

Election protests lose steam

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As government officials and civil society organizations continue to discourage the public from attending a rally in front of the General Elections Commission's (KPU) headquarters following the planned announcement of the 2019 election results on Wednesday, political parties in presidential candidate Prabowo Subianto's coalition have distanced themselves from the event.

As of Monday, with over 90 percent of the vote tallies in, the KPU's official vote-count website puts the Joko "Jokowi" Widodo-Ma'ruf Amin ticket ahead with 55.5 percent of the vote compared to Prabowo-Sandiaga Uno's 44.5 percent.

Prabowo has claimed that his team found evidence of massive, structured and systematic cheating and said he would reject a "fraudulent" election result. Gerindra Party deputy chairman Fadli Zon has also said the Prabowo camp would not file a petition with the Constitutional Court, leaving them with few other legal options.

Shortly before the election, Prabowo campaign adviser and National Mandate Party (PAN) patron Amien Rais said he would use "people power" if he found systematic election fraud.

While a number of Prabowo-Sandiaga supporters, mostly associated with the conservative Muslim 212 Movement, have announced that they would stage a mass protest in front of the KPU's headquarters on Wednesday, coalition political parties have been more circumspect.

The Democratic Party, which has been a reluctant coalition member since the candidates were announced last August, guaranteed it would not take part in the demonstrations.

"I guarantee that the Democratic Party will not participate in [the protests]," Democrat secretary-general Hinca Panjaitan said on Monday as quoted by Antara, adding, however, that the party would remain part of Prabowo's coalition until the official results were announced.

PAN, meanwhile, has shown mixed reactions. Party chair-

Prabowo's coalition of political parties have backed down ahead of rally

Government fears protest would be target for terror attacks

man Zulkifli Hasan has met President Jokowi multiple times since election day and even congratulated vice-presidential candidate Ma'ruf for his apparent victory.

"Congratulations to Pak [Ma'ruf] and Pak Jokowi, of course, we will wait for the official announcement, but the signs can already be seen," Zulkifli said at an iftar event on Sunday evening.

PAN executive Bara Hasibuan, who has often complimented Jokowi, also called on PAN mem-

bers to refrain from joining the protests.

"I think all the parties should urge their members not to join such movements, people power or whatever it's called," he told reporters on Monday. "In the end, [the protests] will create a big setback for democracy."

Amien, however, remains firmly in favor of a public protest against the election results, though he has given it a new name: "the people's sovereignty movement" in place of "people power".

Zulkifli said the party would only release an official statement on Tuesday.

The Prosperous Justice Party (PKS) has also been less than forthcoming about its official stance, though some of its leaders have signaled that they will accept the KPU's results.

Party executive Mardani Ali Sera, one of the founders of the vocally anti-Jokowi #2019GantiPresiden (2019ChangePresident) movement, said earlier this month that the hashtag was retired following election day.

When asked about the PKS's potential involvement, or lack thereof, in Wednesday's protests, Mardani only said: "The PKS remains in the [Prabowo] coalition and will continue to fight democratically according to prevailing laws and regulations, and always in a constitutional manner."

Prabowo's own Gerindra Party has denied direct involvement in the protests, calling it a "movement of the people".

Meanwhile, the government has claimed that the protests are being targeted for terror attacks.

In addition to arresting ter-

ror suspects for planning attacks under the cover of the rallies, the authorities also arrested suspects under the suspicion of attempting to smuggle weapons in relation to the rallies, Presidential Chief of Staff Moeldoko said.

"The motive must be to create chaos [...] they can fire at the crowds to make it as if the gunshot is coming from the security personnel, be it the police or military, which could trigger chaos," Moeldoko said on Monday.

He went on to say that the government was not trying to scare people off but was relaying verified information to protect people from danger.

Coordinating Maritime Affairs Minister Luhut Pandjaitan echoed Moeldoko's comments, adding that protesters who crossed the line and committed treason could be arrested.

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Bawaslu rejects Prabowo team's report

JAKARTA: The Elections Supervisory Agency (Bawaslu) has rejected a report filed by the Prabowo Subianto-Sandiaga Uno campaign team alleging that the Joko "Jokowi" Widodo-Ma'ruf Amin ticket used vote-buying tactics to persuade civil servants to vote for it.

"We declare that the report alleging structured, systematic and massive campaign violations has been rejected," Bawaslu head Abhan said during a pretrial hearing on Monday in Jakarta, as quoted by Antara.

Bawaslu said that it had declined to follow up on the report because of a lack of evidence.

The Prabowo-Sandiaga campaign team had cited printed online news reports as evidence, which according to Bawaslu failed to fulfill its "systematic" criteria.

