

Biggest SE Asia economies diverging on rate moves

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The two biggest economies in Southeast Asia are on different interest rate paths: Thailand looks ready to kick off its hiking cycle while Indonesia is nearing the end.

Central banks from both countries will deliver interest-rate decisions this week against the backdrop of rising United States rates, a rebound in emerging markets and weaker global growth prospects.

The Bank of Thailand, which has held off on raising rates while regional peers have tightened this year, has been making the case for its first rate increase in more than seven years. All but five of 19 economists surveyed by Bloomberg predict it will raise the key rate by 25 basis points to 1.75 percent.

In Indonesia, 24 of the 26 analysts see the central bank holding its benchmark rate at 6 percent on Thursday, pausing after 175 basis points of hikes since May helped stem a rout in the currency.

Bank of Thailand raised rates for first time in seven years

Indonesia predicted to hold after aggressive run of tightening

The Bank of Thailand has made it clear in recent weeks that a hike is imminent as it seeks to ward off risks stemming from a prolonged period of low rates. Governor Veerathai Santiprabhob has said the central bank may raise rates and then pause, a view backed by the chairman.

"The central bank has sent clear signals that they want to raise the rate to build policy space and prevent risks to financial stability," said Kampon Adireksombat, chief economist at Bangkok-based Kasikorn Securities Pcl. "The only question is whether they will do it at this meeting or next meeting in February."

While growth slowed to a two-year low of 3.3 percent last quarter, the Bank of Thailand still expects the economy to expand

more than 4 percent this year. Inflation remained subdued at less than 1 percent in November, below the central bank's target zone.

Policy makers are also running out of time to tighten given global and domestic uncertainties next year. The nation will hold an election in February after more than four years of military rule.

A front-loaded approach in the face of rising US rates has seen Indonesian policy makers on a tightening spree with six hikes since May, including a surprise move last month, as they sought to support the currency. The rupiah has had some respite this quarter, gaining almost 4 percent against the dollar as emerging markets rebounded, helping to pare its decline this year to under 6 percent, giving Bank Indonesia (BI) more reason to pause.

"The rupiah may remain vulnerable until the current-account deficit establishes a clear narrowing trend, or the Fed signals a pause in its tightening. Another factor of uncertainty for the currency is Indonesia's presidential election in April. Once these hur-

dles are cleared, robust economic fundamentals should provide scope for the rupiah to soar," said Bloomberg economist Tamara Henderson.

Inflation remained subdued at 3.2 percent in November, well within the central bank's 2.5 percent to 4.5 percent target band. A current-account deficit above 3 percent of gross domestic product remains a key risk for Indonesia.

"Indonesia's economy has performed well with stability maintained as growth momentum endures," BI deputy governor Dody Budi Waluyo said by text message. "The economic gains have been complemented by efforts to reduce the current-account deficit to within a manageable threshold."

The economy is expanding at about 5 percent, short of the 7 percent targeted by President Joko "Jokowi" Widodo when he came to power four years ago. Jokowi, who is up for re-election in April, is boosting cash handouts to the poor and fast-tracking infrastructure projects.

BPK in line with govt on Freeport

BPK clears way for PTFI after previous report on environmental losses

PTFI faces payment, action plan after divestment deal

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The Supreme Audit Agency (BPK) has given the green light for the divestment deal of gold and copper miner PT Freeport Indonesia (PTFI), the operator of the giant Grasberg mine in Papua, after clarifying its previous report about the latter's alleged mining waste that has caused environmental losses of almost US\$13 billion.

The amount of alleged environmental losses caused a public stir months ago after media reports quoted BPK commissioner Rizal Djalil as saying that the value was considered state losses and that PTFI failed to respond for 333 days since the audit came out.

However, on Wednesday, Rizal clarified the issue by saying it was not state losses, but rather an ecosystem loss and it has been followed up with an action plan to repair the damage.

Rizal said PTFI would have to pay Rp 460 billion (\$31.8 million) in non-tax revenue (PNBP) after the company signed the final deal for its divestment, which was scheduled to occur soon. The payment is the result of misusing 4,535.93 hectares of protected areas during the 2008-2015 period.

The deadline for PTFI to complete the payment is 24 months after the completion of the divestment deal, which will increase Indonesia's ownership from 9.36 to 51.23 percent.

