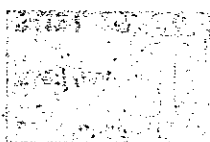


The current account dilemma



he current account deficit, the main cause of the vicious macroeconomic cycle and the main source of downward pressure on the rupiah to as low as 15,000 to the dollar last October, was among the main issues

discussed at two separate conferences here last week.

Panelists and ministers at the 2019 Mandiri Investment Forum and the 2019 DBS Insights Conference agreed that a deficit in the current account (the balance of international trade in goods and services and international transfers of capital), and which exceeded 3 percent of gross domestic product last year, is inevitable in emerging countries like Indonesia, which depend mainly on imports for capital goods and basic materials and components for the manufacturing sector.

Hence, heavily suppressing imports to control the deficit will hurt investment and the manufacturing sector.

Fortunately, the well-coordinated policies of the fiscal and monetary authorities have helped the economy weather the recent bout of global financial turmoil caused by the United States Federal Reserve's monetary-tightening policy. And the combination of sound macroeconomic fundamentals and credible policy-making has succeeded in boosting the rupiah to as strong as 14,000 per dollar. Bank Indonesia reported US\$1.4 billion in net portfolio capital inflows last month alone.

The problem though is that as long as the current account continues to depend too heavily on portfolio capital, not only will the rupiah remain highly vulnerable to international financial volatility, macroeconomic stability could also be adversely affected because we still depend on imports for many staple foods such as rice, wheat flour and horticultural products, and because over 40 percent of the government bonds that finance the budget deficit are held by foreigners.

The suggested solutions, therefore, call for promoting foreign direct investment (FDI), which requires significant improvement in the business climate, and developing more manufacturing plants to produce basic and intermediate materials to reduce imports and to increase exports of added-value industrial goods.

The government has been taking reform measures to woo more direct investment into the manufacturing sector but these measures will take some time to have a significant impact on exports and the overall balance of payments. The challenge is that even though most foresee a pause in the US Fed monetary-tightening policy in the next few months, the threat of sudden capital outflows still looms because of global uncertainty, which may lead to risk aversion toward emerging economies such as Indonesia.

The ongoing Fed monetary tightening is not the only threat that could trigger another bout of financial market turmoil. Other external factors such as the US-China trade war and continued economic slowdown in China, the world's second-largest economy and Indonesia's biggest trading partner and third-biggest source of FDI, could dampen investor enthusiasm for emerging countries.

It is therefore most imperative that despite this being an election year the government must maintain the credibility of its policy-making and the direction of its policies, and continue structural reforms, so that Indonesia will outshine other emerging countries when another wave of market turmoil occurs.

PLN hopes to increase electricity use amid oversupply

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

State electricity firm PLN hopes its customers will use more electricity this year through incentive measures amid the ongoing construction of mega power plant projects, which have been criticized as unnecessary as consumption growth has been slowing.

PLN director for strategic procurement Supangkat Iwan Santoso told the press on Monday that one of the measures would be to lower or even to exempt the cost of increasing power capacity — a plan which was first voiced years ago but which has never been materialized.

“It is for our customers, to make it easy for them when they want to have higher power capacity. Why would we complicate the procedures for someone who wants to use more electricity?” he said.

Uncertainty remains, however, on the size of the incentives, and whether they will involve full exemptions or discounts only.

“Financially speaking, it’s true that the program will require some investment, but at the same time electricity sales should also increase,” Supangkat added.

The firm has set the target for electricity sales this year of 245 terrawatt hours (twh), about 2.5 percent higher than 2018’s target of 239 twh, of which only 232 twh

PLN to offer customers incentives to boost higher electricity consumption

Company plans to lower or exempt cost of increasing power capacity

was achieved.

PLN corporate planning director Syofvi Roekman said the measure would also complement the government’s push for electric vehicles (EVs). The government has a target that EVs will account for 20 percent of total vehicles by 2025.

“We expect the legality of this measure can be completed before the Presidential Regulation [Perpres] on EVs is issued,” she said.

Syofvi added that EV owners would be priority customers in the program as they will need to increase their power capacity by around 1,000 to 2,000 VA to enable them to charge their cars at home in the future.

