

# BI urges focused reform to boost GDP growth

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

Indonesia should continue with its structural reform agenda in the coming months to strengthen its economic fundamentals, as global uncertainty was expected to ease this year, a senior Bank Indonesia (BI) official has said.

One of the key issues that needed to be addressed was managing the current account deficit, which was blamed for the rupiah's steep fall last year.

A current account deficit means that a country is spending beyond its means in terms of foreign exchange liquidity, causing a reliance on external financing like foreign direct investments and portfolio investments. Portfolio investments are usually sensitive to global market sentiments.

Considering that Indonesia was a net oil importer, BI Deputy Governor Mirza Adityaswara said it needed to step up renewable energy outputs and reduce its dependency on fossil fuels as a priority of the structural reform agenda.

"As a country that continues to grow, we obviously need more energy. So, it's about how to diversify our energy sources to be independent of imported fossil fuels,"

Boosting renewable energy helps cut current account deficit: BI

Structural reform should connect fiscal, monetary, real sectors: Expert

Mirza said in Jakarta this week.

The oil and gas deficit has weighed heavily on Indonesia's overall trade balance. The country recorded a deep trade deficit of US\$8.57 billion last year, driven by a \$12.4 billion deficit in the oil and gas sector, according to Statistics Indonesia (BPS).

In the first two months of 2019, the oil and gas industry posted a deficit of \$886 million, exceeding the non-oil and gas trade surplus of \$152 million in the same period.

Mirza said that last year's large trade deficit was caused by a decline in the prices of Indonesia's export commodities and larger imports of capital goods due to the government's infrastructure drive, which was necessary in going forward to boost growth in GDP.

The country imported \$6 billion in capital goods for infrastructure alone, according to calculations from the central bank's statistics department.

The 2018 trade deficit had widened the current account deficit to 2.98 percent of GDP, or \$31.1 billion.

BI expected the current account deficit to be the one remaining factor that would pose a risk to the rupiah's stability this year, said Mirza, as inflation remained under control and the United States Federal Reserve was nearing the peak of its tightening cycle.

The current account deficit was expected to narrow to 2.5 percent of GDP this year, benefiting from the full implementation of several government measures to reduce imports, such as expanding its 20 percent blended biodiesel (B20) policy and slapping higher import duties on 1,147 consumer goods.

BI announced its medium-term projection for the current account deficit at 2 percent of GDP by 2024.

"If we could manage the current account deficit to 2.5 percent or even 2 percent of GDP [by 2024], we would have a stable situation [in which foreign] funding flows into Indonesia, as well as a higher rate of GDP growth compared to the current level," said Mirza.

BI Governor Perry Warjiyo called for more focused and consistent structural reform, in-

cluding addressing the current account deficit, to unlock the potential for higher GDP growth.

"Structural reform policies are crucial. We have to improve our aggregate demand — how to encourage capital [movement] and improving labor [productivity]," said Perry. "We have enacted [structural reform policies] and will continue to be consistent with existing policies."

Perry said Indonesia needed to direct its structural reform agenda to improve competitiveness, such as maintaining a conducive investment climate, encouraging diversification away from commodity-based sectors and improving human capital.

Center of Reform on Economics (CORE) Indonesia executive director Mohammad Faisal concurred with Perry, saying structural reform policies needed to be enforced consistently.

"Structural reform need to connect between various policies, such as policy synergy between the fiscal, monetary and real sectors," Faisal added.

Reforms should also be directed toward fostering stronger policy linkage within the manufacturing sector to reduce dependency on imported raw and auxiliary materials, he said.

# Debate invigorated by Prabowo's fiery attacks

Fachrul Sidiq and  
Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

The fourth presidential debate between incumbent Joko "Jokowi" Widodo and challenger Prabowo Subianto on Saturday unexpectedly provided a platform for heated arguments — and laughter.

As the candidates delved into ideology, governance, security and foreign affairs, they confronted each other while also finding common ground on being victims of smear campaigns. At the end, they vowed to cherish their friendship.