"The permit [for using 4,535.93 ha] is currently in the process of being finalized by the Environment and Forestry Ministry," he said, referring to a forest area utilization permit (IPPKH).

Environment and Forestry Minister Siti Nurbaya Bakar said at the same event that she was confident that the IPPKH for 4,535.93 ha could be completed before the end of Wednesday.

"We are in the process of finalizing it with the Papua governor, who we contacted at 1 p.m. today [Wednesday]. Therefore, we are sure we will finish it today," she said.

Rizal said PTFI had come up with a road map as an action plan to repair the damage that had been discussed with the Environment and Forestry Ministry, adding that the BPK would continue overseeing the implementation of the road map.

Siti Nurbaya explained that it would comprise detailed studies, such as building dams and efforts to recycle the tailing waste, which could reach up to 200,000 tons per day.

"Implementing the road map is a hard task. Therefore, it will be divided into two parts. The first part, including the concepting phase, started in 2018 and will run until 2024. The last part will be for the period of 2025 until 2030," she said.

The two issues of misused protected areas and tailing were included in the 48 findings from the BPK as a result of their audit into

the implementation of PTFI's Contract of Work (CoW) during the fiscal years of 2013 to 2015.

Siti further said that of the total 48 findings, which turned into environmental work both for the government and PTFI, 41 findings had been either completed or resolved.

The 48 findings consisted of: 31 environment permit violations, five water pollution cases, five air pollution cases and seven violations in tailing management and poisonous and dangerous materials (B3).

The BPK also noted that PTFI's problem of a lack of state revenue in the form of PNBP and the excess of total reclamation guarantee disbursement amounting to \$1.6 million had been settled in accordance with the applicable laws and regulations.

When asked about the BPK's announcement on PTFI's obligation to pay the PNBP regarding the misused protected forest, company spokesperson Riza Pratama said on Wednesday that the firm was "still in internal discussion to study the announcement".

Rendi Witular, PT Indonesia Asahan Aluminium's (Inalum) head of corporate communications, said in a text message on Wednesday that the state mining holding company would also be involved in the obligation, but only with a contribution of 9.36 percent based on Indonesia's current shares in PTFI, not after it held a 51 percent stake in PTFI.

"All were the past actions [of PTFI]; we will only contribute 9.36 percent," he said.

Inalum is the government's representative in the divestment deal of PTFI, of which the majority of shares are still held by United States mining giant Freeport McMoRan (FCX) with 90.64 percent.

The divestment deal was only waiting for the issuance of the IPPKH by Siti Nurbaya's ministry, and once it had been finalized, the signing could be started, said Energy and Mineral Resources Minister Ignasius Jonan.

"[...] The transaction is only waiting for the issuance of the IPPKH as our matters such as smelter development commitment, alteration of the contract from CoW to IUPK [special mining permit] and an agreement to have higher state revenue from taxes have been completed," he said, adding that the government had imposed a prevailing tax scheme on PTFI.

Inalum president director Budi Gunadi Sadikin previously said it had secured and was ready to disburse the \$3.85 billion to increase the ownership in PTFI from only 9.36 to 51.23 percent, along with the Papua administration.

PRESIDENTIAL RACE

Campaign teams agree on election debates

Karina M. Tehusijarana

THE JAKARTA POST/JAKARTA

The General Elections Commission (KPU) and the campaign teams of both presidential candidates have agreed on the details of debates set to be held next year.

KPU head Arief Budiman met with representatives from the campaign teams of President Joko "Jokowi" Widodo-Ma'ruf Amin and Prabowo Subianto-Sandiaga Uno at KPU headquarters in Central Jakarta on Wednesday to discuss preparations for the debates.

As stipulated in the 2017 General Elections Law, the KPU will organize five debates before election day on April 17.

There had been suggestions that the some of the debates be held outside the capital, in far-flung provinces such as Papua and Aceh, but all parties agreed to hold all five debates in Jakarta for efficiency.

"[Aceh and Papua are] very far and require a lot of expenditures. A lot of energy would also be spent in sending the teams from Jakarta there," Arief said on Wednesday.

The first debate will be held on Jan. 17 and involve both the presidential and vice presidential candidates, who will focus on law, human rights, corruption and terrorism.

The second debate, scheduled for Feb. 17, will be between the presidential candidates and focus on energy, food, natural resources, the environment and infrastructure.