A member of the Prabowo-Sandiaga campaign team, Dian Fatwa of the National Mandate Party (PAN), said that Bawaslu's decision was "strange" and "unfair".

"We used the news regarding Government Regulation no. 15/2019 on pay raises for state civil servants as evidence," she said in a statement, referring to a regulation issued on March 13, which was within the campaign period.

"This was vote-buying. What is the difference between this and legislative candidates giving out money and food, or even promising voters they can go on umrah [minor haj]" she added.

She said that such a move was made possible by Jokowi's incumbent status and cited news reports saying that the regulation had helped boost the electability of the Jokowi-Ma'ruf ticket, which the team had also filed as evidence with Bawaslu.

The team also pointed to Government Regulation No. 11/2019 on pay raises for village officials signed on February 28 as evidence and had prepared a number of state officials as witnesses.

Dian said Bawaslu's decision was unfair as the agency did not bother questioning witnesses prepared by her team and questioned the agency's credibility. —JP

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Jakartans brace for election results

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THE JAKARTA POST/JAKARTA

Companies and schools in Jakarta are bracing for the official announcement of the general election results slated for Wednesday as some opt to close operations while it will be business as usual for others.

Supporters of Prabowo Subianto, who is expected to lose the election, are planning to hit the streets in a rally on Wednesday to challenge the election results at the General Elections Commission's (KPU) office.

Abdul Kader, 25, a sales representative for a start-up, said his employers had urged workers to work from home on Wednesday while its two offices in Rasuna Said in South Jakarta and Tanjung Duren in West Jakarta would be closed.

"I still have to meet clients on May 22 but my coworkers will work from home," Kader told *The Jakarta Post* on Monday.

"I'm personally not worried about the protest, but I'm more worried of the potential for a terrorist attack," he added.

The authorities will also beef up security for the announcement as at least 32,000 personnel from the National Police and Indonesian Military (TNI) will be deployed in Jakarta. The police raised the security alert after they claimed to have uncovered a terrorist plot that would have used the protests to launch attacks.

The police's antiterror squad, Densus 88, has rounded up at least 68 terrorism suspects since the beginning of this year. Twenty-nine of them were arrested this month alone on suspicion of plotting attacks under the cover of the May 22 rally.

The United States Embassy in Jakarta issued a security alert on Friday, warning its citizens of a "heightened risk of terrorism in connection with the finalization of election results".

Yudha Farisky Ramanda, 23, who works for a private company in the MidPlaza office tower on Jl. Jendral Sudirman, Central Jakarta, said although the company would still be open on Wednesday, it had advised employees to work from home.

"I will work from home. Even if I go out, I will avoid Central Jakarta," Yudha said, adding that he felt anxious over the scale of the protest.

Puspita Nurfadhillah, 23, a marketer for an e-commerce company in Sudirman Central Business District (SCBD) in South Jakarta, said it would be business as usual for her office on Wednesday.

However, she said the company had warned employees to be extra careful and take routes that avoid the areas where the rally would pass by, such as the KPU office and the Elections Supervisory Agency (Bawaslu) office, both in Central Jakarta.

Jakartans advised to be extra careful on Wednesday amid planned protest

Thousands of security personnel deployed across Jakarta

"We were advised not to hold meetings outside the office. We were also given a step-by-step guide on how to act if we face an emergency in or outside the office," Puspita said.

She added that the company would shorten working hours so employees could leave early, before the afternoon rush hour starts.

Meanwhile, Tiwi, 26, a tax officer for a private company headquartered in Harmoni, Central Jakarta, said she would go to the office as usual because her employer had yet to give special instructions.

"However, my family is a bit worried and told me to skip work on May 22. My colleagues were also asked to skip work by their families. But the office has yet to make an announcement, so I don't know whether to work as usual," she said.

Some schools will also remain open on Wednesday while others are taking extra precautions by closing.

SD 01 Menteng state elementary school in Central Jakarta, located near the KPU office, will operate as usual, headmaster Slamet said.

"We advise teachers and students, especially those who live far away to anticipate [disruptions]," Slamet told the *Post*, adding that the decision was made as there was no instruction to close from the Jakarta Education Agency.

Santa Maria Fatima School in Jatinegara, East Jakarta, will close on Wednesday, the school's foundation representative Afrida said, citing that the decision was made to anticipate any unwanted incidents.

Sarinah department store, located just across the road from the Bawaslu building, will also operate as usual, trading and property director of the mall's management company PT Sarinah Indyruwani Asikin Natanegara said.

"None of Sarinah's partners or tenants will close. We will remain alert and increase security [on Wednesday]. We hope that everything goes well," Indyruwani said.

