month, Indonesia has seen the rupiah strengthen against the US dollar after months of depreciation due to the Federal Reserve's rate hikes, strengthening United States economy and increasing government bond yields.

As a result, foreign investors rushed to take their money out of Indonesia and other emerging markets, shaking up the currencies and economies for months.

However, this situation has since overturned in recent weeks, thanks to US political conditions and economic growth.

"The Democrats' big win in the mid-term elections earlier last month, as well as slowing economic growth, made investors pull their money because they're losing interest in the US market," Center of Reform on Economics Indonesia research director Piter Abdullah told *The Jakarta Post* on Friday.

In the meantime, he said, Indonesia's high government bond yield has attracted those investors to put their money back into the market following Bank Indonesia's move to increase its benchmark seven-day reverse repo rate by 175 basis points to 6

Government bond yield attracts foreign investors

Darmin says rupiah may return 13,000 per US dollar

percent since May, leading to an increasing yield.

According to Bloomberg, the 10-year government bond yield reached 7.91 percent last week, more than twice the US government bond yield of 3.06 percent. This caused the Indonesian government bond market to see a big influx of foreign money.

"Thank God, our government bonds have seen Rp 62.4 trillion [US\$4.37 billion] in foreign investment throughout the year," BI Governor Perry Warjiyo said, adding the confidence from foreign investors contributed to the rupiah's ability to regain its might.

Coordinating Economic Minister Darmin Nasution even predicted the rupiah could go back to Rp 13,000 per US dollar following the strengthening in the past few weeks.

"The rupiah still has room to strengthen to the level it once was earlier this year as long as there are no events that could have a negative impact on our economy," he told the press.

According to Bloomberg, the rupiah closed at Rp 14,301 per US dollar on Friday or up 6.06 percent in the past month.

Although the rupiah strengthened, CIMB Niaga chief economist Adrian Panggabean said it might only be temporary.

"Our currency might repeat the same pattern of volatility as global uncertainties rise amid heating global trade tension," he said during a press briefing on Wednesday.

The ongoing trade war between the US and China, he continued, is causing the latter's growth to slow because of its inability to export manufactured goods. The International Monetary Fund even lowered its 2019 economic growth forecast for China from 6.4 to 6.2 percent, citing the escalating trade war.

As a consequence of this slowing growth, he said, China's currency, the yuan, would also continue to depreciate even further than the current rate of 6.7 percent year-to-date against the greenback and could bring other Asian currencies down with it.

However, Piter said, trade tension could possibly deescalate if China agrees to increase its imports during the G20 summit in Buenos Aires so that the US would impose lower tariffs on its goods.

Although Adrian predicted that the current account deficit would decrease slightly to 2.5 percent of GDP next year, infrastructure projects and oil prices could put pressure on it and weaken the rupiah.

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Fuel prices to go down

JAKARTA: Following the slump in the global crude oil price to US\$60 per barrel, the government has urged fuel producers to adjust their fuel prices as soon as possible.

Energy and Mineral Resources Ministry Oil and Gas director general Djoko Siswanto told the press recently that six oil producers and distributors had expressed their readiness to lower the retail prices of their products sold at fuel stations.

"I have called Pertamina, AKR, Shell, Total, Vivo and Garuda Mas. All of them are committed to lowering fuel prices, sometime next week or no later than January," he said.

State-owned oil and gas holding company Pertamina said that it could not immediately lower the retail prices of its non-subsidized products because the company had to empty its tanks of fuel purchased when the crude oil price was still high.

"Therefore, the Energy and Mineral Resources Ministry give us until January next year," said Pertamina spokesman Adiatma Sardjito, adding that Pertamina would lower the fuel prices in January.

The non-subsidized fuels sold by the company include the Pertamax series with a research octane number above 90, Pertamax Turbo and Pertamina Dex.

Oil prices have slumped by more than 25 percent since climbing to above \$80 per barrel in early October. Benchmark Brent crude was trading at \$59.71 a barrel on Wednesday, while West Texas Intermediate stood at \$51.16. — JP

Stronger rule to back ISPO delayed

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

The government has delayed the issuance of a presidential regulation on sustainable oil palm planting, which is expected to put an end to negative campaigns and disruptions to one of Indonesia's biggest export commodities.

The proposed regulation has been the subject of talks since 2015, as the government plans to commence a national action plan on sustainable palm oil development.