The third debate, on March 17, will be a match-up between vice presidential candidates, who will go head-to-head on education, health care, employment and sociocultural issues.

The fourth debate, set for March 30, will once again feature the presidential candidates, who will duke it out on ideology, government, defense and security, as well as foreign affairs.

The fifth and final debate will be held in April, featuring both candidate pairs and will revolve around the economy, social prosperity, finance and investment, as well as trade and industry.

"Before the debate on Jan. 17, on Jan. 9, both campaign teams will present their respective visions and missions to the public," Arief said.

The KPU and the campaign teams also agreed on a shortlist of panelists and moderators for the first debate that would be announced once those shortlisted confirmed their willingness to take part.

Indonesian Democratic Party of Struggle (PDI-P) lawmaker and Jokowi campaign team spokesperson Aria Bima, who was present at the meeting, expressed his appreciation for the KPU's move to involve the campaign teams in discussing the technical details of the debates.

"We appreciate that we were given the opportunity to give suggestions on things such as the moderators and the panelists, even though that is within the KPU's authority to choose," he said.

His counterpart on the Prabowo team, Berkarya Party secretary-general Priyo Budi Santoso, echoed Arief's sentiments.

"I think that these debates are an improvement from the presidential debates five years ago," Priyo said.

Prabowo, Priyo said, had asked his team to ensure that the debates would not become a forum for the opposing candidates to "bring down each other".

"Because the people participating in the debates are our potential national leaders, candidates for the presidency and the vice presidency," Priyo said. "Either Jokowi and Ma'ruf or Prabowo and Sandiaga could win the election so it is important that they do not just try to attack and accuse each other."

Both teams said their candidates were confident in their positions on various issues.

FISCAL, INCENTIVE

Twelve firms enjoy old tax holiday scheme

Riska Rahman

THE JAKARTA POST/JAKARTA

The government has granted 12 companies a tax holiday based on the old scheme after a more relaxed version was issued last month in a move to attract more investment to the country.

The 12 companies had committed to a total investment of Rp 210.8 trillion (US\$14.66 billion), said Sulisty Wibowo, head of institutional, personal income tax excision and collection at the Finance Ministry's Tax Directorate General, in Bogor, West Java, recently.

The 12 companies hailed from various countries, such as China, Hong Kong, Singapore, Japan, the Netherlands, Malaysia and Indonesia. Based on sector, one company was engaged in basic organic-chemical manufacturing, seven in upstream basic metal processing and four in infrastructure that supported the economy, particularly electricity.

Sulistyo said the investments from 11 of the 12 companies were

new, while the other was an expansion. The companies also operated in a variety of locations throughout the country, such as in Banten, Central Sulawesi, North Maluku, Bengkulu and North Sumatra.

He said the incentive was based on a previous finance ministerial regulation on income tax cuts for institutions, commonly known as a tax holiday, that was issued in March.

The Finance Ministry implemented a new tax holiday scheme on Nov. 30 to allow more companies to receive the incentive. However, Sulisty said the government had yet to receive any applications for the new scheme, as the regulation had only been issued a few weeks ago.

The new tax holiday scheme allows companies from 18 pioneer industries to apply for the incentive. The industries include the upstream metal and steel industry, the organic basic chemical industry, the pharmaceutical materials industry, economic infrastructure and the digital economy industry.

It also enables companies from these industries that commit to investments ranging from Rp 100 billion to Rp 500 billion to receive a 50-percent income tax cut for five years and an additional 25-percent tax cut for two years.

Meanwhile, companies that invest more than Rp 500 billion will receive a 100-percent tax cut for five to 20 years depending on their investment value.

Despite the fact these companies would receive a tax holiday almost immediately after they applied, Sulisty said the tax authority would monitor their investment realization once they started commercial production.

He said that if the companies failed to meet the investment plan they had applied for, the tax office would adjust or even cancel the incentive altogether.

However, Taxation Directorate General spokesperson Hestu Yoga Saksama told *The Jakarta Post* on Wednesday that the monitoring system was not meant to

scare investors into fulfilling their commitment, but rather to encourage them to enjoy the incentive they received.

Aside from pushing companies to fulfill their commitment, Danny Darussalam Tax Center tax partner Bawono Kristiaji said the monitoring system for tax holiday recipients was aimed at guaranteeing the incentive was given to the right recipients and executed correctly according to the regulation.