Tutum Rahanta, deputy chairman of the Association of Indonesian Retailers also said retail stores under the association would operate as usual on Wednesday. He believed that the authorities had worked on preventive and protection measures to secure the rally during the election result announcement, he said as reported by *kontan.co.id*.

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Rupiah continues to weaken

JAKARTA: The rupiah's depreciation continued on Monday, when it fell to 14,478 to the US dollar from 14,469 on Friday.

The currency started depreciating in early May, after it was valued at 14,245 to the dollar on May 2.

Analysts believe the escalating trade war between China and the United States has made investors shy away from high risk assets.

Securities firm Samuel Sekuritas Indonesia analyst Ahmad Mikail said the trade war put investors in wait-and-see stance even though there was a chance that the US dollar index would fall from 97.9 to 97.8 on Monday.

He also said the dollar could weaken against other major global currencies, like the euro and the yen. "Investors prefer the yen as safe haven for their assets amid the escalating trade war," Ahmad said as reported by *kontan.co.id*.

In the latest development in the trade war, the US prohibited Chinese telecommunications company Huawei from conducting any

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Global slowdown overshadows budget

JAKARTA: Finance Minister Sri Mulyani Indrawati has said Indonesia would still face a tough external economic challenge in 2020 because of an adverse geopolitical situation that was triggered by a trade war between the United States and China.

She was speaking before House of Representatives' lawmakers in a plenary session on Monday when she submitted the government's macroeconomic indicators and basic fiscal policies for the 2020 state budget.

"It [the trade war] will risk global economic growth and will weaken international trade," Sri Mulyani said as quoted by *kontan.co.id*.

She said global economic growth will weaken not only because of the US-China trade war, but because of the United Kingdom's unresolved Brexit issue and economic crises in Turkey and Argentina.

The minister said the situation was reflected in Indonesia's exports in the first quarter of 2019, which declined by 2.08 percent year-on-year.

Sri Mulyani said the government's efforts to narrow the current account deficit had also contributed to the economic weakening. She cited a 7.7 percent decline in imports as an issue because Indonesian imports were dominated by raw materials and capital goods needed by manufacturing industries. — JP

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FINANCE

Current account deficit not always bad thing: Analysts

Rachmadea Aisyah

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The current account deficit is expected to widen in the coming months as the country's trade deficit is likely to continue to increase, but a large current account deficit does not necessarily have to be translated as a bad omen for the economy, analysts have said.

International ratings agency Standard & Poor's (S&P) Global Ratings said while the current account deficit might appear worrisome, stakeholders should consider what actually negated the current account balance.

Earlier this month, Bank Indonesia (BI) reported that the current account deficit had widened to US\$6.96 billion in the first quarter or 2.6 percent of gross domestic product (GDP), much wider than in the same period last year at \$5.19 billion or 2.01 percent of GDP.

Bank Indonesia forecast that the current account deficit could reach the 3 percent threshold by the end of this year as the escalating trade war between the United States and China could further slow global economic growth.

"[However], in the short-term, a current account deficit is necessary because there is a very strong commitment to building infrastructure, which requires a lot of investment that goes beyond [domestic] savings," S&P Global Ratings economist for Southeast Asia Vincent

Conti told *The Jakarta Post*.

"The general message is that the current account deficit is here to stay [but] as long as it is the result of spending on infrastructure, then it is a good quality current account deficit," Conti added.

Developing infrastructure could generate greater productivity that would reduce the current account deficit, even if the effects of better infrastructure would not be immediate and take several years to bear fruit, which meant there was virtually no short-term solution to deal with the current account deficit, he said.

A current account deficit is when a country imports more goods, services and capital than it exports.

Finance Minister Sri Mulyani Indrawati once said the current account deficit was not a "sin" for developing countries as they needed to import raw materials to produce goods for export. In addition, they need foreign capital to finance infrastructure projects, which can help boost the economy.

It would become a serious problem, however, if the current account deficit exceeded the maximum limit of 3 percent of GDP, because it would create negative sentiments among foreign portfolio investors, which could in turn trigger capital outflows, Sri Mulyani said.

Bhima Yudhistira Adhinegara, an economist at the Institute for the Development of Economics

and Finance, said a widening current account deficit would lead to more demand for foreign exchange and thus undermine the rupiah.

By the time the second quarter concludes, a widening current account deficit could drag the rupiah down to 14,700 against the US dollar from the current 14,495, he told the *Post*.

"The current account deficit could also drive higher interest rates," said Bhima. "If the cost of finance increases, debt maturity [of both the government and corporations] would be heavier and thus increase risks to monetary stability."

Separately, the National Economic and Industry Committee (KEIN) does not expect the current account deficit to recover in the second quarter as imports would continue to increase while exports remain weak.