This is not the first effort by PLN to overcome electricity oversupply in the country, especially for the Java-Bali power grid, which has an excess of around 38 percent.

Another effort by PLN has been to extend the commercial on date (COD) of several power plant projects for at least one year longer.

The measure to delay some of the power plant’s COD is focusing

on the government’s 35-gigawatt power plant expansion project, of which PLN has 10 GW, 28.5 percent, of the total capacity.

Previously, PLN regional business director for the eastern part of Java, Bali and Nusa Tenggara, Djoko Rahardjo Abumanan, said one of the reasons for the electricity surplus was the unexpected slow growth of the economy in recent years.

“[To avoid oversupply] for 2019 we’ve proposed an assumption of electricity consumption growth at 6.4 percent, or we will bleed in paying our debts,” he told *The Jakarta Post* on Friday.

In the electricity procurement business plan for 2018-2027, the government set an electricity consumption growth target of around 8 percent.

However, the realization in 2017 and 2018 was much lower than the target at 7.8 percent and 6.9 percent, respectively.

Responding to the oversupply situation, Yogyakarta-based Gadjah Mada University energy expert Fahmy Radhi recently said that the public should not worry as it was a long-term investment.

“The situation [surplus] acts as a reserve to anticipate the future growth of industry in some regions. Hence, when the industry demand for electricity arises, the supply will be ready,” he told the *Post*.

'Russian propaganda' fires up Indonesian presidential election

Marguerite Afra Sapiie
and Agnes Anya

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo has ruffled some feathers by suggesting that his challenger in the 2019 presidential election, Prabowo Subianto, employed a foreign political consultant and used "Russian propaganda" to support his campaign.

At a recent event in Surabaya, East Java, Jokowi said there was another campaign team playing dirty tricks by disseminating hateful propaganda with the help of a foreign consultant, which divided society and raised concern among the public.

"They don't care whether or not [the propaganda] makes people feel insecure," Jokowi said on Sunday.

The incumbent did not mention the country the purported

consultant came from, but he spoke about "Russian propaganda" in his speech, saying that in theory, it "produces nonstop slander, lies and hoaxes that confuse the people."

Although he did not specifically mention Prabowo's name, the insinuation was quite clear, as Jokowi went on to cite examples of blunders made by the rival camp, such as misinformation about seven containers of ballots from China that had been tampered with to Jokowi's advantage.

The upcoming election is a two-horse race; pitting the incumbent against the former general again, similar to the 2014 election.

The accusation caused uproar in the country's political scene, as the rival camps prepared for a second presidential election debate between Jokowi and Prabowo, scheduled for Feb. 17.

The campaign team of Jokowi



JP/Umair Rizaludin

Lyudmila Georgievna Vorobieva

and Ma'ruf Amin amplified the incumbent's statement, with deputy chairman Abdul Kadir Karding explaining that the propaganda technique mentioned by Jokowi was called a "firehose of falsehood".

"By producing massive hoaxes, the strategy aims to overturn all data and facts to influence the people, particularly in voting," Karding said. "It's dangerous, because people will gradually get used to fake narratives."

A 2016 publication by United States-based think tank RAND Corporation characterizes what it calls the "Russian firehose of falsehood" by two distinctive features, namely multichannel messaging and a willingness to disseminate partial truths or plainly false information.

Similar propaganda is believed to have been utilized in the strategy of US President Donald Trump, who is still under investigation over accusations that his campaign colluded with the Russian government in the 2016 US presidential election.

Russian Ambassador to Indonesia Lyudmila Georgievna Vorobieva issued a statement through the embassy's twitter account @RusEmbJakarta on Monday, saying that Russia did not interfere with any electoral matters of other countries.

"We underline that Russia's

principal position is not intervening in any domestic affairs and electoral processes in foreign countries, including Indonesia, which is our close friend and important partner," she wrote.

Karding clarified that the camp did not mean Russia as a country or nation, but that the political consultant allegedly hired by Prabowo's team was a Russian.

He went on to say that the foreign consultant was also believed to have disseminated narratives that accused Jokowi of being a foreign puppet.