Unlike the previous debate, Prabowo got personal and fiery as he talked about his commitment to Pancasila while facing allegations that he supported procaliphate groups.

"My mother was a Christian. I was born from the womb of a Christian," he said, emphasizing that Pancasila is a foundation that should be instilled in the younger generation.

The former army general, the son-in-law of former president Soeharto who was dismissed from the force after the fall of the country's longest-serving president, criticized the state of the military, calling it "weak" and claiming that government spending was too low.

Prabowo attacks Jokowi on defense issues, seeks clarification on, procaliphate rumor

Both candidates apologize to each other, vow to keep friendship

At times Prabowo was tough on the audience, saying at one point, "So, you're laughing? I say that Indonesia's defense is weak and you're laughing? Go ahead and laugh."

Jokowi appeared to be more poised and reserved, throwing jokes while emphasizing his points.

"We need a Dilan [*digital melayani* or digitally serving] government because service is also about speed," he said in the governance session, in direct reference to a popular character in a blockbuster coming-of-age movie.

Both Prabowo and Jokowi lamented how misleading information and hoaxes had tarnished their image. Prabowo denied a rumor saying he was in a position to support the establishment of a caliphate.

Meanwhile, Jokowi said he had been the target of hoaxes for the past four-and-a-half years, including accusations of being a communist.

Jokowi also criticized politicians who proliferated hatred.

"Let's show that we are good leaders who never insult one another. Let's be great examples of tolerance and friendship to the younger generation," he said.

Jokowi gave a warm closing to the night.

"Pak Prabowo, I love to ride my bike. When I'm riding my bike, the bike's chain often breaks. But please rest assured that the chain of friendship between us will never be broken," he said.

Prabowo apologized to Jokowi for raising his voice during the debate in his closing statement, saying that it was because the audience "would not like a too-friendly debate".

"I'm sorry if my voice was too loud because I'm half Banyumas and half Minahasa. You are from [Surakarta], so you're soft-spoken. People from Banyumas are like the Batak people of Java," he said.

The debate largely received mixed responses from social media users, with the incumbent seen as more affable than the challenger.

Monitoring watchdog Politicawave recorded that 74 percent of the conversations about Jokowi had positive sentiments while Prabowo had 52 percent of the conversations in a positive light.

Jokowi received most of the positive feedback for bringing up Dilan, which is seen as relevant to

the trend of digitalization, while Prabowo was mostly praised for saying Pancasila "is final" as the country's ideology.

Political observer Pangi Syarwi-Chaniago of Voxpol Center Research and Consulting said Prabowo tried to win the stage by appearing more confrontational.

"But it was not really productive. He got angry and that's not good [in a public appearance]," he said.

Indikator Politik Indonesia executive director Burhanuddin Muhtadi said Prabowo tried to attack Jokowi on defense issues, which he knows well as a former service man.

"Jokowi was well prepared because he knows what he's been doing [in the past five years]," he said.

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J. Post

# Jokowi, Prabowo lock horns over foreign policy

Dian Septiari  
THE JAKARTA POST/JAKARTA



President Joko "Jokowi" Widodo and his challenger, Prabowo Subianto, showed different approaches to foreign policy during a fierce televised debate on Saturday night, with the former highlighting Indonesia's strategic position as a Muslim democracy and the latter emphasizing what he said was the nation's weak firepower on the global stage.

A question posed by a panelist about what made Indonesia great on the international stage quickly turned into a fiery argument over the role of military power in foreign policy, with Jokowi being a multilateralist fighting for peace and Prabowo a realist preparing for imminent war.

Jokowi argued that as a country with the largest Muslim population in the world, Indonesia has the ability to solve religious-based conflicts throughout the world, including mediating peace in the case of the Rohingya refugee crisis in Myanmar.

