

GDP growth highest in five years

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The country's gross domestic product (GDP) in 2018 expanded at the fastest pace in five years on the back of strong household spending. Yet, economists have forecast that global uncertainty and sluggish exports would drag down growth this year.

Statistics Indonesia (BPS) announced on Wednesday that GDP expanded 5.18 percent year-on-year (yoy) in the fourth quarter of last year, bringing overall growth in 2018 to 5.17 percent. The figure was above most analysts' expectations of 5.1 percent.

"Amid global economic uncertainty and commodity price fluctuations, the recorded growth in GDP was a good achievement," BPS head Suhariyanto said on Wednesday in Jakarta.

The data was good news for President Joko "Jokowi" Widodo, who is seeking reelection in April. Jokowi is slated to face rival Prabowo Subianto in the second presidential candidate debate on Feb. 17.

Robust economic growth was largely spurred by household spending — which accounts for more than half of GDP and grew 5.08 percent in the fourth quarter of 2018, higher than the 4.98 percent growth recorded over the same period in 2017, thanks to a surge in retail, wholesale car and motorcycle sales.

Samuel Aset Manajemen economist Lana Soelistianingsih said the boost in household spending indicated increasing confidence among consumers to spend money, which also reflected a rise in purchasing power.

"The government's contribution to disburse social assistance funds throughout 2017 also helped to support people on middle and low incomes," she told *The Jakarta Post*.

Low inflation at 3.13 percent in 2018 was another aspect behind the increase in household spending. Thus, despite the rupiah's volatility, the price of many goods did not increase rapidly, she said.

In 2019, external factors such as the trade war between the United States and China would continue to affect the domestic economy. In addition, declining exports would be one of the biggest challenges to achieving the government's growth target for this year. Having said that, Lana forecast that GDP growth this year would stand at 5.25 percent.

Despite robust spending, BPS data revealed that investment

2018 GDP growth at 5.17 percent, above analyst expectations

Robust growth spurred by household spending

— the second largest contributor to GDP growth — had slowed. In the fourth quarter of 2018, investment was recorded at 6.01 percent, lower than the 7.26 percent recorded in the same period last year. However, the country clocked better overall investment growth for 2018.

Suhariyanto added there was a noticeable slowdown of growth in investment in the machinery sector in the fourth quarter, triggered by the slowdown in domestic production and imports.

Moreover, slow export growth recorded at 4.33 percent yoy in the last quarter of 2018 would provide a drag on overall economic growth, while imports grew faster at 7.1 percent over the same period.

Coordinating Economic Minister Darmin Nasution said the government would continue its efforts to boost exports this year to meet the target of 5.3 percent GDP expansion as outlined in the 2019 state budget.

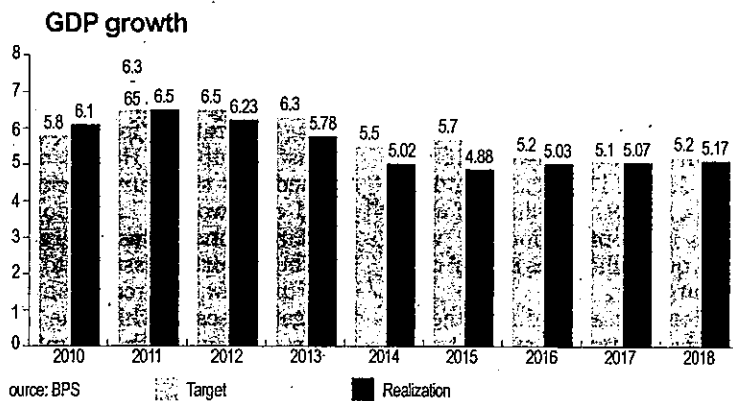
"We will focus on [reforming] exports and logistics procedures," said Darmin. "The point is that we will provide support so that export growth recovers while at the same time address the country's industrial structure."

The country's industrial structures lack midstream businesses that connect the upstream and downstream, a situation that economists call the hollow middle. This may explain why the country's imports consist of capital goods, raw materials and intermediary goods.

The government issued last year a revamped tax holiday to incentivize new investments in "pioneering" sectors as part of the efforts to address the issue.