However, the Office of the Coordinating Economic Minister said the regulation would require further examination and thus would likely be issued in the first half of 2019, a year later than the initial target.

"Our minister [Darmin Nasution] is highly committed to the formation of this policy because it will be referred to nationally and it will be used against the [negative campaigns among] international [palm oil stakeholders]," said Wilistra Danny, the ministry's deputy assistant for plantations and horticulture, at a recent seminar in Jakarta.

He said the implementation of the presidential regulation would center on Indonesia Sustainable Palm Oil (ISPO) certification for both smallholders and companies.

The ISPO certification program started under a 2011 decree from the Agriculture Ministry and was renewed through Agriculture Ministerial Regulation No. 11/2015, which required all producers to apply for the pro-

Issuance of presidential regulation to support ISPO delayed until 2019

Few smallholders ISPO-certified, Bappenas says

gram by September 2015 and receive their respective certificates by March 2017.

With the proposed presidential regulation, the National Development Planning Board (Bappenas) set a target to ensure that 70 percent of palm oil plantations receive ISPO certification by 2020.

However, the target may not be realized in time as Bappenas said that only 19.5 percent of oil palm plantations had been certified nationwide.

"For now, the government will keep on promoting the ISPO so that it will be recognized globally as an Indonesian standard for palm oil sustainability," said Wilistra.

He added that government representatives had scheduled meetings with foreign palm oil buyers to promote the ISPO and the presidential regulation to-be, including with European members of the Amsterdam Declaration who have committed to putting an end to the purchasing of non-sustainable palm oil and its derivative products by 2020.

Rusman Heriawan, head of the supervisory committee for the Finance Ministry's Indonesian Oil Palm Estate Fund (BPDP-KS), acknowledged that one of the main challenges was funding issues, which prevented smallholders from applying for ISPO

certification. Therefore, it would provide funds smallholders with the necessary funds for the certification process, he said.

"Aside from providing Rp 25 million [US\$1,747] per hectare for replanting [purposes], it is possible for us to provide additional funds to help [smallholders] finish the certification process," said Rusman on the same occasion. "Therefore, we will be helping them to indirectly obtain the ISPO [...] by helping them financially."

Aditya Bayunanda, World Wide Fund for Nature (WWF) Indonesia director for policy and advocacy, criticized the lack of traceability in sustainable palm oil based on a recent draft of the regulation. Traceability was critical for Indonesia as the world's largest palm oil producer and third-largest market, he said.

"There is no obligation [for stakeholders] to ensure that [palm oil] products generated from ISPO-certified plantations can be traced [...]," Aditya told *The Jakarta Post* in a text message on Sunday. "Without it, the market would not be able to identify products that used sustainable practices."

He suggested that the government provide incentives for palm oil producers to be ISPO-certified by prioritizing domestic market access for palm oil products that came from certified plantations.

"All attempts to improve the market mechanism for [palm oil] will be futile if domestic markets are not mandated to absorb the products from those ISPO-certified [plantations]," Aditya added.

OIL AND GAS

Pertamina urged to complete all refineries

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The government has ordered state energy holding company Pertamina to speed up the development of oil refineries as it would help reduce the growing financial burden from fuel imports.

Coordinating Economic Minister Darmin Nasution criticized Pertamina for the slow progress of its refinery projects, saying the government helped the company contact foreign partners years ago.

"For petrochemical products, we have helped Pertamina to meet several big global oil firms, such as from Russia and Saudi Arabia, but the process [of completing refinery projects] is taking too much time," Darmin said in a speech at the opening of the annual Pertamina Energy Forum (PEF) 2018 on Wednesday.

The next day, Coordinating Maritime Affairs Minister Luhut B. Panjaitan raised the same issue by saying that President Joko "Jokowi" Widodo was worried about the lack of progress in Pertamina's refinery projects.

Pertamina has two petrochemical projects in the pipeline, a project with Taiwanese energy firm CPC Corporation to take place in Tuban or Balongan and another with local petrochemical firm PT Trans Pacific Petrochem-

ical Indotama (TPPI).

Ignatius Tallulembang, Pertamina's director for processing and petrochemical megaprojects, said on Thursday Pertamina would likely chose Balongan over Tuban because of issues related to land procurement and accessibility.