In response, Prabowo said diplomacy should not just be about being a mediator. "Diplomacy should be part of defending our key national interests. Diplomacy needs to be backed up by power. If diplomacy is based only on smiles, just being a nice guy, then how can we defend our interests. If people come into our country, what will we do?" he said.

He said that while Indonesia wanted to "act as a mediator and as a nice guy," the country was not very respected internationally because of its debts and weak currency.

Prabowo later called out Jokowi's aides for not giving him

adequate briefings on Indonesia's preparedness for war, saying "if you want peace, prepare for war. We should never act as if there will never be any war".

Jokowi, however, said Indonesia's military was adequate, citing the defense budget of Rp 107 trillion (US\$7.5 billion), the second largest behind the Public Works and Housing Ministry.

According to the Asia Power Index 2018 by the Sydney, Australia, based Lowy Institute, Indonesia ranked 10th strongest among

Jokowi touts Indonesia's status as world's largest Muslim majority country as diplomatic advantage

Prabowo believes diplomacy must be backed up by strong military

25 countries in the Asia Pacific region after Singapore (eighth) and Malaysia (ninth). The index was based on various indicators including economic resources, military capability, diplomatic influence, economic relationships and defense networks.

Jokowi said increasing the defense budget was not a priority, citing strategists who said there was no threat of foreign invasion in the next 20 years.

"Now our priority lies in infrastructure, and next is human development. Maybe in the future defense will become our priority, but there are steps for the nation's development," Jokowi said.

This is where Prabowo differed from Jokowi. He said, "When I was still a second lieutenant in 1974, I was told that in the next 20 years Indonesia would not be involved in any wars. But in 1975, the East Timor conflict started."

Teuku Rezasyah, an international relations expert from Padjajaran University in Bandung, West Java, said the candidates' backgrounds — Jokowi as an entrepreneur and Prabowo as a former military general — reflected their views regarding foreign policy.

Prabowo, he said, believed that diplomacy required the support of a strong military, and that without it, the country could not play a significant role in global affairs.

"This is acceptable thinking.

Even the United States' soft power is based on its hard power."

He argued that Prabowo's beliefs had roots to his military training.

Prabowo graduated from the Military Academy in 1974. He served in the Army Special Forces (Kopassus) from 1976, during which he led missions in East Timor. He completed an Advanced Infantry Officers Course in commando training at Fort Benning in the United States in 1985.

Jokowi, he said, mostly relied on Vice President Jusuf Kalla and the Foreign Ministry to handle foreign affairs while he focused on his top priority, infrastructure. "Jokowi thinks incrementally, slowly, but Prabowo thinks why don't we start making actual change from now on," he said.

However, some experts were not impressed by Prabowo's arguments.

Military expert Mufti Makarim of the Institute for Defense and Peace Studies (IDPS) described Prabowo's argument as "old-fashioned", saying that it could only come from a general who thought the military was the only factor in international relations.

"Prabowo's approach is to make us feel like we are in constant crisis [...] while Jokowi's approach is to see the state as having many pillars, with defense being just one of them," he said.

Fitriani of the Centre for Strategic and International Studies (CSIS) said the two candidates spoke on the areas they felt most comfortable in, with Prabowo talking about defense and Jokowi about governance.

"They offered different solutions, Prabowo said we should increase the defense budget but the question is where would you take the funds from?" she said.

## Debate Round 4: Fact check



Joko "Jokowi" Widodo

**Statement:**  
Budget allocated for the Defense Ministry is Rp 107 trillion (US\$7.5 billion), the second-largest after the Public Works and Housing Ministry

**TRUE**  
The Defense Ministry is one of the top beneficiaries in the annual state budget, receiving more than most other ministries and state institutions. In the 2019 budget, the ministry gets an allocation of Rp 108.4 trillion, the second-largest

Prabowo Subianto

**Statement:**  
The budget for defense amounting to Rp 107 trillion is just 5 percent of our state budget [...]. On the other hand, Singapore's defense budget is 30 percent of their state budget.