He added that such an incentive, including the new tax holiday scheme, could encourage more investors to invest in Indonesia in this time of intense global capital competition. However, he said, it should also be coupled with other policies that could lure more investors to the country and maintain their loyalty.

"They could start with fixing the tax administration system by prioritizing taxpayers' rights, designing predictable and participatory tax policies and reducing tax disputes," Bawono said.

Meikarta corruption trial kicks off in Bandung

Arya Dipa

THE JAKARTA POST/BANDUNG

The Bandung Corruption Court kicked off on Wednesday the trial for a graft case surrounding the Meikarta township project in Bekasi, West Java, with suspended Bekasi regent Neneng Hasanah Yasin and project executives implicated in the case.

Sitting on the bench were Billy Sindoro, a former executive with Lippo conglomerate, and project consultants and employees Henry Jasmen P. Sitohan, Fitradjadja Purnama and Taryudi.

The prosecutors indicted the defendants for bribery and gratuity under the Corruption Law, which carries a maximum sentence of five years' imprisonment and Rp 250 million (US\$17,285) in fines.

Prosecutor Yadyn said the case began when PT Mahkota Sentosa Utama, a subsidiary of PT Lippo Cikarang Tbk., planned in 2016 to build the Meikarta township megaproject on 438 hectares of land in Cibatu, South Cikarang, Bekasi regency. The plan included apartment buildings, a shopping mall, a hospital, a school building, a hotel, a residential compound and a business district.

Prosecutors accuse project executives of bribing regent, agency heads

Executive denies accusations, calls evidence 'circumstantial'

The development of the township was to be realized in three different stages. The first stage included the construction of 52 buildings and 13 basements on 143 h of land.

To carry out the first phase of the project, the developer needed permits on land use, domestic investment, environment and construction.

According to the indictment, the Lippo conglomerate ordered Billy to handle the permits.

In April 2017, PT Lippo Cikarang land acquisition division head Edi Dwi Soesianto, his subordinate Satriadi and Bekasi spatial and development planning division head E. Yusup Taupik met with the regent at his residence.

"In the meeting, Edi Dwi Soesianto asked Neneng Hasanah Yasin to help them with the permit. Neneng responded by suggest-

ing that they process the land use permit through E. Yusup Taupik," Yadyn said.

The regent later issued a regental decree on the use of 846,356 square meters of land for commercial use in Cibatu village, South Cikarang, on May 12, 2017.

"After the permit was signed, Neneng Hasanah Yasin ordered E. Yusup Yaupik to contact Edi Dwi Soesianto to ask for Rp 10 billion in 'commitment fees,'" the prosecutor said.

Edi later paid the money in six stages between June 2017 and January 2018 via Yusup and, in addition to the Rp 10 billion promised to Neneng, Edi also gave Yusup Rp 500 million, according to the indictment. To further persuade the local administration to adjust its spatial plan to accommodate the project, Edi and Satriadi allegedly promised Rp 2.5 billion to the Bekasi Spatial Planning and Housing Agency head. However, in the middle of the process, then-West Java deputy governor Deddy Mizwar called on the relevant authorities to halt the permit issuance pending a recommendation from the West Java governor.

Later, Josep Christopher

Mailool, Billy's nephew, contacted Henry Jasmen P. Sihotang for help with the permits. Henry later involved Fitradjadja Purnama and Taryudi in the process.

On Sept. 23, 2017, Billy allegedly discussed the issue with the three at a hotel in Cikarang. "Please oversee the process," Billy told them as quoted by the prosecutor.

According to the indictment, Billy and the project executives implicated in the case gave a total of Rp 16 billion and S\$270,000 to regent Neneng and the executives gave Rp 1 billion and S\$90,000 to Bekasi Investment and Permit Agency head Dewi Tisnawati, Rp 1.2 billion to Bekasi Public Works and Housing Agency head Jamaludin and hundreds of millions of rupiah to several other agency heads.

In May 2018, PT Lippo Cikarang requested a permit to build 53 apartment towers and 13 basements.

After receiving money from PT Lippo Cikarang, Dewi Tisnawati approved the building permits for 24 apartment towers, the prosecutor said.

Billy denied all the accusations. "I hope that the judges will not consider circumstantial evidence," he said after the trial.