Generally, Pertamina has vowed to speed up the development of six refinery projects next year, including a project at Dumai to produce "green" fuel for which the firm has recently partnered with Italian oil and gas giant ENI S.p.A.

The remaining projects are in Cilacap, Balongan, Tuban, Bontang and Balikpapan. Through the six refineries, Pertamina is expected to improve its current refinery capacity from 1 million barrels of oil per day (bopd) to 2 million bopd by 2025.

The total investment for these projects is expected to be about Rp 600 trillion (US\$45 billion).

Pertamina president director Nicke Widyawati said on Wednesday that among those six refineries the project that would be completed soonest is the one in Balikpapan, for which the company will ink an engineering, procurement and construction (EPC) contract in the middle of next year.

"The Balikpapan refinery is the project to be completed soonest

and we expect to have an installed capacity at 350,000 bopd," Nicke added.

The schedule for the signing of the EPC contract has been postponed from October this year to the middle of next year. Nicke did not disclose information about the progress finding a partner to operate the refinery in Balikpapan, East Kalimantan.

Previously, Pertamina's director for refinery and petrochemical megaprojects, Heru Setiawan, said the potential partners for the Balikpapan refinery are the state oil company of Azerbaijan and Japanese oil company JX Nippon.

Meanwhile, for the Dumai refinery, Pertamina is planning to convert its facilities to be able to produce "green" fuel -- basically a B100 (100 percent palm oil-based fuel), including green aytur.

Regarding the Cilacap refinery, Nicke said Pertamina is still clearing the land for the site development. The project is being done in partnership with Saudi Arabia's oil firm Saudi Aramco.

For the Bontang refinery, Pertamina is to sign a framework agreement in December with its partners in this project, namely Oman's Overseas Oil and Gas (OOG) company and Cosmo Oil International, a trading unit of Japan's Cosmo Energy Holdings.

BIODIESEL PROGRAM

Minister points finger at Pertamina over B20 problems

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The expanded use of a 20 percent blend of biofuel and diesel oil, also known as the B20 policy, has turned into a blame game between the government and stakeholders involved as new problems continue to emerge while it is being implemented nationwide.

Coordinating Economic Minister Darmin Nasution pointed his finger at state energy holding company Pertamina, which he said was "half-hearted" in implementing the policy, as the company had yet to find a solution to the supply problem of fatty acid methyl esters (FAME), a raw material for producing B20.

"We hope that Pertamina can become a leader in B20. We don't want [a situation in which] private firms comply, but Pertamina is half-hearted," he told the press on the sidelines of the annual Pertamina Energy Forum 2018 in Jakarta recently.

The government in October decided to cut distribution channels for biodiesel as suppliers of FAME are facing difficulties distributing it to 86 biodiesel processing facilities owned by Pertamina.

The government is mulling over the idea of reducing the facilities to only 10 by Jan. 1, 2019, four months after it required nearly all sectors in the economy to utilize B20.

Pertamina has at least six refineries to process the FAME into B20, so its performance imple-

menting the B20 policy would be the main indicator for the success of the program.

Gandhi Sriwidodo, Pertamina's logistics, supply chain and infrastructure director, has vowed the company would overcome the supply issue that was had become its main obstacle in implementing the policy.

"As a fuel producer we are still in a learning process to perfect the implementation by adjusting to the needs of [FAME] suppliers, but we have tried to overcome this by reducing our FAME drop points from about 68 to 25," he said.

Meanwhile, Indonesian Biofuel Producers Association (Aprobi) chairperson Paulus Tjakrawan said he welcomed the fewer number of FAME drop points to ensure effective implementation, but the organization was expecting the technical problems and mechanisms to be addressed as well.

Agus Pambagio, a public policy expert from the PH&H Lobby Firm, said that Darmin's public blaming of Pertamina was "unethical" as the government should have penalized the company according to the prevailing regulations.

He said the existing Ministerial Regulation No. 41/2018 on the utilization of biodiesel imposed fines of Rp 6,000 (42 US cents) per liter on any fuel producer failing to produce B20.

However, the government has yet to impose the penalty so far as there is no accurate list of non-compliant fuel producers. The government argued that it had to

wait for the results of investigations by its special team tasked for the B20 implementation.

The B20 policy had been in place since 2016, but President Joko "Jokowi" Widodo on Sept. 1 ordered implementation be expanded to almost all sectors, including those outside the public service obligation.