**TECHNICALLY TRUE, BUT**  
The percentage of the state budget allocated to defense is slightly higher than stated by Prabowo. While the Rp 108.4 trillion budget allocated for defense is the second-highest compared to other categories, it is only 7.5 percent of the Rp 1.45 quadrillion state budget in 2019. This is relatively small compared to the allocation for public services (35.59 percent), economy (26.8) and social welfare protection (13.81).

On the other hand, Singapore has allocated a larger portion of its state budget to defense than its neighbor Indonesia, as the country sees that

figure among the allocations for the cabinet ministries. The largest amount goes to the Public Works and Housing Ministry, which receives Rp 110.7 trillion this year.

The budget will be used for military services and goods procurement, defense equipment production and development by the domestic industry, as well as maintenance for land, sea and air military personnel and equipment.

**Statement:**  
We do not need many institutions in the government. In the last four-and-a-half years, my administration has disbanded 23 institutions. The disbandment made it easier for these institutions to make decisions as well as avoiding complicated bureaucracy.

**TRUE**  
From October 2014 to February 2019, Jokowi has issued at least five decrees ordering the disbandment

"security threats are evolving and becoming more complex."

"Given its strategic significance, the Government will continue to invest a significant share of our resources — about 30 percent of our total expenditure this year — to support our defense, security, and diplomacy efforts," as written in the 2019 budget speech of the Singapore government.

**Statement:**  
About Freeport, I realized that we already control most of their shares. However, do you [Jokowi] realize that the company reported to the New York Stock Exchange that it still received about 81 percent of the benefit [from the operation]?

**TRUE**  
The government announced in December last year that Indonesia had become the majority owner of PT Freeport Indonesia (PTFI) after increasing its share ownership from 9.36 percent to 51.23 percent through

of 23 state institutions working in various fields. After disbanding such bodies, the government later integrated employees, budgets and assignments from the disbanded institutions to existing ministries and other state institutions.

For example, Jokowi officially merged the National Reducing Emissions from Deforestation and Forest Degradation Agency (BP REDD+) and the National Council on Climate Change (DNPI) with the Environment and Forestry Ministry in January 2015, as stipulated in Presidential Decree No. 16/2015.

BP REDD+ was the world's first Cabinet-level institution working specifically on deforestation, forest degradation, conservation, sustainable management of forests and enhancement of forest-carbon stocks. Meanwhile, the DNPI served as the national coordinator for international negotiations on climate initiatives.

Both bodies were integrated into the Climate Change Mitigation Directorate General in the ministry.



a \$3.85 billion deal. A statement issued by Freeport McMoRan (FCX) mentioned arrangements that provided for FCX and the pre-transaction PTFI shareholders to retain the economics of the revenue and cost sharing arrangements under the Joint Venture of PTFI and Australian-based mining company Rio Tinto.

"As a result, FCX's economic interest in PTFI is expected to approximate 81.28 percent through 2022," the company wrote in the statement. It added FCX would continue to manage the operations of PTFI.

# Kalla fires up Jokowi campaign

Marguerite Afra Sapiie  
THE JAKARTA POST/MAKASSAR



The election campaign of President Joko "Jokowi" Widodo in the eastern part of Indonesia got a big boost on Sunday after Vice President Jusuf Kalla, a respected figure in South Sulawesi, joined his open rally in Makassar.

In his capacity as the head of the Jokowi-Ma'ruf Amin campaign team steering committee, Kalla made his first appearance at a Jokowi campaign rally, addressing thousands of supporters and asking them to vote for the incumbent in the April 17 election.

The politicians, accompanied by their wives — First Lady Iriana and Mufidah Jusuf Kalla — arrived at the event in Karebosi Field in the morning, riding *becaks* (pedicabs) from the official residence of South Sulawesi Governor Nurdin Abdullah, who also attended the campaign event with other political figures.

Kalla kept his speech short and concise, saying that Jokowi was an accountable and down-to-earth leader who had what it takes to move Indonesia forward, including by maintaining political stability and good governance.