Bahana Sekuritas economist Satria Sambijantoro said in a statement that robust consumption and investment was likely to be sustained in 2019. Furthermore, robust economic growth would have a positive impact on Indonesia's equity and bond markets.

"We expect the macroeconomic data to have a positive spillover on the local equity and bond markets, particularly on stocks with high sensitivity to domestic consumption and investment," he said, adding that stocks in property, banking and health care would have a good outlook this year.



HUMAN RESOURCES

Govt teams up with Australia to improve employment, workforce

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

The government will work together with its Australian counterpart to address employment and labor force issues, as Indonesia's demographics could pose challenges for its economy in the long run if not well managed.

The National Development Planning Agency (Bappenas) projected that Indonesia's working age citizens, aged from 15 to 44, would total just over 200 million people in 2030, approximately 68 percent of the population.

This means Indonesia will have the highest number of productive-aged citizens in Southeast Asia in 11 years, according to the Bappenas.

As part of the efforts to tackle these issues, the governments of both countries have established a research platform called the Knowledge Sector Initiative, which will discuss ideas and solutions during the upcoming annual Indonesia Development Forum in July.

The forum, which will be held for the third time, would take employment issues into account as a key factor of inclusive growth, said Bappenas head Bambang Brodjonegoro.

"Our productivity can only be proven via employment, which requires foreign and domestic investment as well as [the role of] small and medium enterprises [SMEs]," Bambang said in Jakarta recently.

"We have to advance this age group [working age] into the middle class, so Indonesia's econom-

ic growth potential will be maintained through better and more stable consumer spending."

Much like the rest of the world, he said, Indonesia's workforce was facing challenges presented by the fourth industrial revolution, or Industry 4.0, which was changing work landscapes through automation and state-of-the-art technology.

Bambang cited a study by global consulting firm McKinsey, which estimated that automation would alter 60 percent of occupations worldwide and, at the same time, online commerce platforms would generate 26 million jobs by 2022.

Therefore, he said, it was important for authorities to come up with regulations that ensured investors had access to qualified workers, creating a condition in which businesses could thrive and capital inflows would continue to increase.

"Regulations on the workforce are important aspects of Indonesia's investment climate because investors seek certainty when investing and creating employment [...] it is important to see from the supply side in order to secure these employers," he said.

He said it was important for stakeholders to ensure local workers had flexible skill sets in order to find a place in today's job market. However, stakeholders should realize that the skills needed for science, technology, engineering and mathematics jobs would continue to be valued regardless of any advancements, he said.

The upcoming forum will have

eight subthemes. The first four are accelerating structural information, reforming the vocational and education training system for future jobs, creating inclusive employment opportunities and improving the investment climate for employment creation.

The other four are developing globally competitive MSMEs, fostering social enterprises, developing local talent and local markets and improving the quality of human capital.

Australian Ambassador to Indonesia Gary Quinlan said his government looked forward to supporting its northern neighbor, referring to the Indonesia-Australia Comprehensive Economic Partnership Agreement, which was concluded last August.

The agreement contains significant articles on vocational empowerment and labor partnerships between the two countries.

"We are looking forward to sign it [the deal] very soon, certainly this year," he said. "It has a significant element in it that relates to how we provide quality vocational trainings and courses to equip Indonesians with better skills and enhance the economy."

He emphasized that it was essential for stakeholders to act based on evidence, especially on issues like employment, which tended to draw continuous public debate.

"It is very instructive for us to see how seriously, how intensely Indonesian policy thinkers are exploring options in the labor market, and particularly on increasing productivity and flexibility," he added.

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J. Poef

ELECTION CAMPAIGN

Squabble continues after 'Russia' remark

Karina M. Tehusijarana and Marguerite Afra Sapiie

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Opposing campaign teams are still bickering after President Joko "Jokowi" Widodo used the phrase "Russian propaganda" to describe the rival camp's campaign strategy, even as the President tried to limit the diplomatic fallout from the comment.

"We are not referring to Russia as a country in this case," Jokowi said on Tuesday evening. "This is not a matter of state affairs. President [Vladimir] Putin and I have a very good relationship."

Jokowi's clarification came after Russian Ambassador to Indonesia Lyudmila Verobieva issued a statement through the embassy's Twitter account @RusEmb-Jakarta on Monday, saying Russia did not interfere with the electoral matters of other countries.