In his speech on Sunday, Jokowi pointed out that his administration had made efforts to take over national assets from foreign investors who had managed them for decades, such as achieving Indonesian majority ownership of PT Freeport Indonesia (PTFI).

"Don't accuse [me] of being

a foreign puppet, while [Prabowo] himself is a foreign puppet," Jokowi said.

Prabowo-Sandiaga campaign team communication and media deputy director Dhimam Abror denied the accusation.

"We have no foreign consultants, it is enough that we use local products," he said as quoted by *kompas.com*.

Dhimam said Jokowi's accusation did not make any sense and was naïve. "To counter the 'foreign puppet' issue, he accused us of employing foreign consultants and concluded that Pak Prabowo is the foreign puppet. [Jokowi's] logic is shallow."

Jokowi-Ma'ruf campaign team deputy director for political communication Meutya Hafid said the camp was considering to stop using the term "Russian propaganda" following the objection raised by Ambassador Vorobieva.

Latest attack on KPK 'test case' for police

Karina M. Tehusjarana
THE JAKARTA POST/JAKARTA

Antigraft activists have called on the Jakarta Police to thoroughly investigate the alleged assault on two Corruption Eradication Commission (KPK) investigators who were assigned to tail several Papuan officials at a Jakarta hotel.

The incident, they argued, sets a "worrying precedent" in the war against corruption.

The activists made the call after a KPK spokesman and Papua administration officials gave conflicting statements regarding the unusual incident, which saw KPK investigators being confronted by the people they were following and interrogated for acting suspicious.

The incident occurred on Saturday at the Borobudur Hotel in Central Jakarta, where Papua administration officials, including Governor Lukas Enembe, were holding a meeting with Papua Legislative Council (DPRD) members to discuss the province's 2019 draft budget.

The administration officials noticed one of the two KPK employees taking photographs and subsequently detained them.

According to the antigraft body, its investigators were then assaulted, resulting in several injuries, including a broken nose that required surgery. It reported the assault to the Jakarta Police

KPK, Papua administration give conflicting accounts regarding incident at Borobudur Hotel

Incident may set bad precedent in war on corruption: Analyst

on Sunday afternoon.

KPK spokesperson Febri Dian-syah said on Tuesday that the surgery had been successful and the investigator, Muhammad Gilang W, would be treated at the hospital for another four to five days.

The Papua administration, however, rejected the KPK's narrative. Its spokesperson, Gilbert Yakwar, denied the assault or any sort of altercation between the two sides.

"Regarding the issue of assault against the two officers resulting in surgery to the nose and/or face, we need to convey that this is not true," he said in a statement on Monday. "There was only pushing involved because [the administration officials] became emotional over being suspected of bribery and part of a KPK raid."

According to Donal Fariz of the Indonesian Corruption Watch (ICW), the incident would be a test of the police's seriousness in handling attacks against antigraft officials.

Previous police investigations

into cases of violence against KPK employees have stalled with little apparent progress, including an acid attack on investigator Novel Baswedan in 2017 and a suspicious package left at the residence of chairman Agus Rahardjo last month.

"The incident happened in a public space, so police have no excuse not to quickly find and prosecute the perpetrators," he told *The Jakarta Post* on Tuesday.

Transparency International Indonesia secretary-general Dadang Trisasongko agreed.

"This is a challenge for the police to work professionally and show that they also want to help the fight against corruption, because otherwise, the incident sets up a worrying precedent."

Donal pointed out that according to Article 21 of the 1999 Corruption Law, obstructing graft investigations was punishable by up to 12 years imprisonment and a fine of Rp 600 million (US\$43,012).

"Some might argue that the article is not relevant to this incident because no investigation has been officially launched yet, but there cannot be an investigation without an initial probe."

The Jakarta Police said they were investigating the matter.

"Investigators have visited the crime scene and requested a medical examination [on the vic-

tims]," Jakarta Police spokesperson Sr. Comr. Argo Yuwono said as quoted by Antara.

The KPK has confirmed that its officials were investigating a graft case involving the Papua administration but has stayed mum on the details.