"Pak Jokowi is a democratic leader who accepts the viewpoints of all parties and such a trait is a requirement [for Indonesia] to be a developed country," Kalla said before the crowd.

The incumbent, on the other hand, spoke highly of Kalla and boasted of their cordial relation-

Kalla joins Jokowi's first open rally in Makassar

Jokowi won 62 percent of 2014 vote in Sulawesi, his electability in region now below 50 percent

Prabowo addresses supporters in Sidoarjo, East Java

ship in his speech, saying that throughout the nearly five years of their administration, they never stood in opposition and always worked with each other to handle all issues.

Jokowi said he and Kalla always divided their tasks. For instance, they toured different regions in the country when they needed to monitor construction projects. They also divided tasks when they need to attend different international forums.

"I always walk in harmony alongside [Kalla]. Every time I have to make a difficult decision, I always consult him first to ensure that the decision will be good for the people," Jokowi said.

During the 2014 presidential election, Jokowi and Kalla won the majority of votes (71 percent) in a landslide victory in South Sulawesi, defeating rival Prabowo Subianto and Hatta Rajasa by a margin of 42.86 percent. Overall on Sulawesi island, Jokowi won around 62 percent of the vote.

Many attributed Jokowi's victory to the fact that he had Kalla as running mate. The Golkar Party senior member and South Sulawesi native is a well respected figure in the province and other regions in eastern Indonesia. At the time, Sulawesi was also considered a stronghold of Golkar.

A recent Centre for Strategic and International Studies (CSIS) survey, however, showed that Jokowi's electability in Sulawesi is now only at 47.9 percent, while that of Prabowo is 37.9 percent. An earlier survey by *Kompas* newspaper showed that Prabowo's electability increased from 38.5 percent in October to 41.4 percent in early March, while that of Jokowi rose from 44 to 45 percent.

Analysts believe Jokowi's decision to tap Ma'ruf Amin, known as a Banten figure, might have cost him some support in the eastern part of the country.

CSIS researcher Noory Okthariza said while Jokowi was set to win in eastern Indonesia, the absence of Kalla had reduced support for the president.

According to the CSIS poll, more people of the Bugis ethnic group (39.8 percent) from South Sulawesi — Kalla's hometown — had now chosen to vote for Prabowo.

"It could have been because Kalla is not running in this year's election. Those who voted for Jokowi in 2014 might have switched to the other side," Noory said. "The difference between Jokowi and Prabowo, however, was only 2 percent. I think the incumbent still has a pretty good chance there," he added.

It does not help that Kalla's nephew and Golkar Party politician Erwin Aksa decided to support the rival Prabowo-Sandiaga ticket. Kalla said Erwin did not consult with him before making the decision.

While not participating in the election as candidate, Kalla might still have influence over Jokowi's chances in eastern Indonesia, Noory said. "The effect might be bigger for those who lives in Su-

lawesi, thanks to Kalla's personal influence and through the Golkar Party, as well as his large family."

Separately, PDI-P secretary-general Hasto Kristiyanto thanked Kalla for his support for Jokowi and Ma'ruf, saying they aimed to repeat Jokowi's success in South Sulawesi in 2014.

"With Pak Jokowi and [Kalla] campaigning together in Makassar and other provinces in Sulawesi, we are optimistic to gain more support from all citizens in Sulawesi," Hasto said on Sunday.

Meanwhile, Prabowo and Sandiaga held a campaign rally in Sidoarjo, East Java, on Sunday, during which the presidential candidate criticized certain political elites whom he claimed controlled the majority of national assets.

Prabowo said he had publicly revealed the issue during the presidential debate on Saturday,

when he explained that Indonesia's assets were not kept within the country's territory. The elites gained a lot of money from stealing, he said.

"I know this because I've been friends with them since I was little. I know where they hang out. Many of their subordinates don't like the situation, so they told us. We know the amount of the bribes," Prabowo said.