"As we know, the term 'Russian Propaganda' was coined in 2016 in the United States during the presidential election. This term has no basis in reality," the Russian Embassy in Jakarta tweeted.

Jokowi used the phrase in a speech on Sunday, saying that "another campaign team" in the

election had disseminated hateful propaganda with the help of a foreign consultant.

"Don't accuse [me] of being a foreign puppet, while [Gerindra Party chairman Prabowo Subianto] himself is a foreign puppet," Jokowi said.

While the President did not mention the so-called foreign consultant's country of origin, he explained that "Russian propaganda" referred theoretically to the production of "lies, slander and hoaxes".

On Tuesday, Jokowi said he had borrowed the phrase from a 2016 publication of the RAND Corporation, a nonprofit American think tank that specializes in global policy, titled *The Russian Firehose of Falsehood Propaganda Model: Why It Might Work and Options to Counter It*.

The publication characterizes distinctive features of "Russian propaganda", including the dissemination of "partial truth or outright fiction".

"The outpouring of lies and hoaxes can cause uncertainty and doubt [among the public]," said Jokowi, adding that the tactic spread narratives that were unsupported by concrete data.

The Prabowo-Sandiaga Uno campaign team has denied allegations that it had employed a foreign consultant and hit back at Jokowi by insinuating that it was his camp that used foreigners.

Gerindra politician and Prabowo campaign spokesperson Andre Rosiade gave reporters the link to a website called "The Political Strategist" featuring political analysis articles.

One of the writers listed on the website, Stanley Greenberg, cited Jokowi as one of the clients for which he has "served as a pollster and political strategist".

His other clients include former US president Bill Clinton and former British prime minister Tony Blair. Greenberg is also the cofounder of political research and campaign company Greenberg Quinlan Rosner.

"We received this information. Is this true? We await Pak Jokowi's explanation," Andre said on Tuesday. "Pak Jokowi accuses our side of using foreign consultants and we have denied it. Pak Jokowi claims that he does not use foreign consultants, but we found data that he is [Greenberg's] client."

Jokowi's campaign team was quick to respond, calling the

claim a "recycled hoax".

"Even though it is couched as a request for clarification, it's clear that [the Prabowo campaign team] is accusing Pak Jokowi of using a foreign consultant," Golkar politician and Jokowi campaign spokesperson Ace Hasan Syadzily said on Wednesday. "The [Stanley Greenberg] hoax is a recycled one, and appeared during the 2014 presidential election."

He said the issue had not gained traction back then because it was "fiction and not based on fact".

"In 2019, [the Prabowo team] once again used this issue because it is feeling pressured by public opinion that Prabowo hires foreign consultants," he said.

Fellow Jokowi campaign spokesperson and Indonesian Solidarity Party (PSI) legislative candidate Rian Ernest also denied that foreigners were involved with the campaign.

"As long as I have [been involved in the campaign] there have been no [foreign consultants], so if Pak Andre wants to throw that out he should produce some real evidence and let the public judge," Rian told *The Jakarta Post* on Wednesday. "If not, then it is just a hoax."

Rival camps gear up for second presidential debate

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THE JAKARTA POST/JAKARTA

The second election debate is a little over a week away and the teams of both incumbent Joko "Jokowi" Widodo and challenger Prabowo Subianto are gearing up for the upcoming face-off between the two presidential candidates.

Slated for Feb. 17, the debate is expected to let the two rival camps convey their visions and programs on the topics of food, energy, natural resources, environment and infrastructure.

A special team in the incumbent's camp has begun preparations, though so far its focus has mainly been to prepare materials for the debate, Jokowi and Ma'ruf Amin's political communications director, Usman Kansong, said.

"We have carried out a focus group discussion and gathered input from experts, as well as from members of our team," Usman said. "During the brainstorming, we shared our insights and data to anticipate a wide range of issues that may come up later."

Only presidential candidates to be involved in second debate

KPU not giving out list of expected questions before debate

The experts involved in providing input included lawmaker Inas Nasrullah Zubir, who had served on the House of Representatives' Commission VII on energy and minerals, former Greenpeace Southeast Asia director Emmy Hafid and Roosdinal Salim, the son of economist and former environment minister Emil Salim.

Usman said they would also look into criticisms from activists and members of the public on policies issued by Jokowi's administration regarding the five topics and aim to address each one.