"It is true that the KPK is currently looking into several suspicions of corruption in relation to projects and budgets in Papua," Febri said. "If [the case] goes into the investigation phase, then we will inform the public."

Meanwhile, Gilbert said the incident had "wounded" the administration's feelings.

"This act shows the KPK's distrust in the ability and desire of Papuans to commit to preventing and eradicating corruption in the NKRI [Unitary State of the Republic of Indonesia]," he said. "It only serves to create fear in conducting the duties of government, development and public service because officials are haunted by the idea they can be arrested at any time."

The Papua administration has also reported the KPK to the Jakarta Police for defamation.

Febri said he was confident that the police would be professional in handling the case.

"Anyone can report anything they think is true, but legally, it is easy to determine what is right and what is wrong or trumped up," he said.

Feb. 6. 2019
J. Post

RI eyes 20% of Vale's shares

JAKARTA: After gaining control of 51.23 percent shares of gold and copper miner PT Freeport Indonesia, the government is eyeing to gain a 20 percent stake in publicly listed nickel miner PT Vale Indonesia (INCO).

"We are certainly interested, but we have not assigned a company yet [to represent the government]," the State-Owned Enterprises (SOEs) Ministry's undersecretary for mining, strategic industries and media affairs, Fajar Harry Sampurno, said in Jakarta on Friday as quoted by *kontan.co.id*.

The Energy and Mineral Resources Ministry's mineral director, Yunus Saefulhak, said the ministry had received INCO's divestment proposal letter. He added that INCO had submitted its report to the Finance Ministry while sending its offer to the SOEs Ministry.

"The corporate action will be decided by the government. The divestment has been offered to state-owned mining holding company PT Indonesia Asahan Aluminium [Inalum] and state-owned diversified miner PT Aneka Tambang [Antam], among others," he said.

Antam president director Arie Prabowo Ariotedjo said the company was not disinterested in securing INCO's shares but that the miner would focus on its downstream business this year.

Inalum president director Budi Sadikin, meanwhile, expressed the company's interest, citing the strategic value of nickel.

Budi said the company was awaiting instructions from ministers Ignatius Jonan and Rini Soemarno.

In 2017, INCO booked 95.1 million tons of nickel reserves, leading the company to become one of Indonesia's biggest nickel producers. Vale Indonesia president director Niko Kanter refused to comment on the matter. — *Kontan*

Inalum's research center to boost downstream sector

State-owned mining holding company PT Indonesia Asahan Aluminium (Inalum) recently established the Mining and Minerals Industry Institute (MMII), a research center aimed at boosting the downstream industry to help meet the government's goal of reducing imports.

Inalum president director Budi Gunadi Sadikin said besides bringing added value to the industry, the institute would also work as a lobby group to ensure sustainable mining policies.

"The MMII is also expected to improve human resources capacity in the [local] mining industry, so that it can better manage the mining industry and be environmentally friendly," he said at the MMII inauguration event on Friday.

To strengthen its position as a research center, the MMII has teamed up with several institutions, such as the research and development center of the Energy and Mineral Resources Ministry,

five state educational institutions and the Massachusetts Institute of Technology Energy Initiatives (MITEI).

The five state educational institutions are the University of Indonesia, the Bandung Institute of Technology (ITB), Gadjah Mada University, the Sepuluh Nopember Institute of Technology and Cendrawasih University, which is located in Papua.

Inalum has appointed Ratih Amri, who previously worked as the corporate secretary for publicly listed nickel miner PT Vale Indonesia, to head the MMII as its executive director.

"As a first step, we will identify the issues [regarding the development of the] downstream [mining industry] that need to be researched. One of the research goals is to provide recommendations for the government for establishing mining regulations," she told the press on the sidelines of the event.

Ratih believed the MMII would play a significant role in helping to realize the government's downstream efforts, given that it has direct access to stakeholders, such as the government, universities and the mining industry itself.

Rudy Sayoga, a mining professor from ITB, expressed hope the new institute would help Indonesia follow the success story of Chile, the world's leading copper producer that has created local-based downstream technology.

"Chile has its own smelting method that is suitable for the characteristics of its nickel ore, so it doesn't have to use other country's patents. [...] To become the world's leading player, we should be able to influence the global price," he said at the same event.