Despite a certain presidential candidate's efforts to roll out assistance cards — in a strong reference to Jokowi — it would not have much impact because the country had no money to fund the program, Prabowo said.

KHARISHAR KAHFI AND WAHYOE BOEDIWARDHANA CONTRIBUTED TO THIS STORY FROM JAKARTA AND SURABAYA.

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## **Golkar optimistic on legislative poll result**

**JAKARTA:** The Golkar Party has said it is confident it can get 110 seats in the House of Representatives, an increase of 18 percent from the 2014 poll, despite the recent arrest of former member Bowo Sidik Pangarso, who has been named a graft suspect by the Corruption Eradication Commission (KPK).

Bowo has been accused of accepting a bribe in a corruption case related to shipping projects at the country's largest fertilizer company, PT Pupuk Indonesia Holding Company (PIHC). The KPK said the bribe was used to help Bowo run in the 2019 legislative election. The money was reportedly going to be used to buy votes a few hours before the polls opened on election day, April 17.

Golkar Party leader Airlangga Hartarto expressed his optimism at an inauguration event for the party building in Pekalongan City, Central Java. "The party has decided to deactivate *Pak* Bowo, so he can concentrate on his personal affairs," Airlangga said on Saturday as quoted by Antara.

In Central Java, Airlangga said the party targeted to get 15 seats from a total of 77 seats in the provincial legislative council.

Airlangga also told Golkar members to campaign for incumbent President Joko "Jokowi" Widodo to be able to get more than 65 percent of the vote in Central Java. — *JP*

POLITICAL PARTY

# PDI-P: Opposition force that rose to become ruling party

Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

The ruling Indonesian Democratic Party of Struggle (PDI-P) was established on Jan. 10, 1973 under the name the Indonesian Democratic Party (PDI).

The origins of the PDI-P can be traced back to 1927, when Indonesia's founding father and first president Sukarno founded the Indonesian National Party (PNI).

Following Sukarno's downfall in the late 1960s, the PNI established a fusion of four major parties — the Indonesian Christian Party (Parkindo), the Catholic Party, the Independence Vanguard Party (IPKI) and the Murba Party — and, thus, the Indonesian Democratic Party (PDI) was born.

Most PDI members at that time came from the PNI and had large supporter bases in Central Java and East Java. Until today, the two large provinces remain major strongholds of the PDI-P.

The idea of changing the party's name to the PDI-P first arose in 1993, when Sukarno's daughter Megawati Soekarnoputri, Indonesia's fifth president, was elected as PDI chairwoman by a congress in Surabaya, East Java. However, reports say that the then authoritarian president Soeharto did not want her to lead the party and replaced her with Soerjadi.

The internal feud escalated, leading to a bloody attack on the PDI headquarters in Central Jakarta, which resulted in the deaths of dozens of members. After the attack, Megawati declared that her supporters would not take part in the 1997 general elec-

**Indonesian Democratic Party of Struggle (PDI-P)**

Established Jan. 10, 1973  
Reestablished Feb. 14, 1999

**Central board**

Chairwoman: Megawati Soekarnoputri  
Secretary-general: Hasto Kristiyanto  
Treasurer: Olly Dondokambey

Number of votes	
2009	14.6 million (14 percent)
2014	23.6 million (19 percent)

tion, thus severely weakening the PDI's performance in the election. The Soerjadi-led PDI only secured 11 seats in the House of Representatives.

The downfall of Soeharto's 32-year regime in 1998, along with economic and political crises, gave pro-Megawati PDI members an opportunity to establish the PDI-P and name her the party chairwoman so the party could contest the 1999 election. Until now, Megawati still leads the PDI-P and has become the party's icon and patron.

In 1999 legislative election, the PDI-P won 33.74 percent of the vote, not enough for Megawati to assume the presidency. A coalition eventually endorsed Abdurrahman "Gus Dur" Wahid as president and Megawati as vice president.