Among the topics in the second debate, infrastructure was considered to be Jokowi's strength in his reelection bid as his supporters have intensely promoted the incumbent's achievements, such as the development of toll roads

in the country's regions.

The opposition camp, however, often criticized Jokowi's administration for relying on foreign loans for infrastructure development across the country, with Prabowo and running mate Sandiaga Uno promising they would develop infrastructure without foreign loans.

Jokowi's team is to prepare information to answer claims from the opposition, such as data on the government's debts used to pay for infrastructure development, as well as on how toll roads actually reduce the cost of distributing goods, Usman said.

"We will also stick to promoting concrete programs like, for instance, the use of 50 percent blended biodiesel, or b50, which aims at reducing air pollutants and fuel imports," Usman said.

The team has yet to plan a debate simulation as they are waiting to learn the format for the second debate, which the General Elections Commission (KPU) is to soon finalize with both campaign teams.

After evaluating the first debate, the KPU decided not to give

the two presidential candidates the list of questions from the panelists before the second debate.

Jokowi's and Prabowo's campaign teams also discussed with the KPU about having more time allocated in certain segments for the two candidates to debate freely and about allowing the moderators to be more active to enliven the debate.

Meanwhile, the opposition coalition is to soon hold a meeting with representatives of all of its political parties to organize a strategy for the second debate, said Prabowo-Sandiaga campaign team official Sudirman Said.

The parties would also hold discussions with lawmakers from three of the relevant House commissions to get more input on the issues to be debated, he said.

Gerindra Party secretary-general Ahmad Muzani said that Prabowo would not be "too aggressive" in the second debate, following advice that the contender should not attack his rival.

"Prabowo wants to win [the debate], but not with arrogance," Muzani said.

IDX to lure more into stock market

Norman Harsono

THE JAKARTA POST/JAKARTA

Lusia Arumingtyas, 26, is one of a growing number of young middle-income Indonesians who have decided to invest money in the stock market, a trend expected to continue in Southeast Asia's largest economy, where the number of individual investors remains small.

She previously thought that a campaign called "Yuk Nabung Saham" (Let's Invest in Stocks), promoted by the Indonesia Stock Exchange (IDX), was not attractive at first glance and was interested in investing in property instead.

She did invest in the property sector and she now owns a small plot of land in Pontianak, West Kalimantan, as a long-term investment. However, as a young career woman, she was not ready to commit to the maintenance and capital costs of becoming a serious investor in prime land and property.

Through a combination of re-

About 1.6 million Indonesians made investments last year in capital market

IDX to educate and attract millennials to invest in stock market

search and trial-and-error, she eventually found that investing in stocks was also feasible based on her income and financial capability.

She said stocks offered short-term profitability through dividend payments she received once or twice a year, a rather simple yet satisfying form of investment.

"As a middle-class citizen with a standard salary, I thought investing in stocks was ideal to earn the money to buy property, gain my financial freedom, then retire," she told *The Jakarta Post* recently.

Lusia's story was revealed in a speech Coordinating Economic Minister Darmin Nasution

delivered when reopening the bourse earlier this year. Darmin acknowledged that Indonesians might still be interested in real-sector investments, such as land and property, rather than investing in the financial market.

"Convincing citizens [to invest in the capital market] won't be easy because investing in land is always profitable," he said. "But land does have longer selling cycles than stocks."

He said that landowners might wait up to 30 years — almost half the 69-year Indonesian life expectancy — before reselling land at up to 100 times the buying price.

However, Darmin was not offering financial advice, but promoting the deepening of Indonesia's financial market, which remained shallow compared to other Asian countries.

IDX data show that Indonesia lags behind its neighbors in terms of the ratio of the number of capital market investors and total population.

About 1.6 million Indonesians made investments last year in the capital market, but that remains less than 1 percent of the country's population of 265 million. That percentage is lower than Singapore's 26 and Malaysia's 7.8.

Indonesia's 46 percent ratio of stock market capitalization to gross domestic product was also lower than Vietnam's (47 percent), Thailand's (75 percent) and South Korea's (125 percent), according to the Organization for Economic Co-operation and Development's Economic Survey 2018.