Prior the establishment of the MMII, Inalum, through its subsidiaries, has been working on at least four downstream development projects, namely building

an alumina smelter in West Kalimantan, coal gasification and other products in Riau, as well as the development of a copper smelter and on processing nickel into the raw material needed for electric vehicle batteries.

Coal gasification, which produces dimethyl ether (DME), has been a focus of the government, as DME can be used as a substitute for liquefied petroleum gas, of which 70 percent of the national demand is still imported.

"We need a detailed study about the economical aspect of the project. By doing so, we know what kind of incentive or policy needs to be issued to make it happen," the ministry's Mineral and Coal Director General Bambang Gatot Ariyono said recently.

There are two state-affiliated coal gasification projects, both of which are being carried out by PT Bukit Asam with a total investment of around US\$5 billion. One is located in South Sumatra

and the other in Riau with the expected operation dates 2022 and 2021, respectively.

Meanwhile, the smelter grade alumina refinery (SGAR) project in Mempawah, West Kalimantan, led by PT Aneka Tambang, has reached the evaluation phase for its engineering, procurement and construction (EPC) plan.

"[The project is] in the process of an EPC evaluation and we hope it can be kicked off soon. The earliest target [for operations] is 2021," Antam president director Arie Prabowo Ariotedjo said recently.

The copper smelter, which will be operated by PT Freeport Indonesia, and the nickel smelter are the two downstream development projects that have progressed at a snail's pace, as the former is yet to have an official location, while the latter has been hampered by technology issues.

—JP/ STEFANNO REINARD SULAIMAN

Fish breeding firm under fire for polluting Lake Toba

Apriadi Gunawan

THE JAKARTA POST/MEDAN

The North Sumatra provincial administration has reprimanded fish breeder PT Aquafarm Nusantara for polluting Lake Toba in Toba Samosir regency.

The company operates thousands of floating net cages in Lake Toba to cultivate tilapia but has committed multiple violations in its operations, according to North Sumatra Environment Agency head Binsar Situmorang.

They include exceeding the limit of cultivating 26.4 million tons of fish a year and poor waste management, he said.

"We have followed up on the violations by giving the company an administrative sanction," Binsar told journalists in Medan, North Sumatra, on Monday.

He said the decision was based on Law No. 32/2009 on the protection and management of the environment.

Article 76 of the law outlines a four-tiered disciplinary procedure for companies who are caught violating environmental regulations. First, they will receive a written warning, then a government inspection, followed by a

Fish breeder blamed for poor waste management, dumping fish carcasses

Residents, activists demand company's closure

suspension of their environmental permits. If they still fail to comply, their permits will be revoked entirely.

Binsar said it was possible that Aquafarm Nusantara's permits would be revoked if it ignored the administration's reprimands and continued to pollute the lake.

"The provincial administration is serious about this sanction. Whoever pollutes Lake Toba will face firm actions," he said.

Pollution in Lake Toba has become a controversial issue in the province. Hundreds of protesters staged a rally in front of the Toba Samosir regent's office and the regency council building. They demanded closure of the company for polluting the lake.

According to Arimo Manurung, who is part of the protesters' advocacy team, Aquafarm Nusantara has been polluting the lake for far too long, sparking an-

ger among residents.

Last month, he said, it dumped sacks filled with fish carcasses into the basin of the lake.

"We demand firm sanctions against every company, including PT Aquafarm Nusantara, which pollutes Lake Toba," Arimo said.

Environmental activists from the Lake Toba Lovers Foundation (YPDT) recently demanded that the police act on the matter.

YPDT executive secretary Johannes Marbun said the foundation had reported the case to the police in 2017, but nothing was done. They later lodged a report to the National Police's Criminal Investigation Department (Bareskrim) on July 17, 2017.

Johanes said Bareskrim later delegated the case to the North Sumatra police, who then approached the foundation for more information in August.

"But surprisingly, they never summoned us again after that; we don't know how the case is developing," Johanes said, adding that YPDT had also provided the police with additional data on their latest findings.