Two years later, however, Gus Dur was impeached and replaced by Megawati.

After becoming the country's first women president, Megawati failed to secure victory in the next

presidential elections in 2004 and 2009, losing to retired army general Susilo Bambang Yudhoyono. During this period, the party was the main opposition party in the House of Representatives and no members of the party worked in Yudhoyono's administration, which lasted for 10 years.

In the 2014 election, PDI-P member and then-Jakarta governor Joko "Jokowi" Widodo won the presidential election, bringing the party to power. The party also won the most votes in the election, defeating the Golkar Party and Yudhoyono's Democratic Party, which had secured the most votes in 2009.

By endorsing Jokowi's reelection bid in 2019, some have predicted that the PDI-P will secure the most votes in the next legislative election as the party is expected to benefit the most from the coattail effect of the incumbent.

The latest poll by *Kompas* found that the PDI-P's electability was 26.9 percent, the highest of all parties. Other major parties, such as Gerindra, the party of Jokowi's contender Prabowo Subianto, and Golkar, trail with 17 percent and 9.4 percent, respectively.

PDI-P executive Hendrawan Supratikno has expressed confidence that his party's electability would remain consistent, despite being the target of numerous smear campaigns.

"We've been attacked by hoaxes, fake news and smear campaigns. Yet, we still top [the polls]. That means the people hold consistent perspectives of the PDI-P," Hendrawan said.

# Cement firms expect flat sales, plan consolidation

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## Winnie Tang

THE JAKARTA POST/JAKARTA

Big cement producers will continue their cost-efficiency strategy and seize opportunities to acquire other players amid a cement oversupply that has consistently dragged down their financial performances.

Cement maker Indocement Tunggal Prakarsa, part of the Salim Group, said the company faced many challenges last year due to the increase in coal prices, the rupiah depreciation and cement oversupply.

"Our production costs from coal increased by 40-55 percent last year," said Indocement president director Christian Kartawijaya in Jakarta recently.

The publicly listed company has posted a decline in net income for four consecutive years since 2015.

The firm's revenue was up 5.26 percent year-on-year (yoy) to Rp 15.19 trillion (US\$1.06 billion) last year. However, its net income plunged 38.4 percent yoy to Rp 1.15 trillion.

To anticipate declining profits, Indocement has prepared a long-term strategy to substitute coal with alternative, refuse-derived fuel (RDF). In September, Indocement collaborated with the West Java administration to buy 500 tons of RDF derived from 1,500 tons of processed community waste.

In 2019, Indocement is targeting a conservative sales growth of 4 percent to Rp 15.8 trillion on the back of a slowdown in cement consumption. Christian predicts demand for cement to pick up in the second half of 2019, after the April 17 presidential election.

It believes cement consumption will be driven by government infrastructure and the construction of residential projects and buildings, either in Java or outside Java.

Indocement has set aside Rp 900 billion to Rp 1 trillion in capital expenditure (capex) that would be sourced from internal cash.

The capex would be used for business expansion, including

Indocement faces many challenges due to increase in coal prices

Semen Indonesia acquires Holcim Indonesia through subsidiary SIIB

adding a quarry in West Java to support production and the completion of cement terminals.

The country's cement industry is still sluggish. Domestic consumption grew by only 4.9 percent to 69.51 million tons last year, according to data from the Indonesia Cement Association.

Demand for cement is concentrated in Sumatra and Java, which contributed 74 percent of total national cement production. The remaining demand comes from Kalimantan, Sulawesi and Nusa Tenggara.

Foreign cement companies, especially from China, have also intensified the competition in the cement industry, prompting big cement players to find opportunities to consolidate.

Indocement, which has Rp 7.22 trillion cash on hand, said the company was always looking for possible opportunities to acquire other cement company or factories.

"Every year, we look for acquisition opportunities. If the [plant's] location is good and it could give value added to us, we will consider it," he said.