Through the Yuk Nabung Saham campaign launched in 2015, the IDX attempts to educate and attract citizens, particularly millennials, to invest in the stock market. The program helped accelerate investor registration growth to more than 25 percent per year compared to less than 19 percent in the previous four years.

Melvin Mumpuni, a financial planner, concurred with Darmin and Lusia, saying that investing

in the stock market was advantageous for citizens with limited funds.

"Especially Indonesian millennials, who can now invest with as little as Rp 100,000 [US\$7.18] in capital," he said.

However, an easier procedure for new investors to place their money in the stock market was not enough, according to Lusia, who said that the real problem was still the very low capital market literacy. However, for upper-middle-class Indonesians, learning more about investing should not be difficult.

Melvin saw this as an opportunity to promote FinansialKu, his wealth management start-up that offers a free beginner's stock investing guidebook in Bahasa Indonesia on its website.

He said improving financial literacy should be the number one priority for financial institutions, but further simplifying procedures for investors and encouraging more companies to go public were equally important.

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Rabies outbreak kills five in W. Nusa Tenggara

MATARAM: Rabies outbreaks are on the rise in Dompu regency, West Nusa Tenggara (NTB), as the disease has already claimed the lives of five out of 527 people bitten by dogs over the past six months.

The NTB provincial administration has declared an extraordinary situation for the outbreak in the regency, while local authorities have stepped up measures to curb the spread of the disease and treat the infected patients.

"We have made maximum efforts to anticipate further outbreaks [...] and to prevent the disease from spreading," NTB Deputy Governor Sitti Rohmi Djalilah said on Wednesday.

The NTB Health Agency recorded 527 cases of people being bitten by dogs in Dompu from August 2018 to February this year.

Rohmi said most cases of rabies occurred in Dompu and Sumbawa Island, while Lombok remained rabies-free.

The local administration had banned dogs, cats and monkeys from passing through ports between Sumbawa and Lombok as part of efforts to prevent the disease from spreading, she said.

Budi Septiani, the head of NTB Animal Husbandry and Health Agency, said about 9,800 dogs currently lived in Dompu, some 4,000 of which were pets. — JP

Recovering stolen assets



Indonesia, perceived to be one of the most corrupt countries in the world, and Switzerland, previously known for having one of the strongest banking secrecy policies and as a safe haven for ill-gotten gains, signed early

this week a mutual legal assistance agreement (MLA) on tracing and recovering stolen assets.

Yet more significant for Indonesia, which was ruled for more than 30 years by a corrupt authoritarian government until 1998, is that the agreement is retroactive. This means that the MLA could also apply to corruption, money laundering, tax evasion and illegal monetary gains committed over the last four decades.

The government deserves high commendation for concluding the MLA, given the strong commitment of the Swiss government to protecting the secrecy and integrity of its financial services industry in maintaining its status as one of the world's largest financial centers.

The MLA — which simplifies and accelerates procedures for tracing stolen assets, particularly by reducing formal requirements — is truly a strategic partnership between a developed country and a developing country. And while developing countries need to improve governance and accountability to curb corruption, developed nations should stop providing a safe haven for stolen proceeds.

The MLA will imbue the government with the authority to pursue unlawful money gained primarily through corruption, money laundering, tax evasion and other financial crimes. This does not, however, mean that the government can immediately ask Swiss authorities for information on the financial assets of Indonesian citizens at Swiss financial institutions.

The first — and perhaps the biggest — challenge for the government is for the MLA to be ratified by the House of Representatives, which is perceived as one of the most corrupt institutions in the country.

Given the presidential and legislative elections in April, we don't believe that the House members, 80 percent of who are seeking reelection, will have the time to deliberate the MLA before its new lawmakers are installed in October.

The second challenge is that only corruption, money laundering and tax evasion cases that have been tried and handed final and binding court rulings are eligible under the MLA.

Since such cases involve very complex transactions that may require more than two years to prosecute from the district court up to the Supreme Court, Indonesia may need technical assistance from the Stolen Asset Recovery Initiative (StAR) to build the institutional capacity of its legal institutions.

StAR is a program that the World Bank and United Nations Office on Drugs and Crime launched in 2007 to help developing countries recover assets stolen by corrupt leaders and officials.

Despite the challenges, the MLA is nevertheless a big boost in the drive against corruption and a deterrent to those intending to hide their criminal gains in Switzerland.