According to Robert Paruhum Siahaan, head of YPDT's litigation team, Toba Samosir Regent Dar-

win Siagian, Deputy Regent Hulman Sitorus and officers from the Toba Samosir police had seen for themselves the sacks of fish carcasses that had been dumped in the lake's basin.

"Isn't that enough evidence?"

North Sumatra Police special crimes investigation director Sr. Comr. Rony Samtana said the police would investigate the matter.

"This is an old file. We will trace it down. But rest assured, if an offense has been made, it will be processed according to prevailing laws," Rony said at his office.

The Jakarta Post has been unable to reach Aquafarm Nusantara for comments but did manage to get in touch with its former manager, Rudi Hertanto. He claimed he had left the company in November 2018 but denied that it had polluted the river when he was in charge.

"There was no pollution when I was with the company. Now, I don't know the development," he said.

Budianto, an official from the company's corporate social responsibility division, said he did not know about the sanctions nor residents' demands for the company's closure.

INFRASTRUCTURE

E-commerce unable to leapfrog amid poor logistics

Norman Harsono

THE JAKARTA POST/JAKARTA

Accenture, a Fortune 500 business consultancy, has estimated that Indonesia's e-commerce market may grow from US\$27 billion last year to \$300 billion by 2025, if the country's digital ecosystem can leapfrog into a fully integrated "quantum commerce" environment.

"This means integrating everything from your phone, entertainment, transport, health and food," said Accenture managing director Mohammed Sirajuddeen in his keynote presentation recently during the two-day Future Commerce Indonesia 2019.

Accenture's prediction is bold and three times higher than the widely accepted Google-Temasek growth projection of \$100 billion by 2025, based on a business-as-usual growth rate.

While "quantum commerce" sounds like an idealistic marketing term, Sirajuddeen pointed to China as a more concrete example of the well-integrated digital ecosystem that Indonesia needed to work toward to achieve "fantastic" e-commerce growth.

He described China's digital ecosystem as having four key structural elements: e-marketplaces (like TMall and JD.com), social media platforms (WeChat, Weibo), e-payment platforms (AliPay) and logistics networks (SF Express).

Indonesia checks all boxes except for logistics networks, with its poor infrastructure that makes for costly delivery, especially in remote areas outside of Java.

Shipping a gallon of water, for example, would cost 40 percent more to send from Jayapura to Timika at Rp 456,000 (\$32) than from Jakarta to Surabaya, even though the distance between Jayapura and Timika is 450 kilometers, while Jakarta-Surabaya is 660 km.

However, Sirajuddeen acknowledged that the government had made and continued to make improvements in logistics infrastructure, such as through the TransJava highway and Palapa Ring internet development projects.

In fact, Indonesia's ranking on the Logistics Performance Index rose 17 places to 46 out of the 160 countries the World Bank surveyed last year.

Nevertheless, Indonesia remained below its neighboring middle-income countries of Thailand (32nd), Vietnam (39th) and Malaysia (41st).

The Jakarta Post spoke to executives of e-commerce platform Ralali, the Indonesia ICT Business Association (APTIKNAS) and venture capital firm Ideosource, who all agreed that logistics remained the biggest obstacle to domestic e-commerce expansion.

Ralali chief operating officer Alexander Lukman explained that the root of the logistics hurdle was Indonesia's vast geography of more than 17,000 islands spread across 1.2 million square km.

"We also operate in Thailand and logistics is not a problem there, because it's just one [stretch of land]," he said.

Hence, even ride-hailing platforms Go-Jek and Grab, which were leveraging their huge network of drivers to provide intra-city logistics services, were insufficient to meet the nationwide logistics needs of e-commerce, because neither company covered air or sea transport.

E-commerce platforms like Ralali and Tokopedia were instead working on providing suppliers with warehousing services to temporarily store goods before redistribution, thereby reducing last mile delivery costs for suppliers.

Ideosource co-founder Edward Ismawan Chamdani, whose firm invested in e-commerce platform Bhinneka, suggested having a platform that tracked warehouses and client businesses so clients could access necessary goods from the nearest warehouse, regardless of suppliers or distributors.

"If someone can sort out this data, we can have an efficient hyperlocal logistic system," said Edward.