The policy is among the government's efforts to reduce oil imports as the country's current account deficit has continued to swell after the rupiah slid to 15,000 per US dollar in September.

However, Darmin hinted that there was a fuel company that imported a higher volume of diesel fuel, even after the B20 policy was started on Sept. 1. "I won't say who it is, but we will surely take care of the case," he said.

Data from Statistics Indonesia show that the B20 expansion had yet to make a significant impact on the country's trade deficit, which reached its second highest level of \$1.82 billion in October.

The BPS' data from import notification letters in October also show that the volume of diesel oil imports was 558.1 million kilograms, 69.3 percent higher year-on-year.

However, Djoko Siswanto, the Energy and Mineral Resources Ministry's director general for oil and gas, said recently that the B20 policy had reduced the amount of fuel imported, pointing out that the trade deficit in October would have been higher if the B20 program had not existed.

Coal mine under spotlight after Kalimantan landslide

N. Adri and Ivany Atina Arbi

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JAKARTA

A landslide has destroyed a major road on the east coast of East Kalimantan, collapsing houses and disrupting traffic in the area.

About 50 meters of the road connecting the districts of Sanga-sanga and Muara Jawa in Kutai Kartanegara subsided on Thursday afternoon, as the ground slid to the eastern part of the road toward a nearby coal mine.

Residents in Sanga-Sanga district, Kutai Kartanegara, East Kalimantan have been forced to take a much longer alternative road to the nearby district of Muara Jawa.

"The land subsidence has not only destroyed the road, but also our houses," a resident, Fauzi Ahmad, 56, told *The Jakarta Post*. He was the owner of one of the five destroyed houses in the area, which is located about 30 kilometers from the province's capital of Samarinda.

Pradarma Rupang, an environmentalist with the Mining Advocacy Network (Jatam) East Kalimantan, alleged that the activities

Road collapses near mining area in Kutai Kartanegara

Activist alleges coal mine responsible for collapse

of the coal mine, operated by PT Adimitra Baratama Nusantara (ABN) had caused the land subsidence, saying that the operation had breached the required distance between a coal mine and residential areas and public roads.

Pradarma said the distance between ABN's mining site to locals' houses was only 100 m, while a 2012 Environment and Forestry Ministerial regulation on mining activities stipulates that the minimum distance should be 500 meters. East Kalimantan Bylaw No. 2/2013 on coal and mineral mining supervision stipulates the same thing.

"We urge the government to halt PT ABN's mining operation, and conduct a thorough investigation into the cause of the incident," Rupang said on Friday. He added that the government should impose heavy sanctions

on the company, such as permit revocation, if it was proven guilty.

Pradarma further said that another landslide had occurred in Sanga-Sanga five years ago, when another coal mining operation had caused another main road to collapse.

The Indonesian Environmental Forum (Walhi) said separately that the East Kalimantan administration had failed to perform its function as a supervisory and control body. Therefore, the central government had to take over control.

Walhi campaign head Khalisah Khalid suspected that the administration had been in cahoots with the violating miners so they could conduct their activities despite violating the prevailing regulations. "[The administration's ignorance] is highly related with gratuity, which is mostly used for regional elections. It's also the reason why the Corruption Eradication Commission [KPK] initiated Korsup Minerba [to resolve governance issues in Indonesia's mining sector]," Khalisah said.

The Korsup Minerba investigations began in 2014, when there were a total of 10,992 lo-

cally issued licenses across the country. Within a year, investigations revealed that 40 percent of the licenses were non-clean and clear.

Data from the Energy and Mineral Resources Ministry in 2017 recorded that 2,178 permits had already been canceled.

Wagianto, a public relations officer of ABN, claimed that the distance between the mining location and the road that collapsed on Thursday was 200 m.

"I cannot confirm whether mining activity was going on [when the incident occurred]," he said as quoted by *tribunnews.com*.

ABN is a subsidiary of publicly listed PT Toba Bara Sejahtera.

The Environment and Forestry Ministry's law enforcement director general, Rasio Ridho Sani, said he would deploy a special team to investigate the alleged mining violation to East Kalimantan.

"If there is a violation, we can impose administrative sanctions including permit revocation, compensation claim or criminal penalties. The sanction depends on the investigation result," he told the *Post*.