Semen Indonesia, a publicly listed company with the ticker symbol SMGR, recently acquired Holcim Indonesia through its subsidiary Semen Indonesia Industri Bangunan (SIIB) as part of a wider effort to expand its market share in the domestic market, diversify its products and boost efficiency.

After the acquisition, due to the change in controlling shareholders, Holcim Indonesia changed its name to Solusi Bangun Indonesia (SBI).

Semen Indonesia corporate secretary Agung Wiharto said recently that the acquisition aimed at expanding the company's network of cement factories across the country.

## COAL MINING

# Indo Tambangraya upbeat about sales as demand still high

Riska Rahman

THE JAKARTA POST/JAKARTA

Mining company PT Indo Tambangraya Megah will focus on developing its coal business as its mainstay while also working on renewable energy and exploring other non-coal mines.

Even though many of its main export destination countries, like China and Japan, are reducing their use of coal to fire their power plants, the publicly listed company is still upbeat about its coal export volume will continue to rise.

Indo Tambangraya director Jusnan Ruslan said although those countries would increase the use of other energy alternatives, the demand for coal would remain high.

"The rise of the electricity use would still potentially increase our sales to our main export destinations," he said, adding that coal consumption in India and China had yet to show signs of slowing down.

Moreover, he said, the increase in energy use in Southeast Asian countries that still relied on coal-fired power plants, such as Malaysia, the Philippines and Vietnam,

could also boost sales this year as the firm would still maintain its focus to fulfill demand from the region.

According to the annual World Energy Outlook report, published by the International Energy Agency last year, coal consumption rose in 2017 after two years of decline due to increasing demand from India and Southeast Asia. The report also indicated that the so-called "dirtiest fossil fuel" would remain a key fuel to provide electricity and heat through 2040, according to Bloomberg.

Narada Asset Management analyst Kiswoyo Adi Joe told *The Jakarta Post* that the declining use of coal in several of the Indo Tambangraya's main export destinations would not hurt the company's performance due to strong Southeast Asian sales.

Because of these reasons, Indo Tambangraya director Yulius Kurniawan Gozali said the miner aimed to increase its coal sales to 26.5 million tons this year compared to last year's total sales of 23.5 million tons. In the meantime, he said, the firm expected its production to reach 23.6 million

tons this year, up by 6.79 percent from last year's production.

He said the increase in sales and production would hopefully jack up its revenue in 2019, as long as the coal price was stable at US\$75 to \$80 per ton. This would allow the company to gain up to \$2.1 billion in revenue this year. The figure is higher than the company's 2018 revenue of \$2.01 billion. However, the company's profit increased by 3.7 percent to \$261.95 million last year due to an increase in the cost of revenue, which exceeded 20 percent, among other reasons.

In order to achieve the company's revenue target and increase its financial performance this year, Yulius said the firm had allocated \$121.9 million in capital expenditure (capex).

Around \$60.4 million of the funds would be used to buy new equipment and machinery, as well as expand mine-supporting infrastructure.

He added that Indo Tambangraya was also looking to acquire another coal mine this year after it acquired Nusa Persada Resources in Central Kalimantan but declined to go into detail.

Besides eyeing a new coal mine, Indo Tambangraya director Muliando said the company was also exploring to acquire other non-coal mines to diversify its business.

"We also plan to expand our business to renewable energy power plants, specifically solar and hydropower," he said.

Yulius added that the miner was conducting several feasibility studies for solar-powered and hydro-powered power plants, which would be sold to another party. Given that the study is ongoing, he declined to reveal the capacity or when the company would start building the power plant.

He said the firm currently owned a 3-megawatt solar-powered power plant run by subsidiary PT Indominco Mandiri complex in Bontang, East Kalimantan, to fulfill its own power needs.

Kiswoyo said he lauded the company's effort in diversifying its business, saying that it could reduce the company's dependence on coal for revenue in the future.

"But for now, the company will still rely almost all of its revenue on coal," said the Narada analyst.