"High imports and production in the second quarter as well as volatile commodity prices means our current account deficit will have a hard time recovering," KEIN member Telisa Aulia Falianty said.

Center of Reform on Economics Indonesia executive director Mohammad Faisal agreed that the current account deficit could suppress economic growth.

He expected the current account deficit to widen in the second quarter because of the historic trade deficit recorded in April.

Indonesia should push onward with structural reform: IMF

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

An International Monetary Fund (IMF) team has concluded that the country should continue to push for structural reform in tax collection to further carve fiscal space in its budget to finance priority spending.

The IMF team, led by its division chief for Indonesia and the Philippines, Luis E. Breuer, visited Indonesia from May 2 to 14.

In a recently published statement, Luis lauded the government's past policy that reflected its priority to maintain domestic stability amid uncertainty stemming from external uncertainties, while also urging policymakers to further advance tax reform, considering the government's commitment to managing the fiscal deficit.

"Fiscal policy should focus on creating additional [fiscal] space through tax reform and improving the composition and efficiency of public spending," said Breuer, adding that modernization of the tax system and its administrations would play a vital role in financing the government's priority spending areas, such as vocational training, health, infrastructure and social safety nets, among other benefits.

In the 2019 state budget, the government had targeted a fiscal deficit of 1.84 percent of gross domestic product, equivalent to Rp 296 trillion (US\$ 20.45 billion), slightly higher than the fiscal deficit of 1.76 percent booked in 2018.

Breuer said the current fiscal deficit would "strike a balance" between promoting economic

growth while maintaining economic stability in the context of uncertain external financing.

The IMF team projected the economy to expand 5.2 percent in 2019, driven by strong domestic demand and supported by an uptick in lending in the banking sector. The team noted, however, that risks were tilted to the downside.

"Risks to the outlook are tilted to the downside and mainly stem from external sources, including rising trade tensions, sharp tightening of global financial conditions, weaker-than-expected growth in China, and large swings in commodity prices," said Breuer.

He noted, however, that renewed efforts of reform after the elections would boost confidence, investment and GDP growth.

GDP expanded 5.07 percent

year-on-year (yoy) in the first quarter of this year, slightly higher than 5.06 percent booked over the same period in 2018, thanks to strong household spending. The government targeted GDP to grow 5.3 percent this year.

Finance Minister Sri Mulyani Indrawati separately said the government would continue to monitor developments in the global environment, particularly ongoing trade tensions between the United States and China, to assess its effects on the economy amid indication of slowdown in state revenue collection.

Tax revenue, the highest contributor to state revenue, among others, was recorded at Rp 387 trillion as of April this year, having grown 1.02 percent from the amount of revenue collected over the same period last year. The

growth in the first four months of 2019 was in contrast to 10.8 percent tax revenue growth booked in 2018.

"We have already see signs of downturn in the economy with the slowdown of tax revenue growth," said Sri Mulyani, adding that the situation was similar to 2014 and 2015, during which imports and exports also declined due to external factors.

She, however, also pointed out that the decline in the tax revenue had been partly caused by a simpler tax refund process, the regulation for which was issued April last year.

The volatility in commodity prices has also affected the government's nontax revenue, which is heavily reliant on the natural resources sector, as the government collected Rp 93.97 trillion

as of April, lower than the Rp 110.4 trillion collected over the same period last year.

Center for Indonesia Taxation Analysis (CITA) executive director Yustinus Prastowo said the government was caught between a rock and a hard place in terms of collecting tax revenues, saying that a stricter approach to collection would risk disturbing the economy, while a softer collection approach also risked failing the taxation revenue target of Rp 1.78 quadrillion this year.

He also said it would be "reasonable" for the government to revise its state budget following the sluggish revenue performance, suggesting that such a move would be prepared after the General Elections Commission announced the election results on May 22.

RI to sell LNG in spot market as PLN reduces order

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

Indonesia will sell 11 cargoes of liquefied natural gas (LNG) in Asia's spot market after state electricity firm PLN said it was able to buy only six LNG cargoes this year, less than half of the 17 cargoes it initially ordered.

The Upstream Oil and Gas Regulatory Task Force's (SKK Migas) deputy for finance and monetization, Arief Handoko, said recently that PLN had reduced its order for LNG because the company would likely increase its use of coal and maximize the supply of piped gas.

"Besides, there's also a policy that obligates PLN to optimize the use of piped gas before LNG. [...] We need to sell it soon to prevent our inventory from being full," he told reporters last week, adding that the 17 cargoes came from the Badak Natural Gas Liquids (NGL) plant in Bontang, East Kalimantan.

The Badak NGL plant is supplied by eight different gas producers, two of which are Italian energy company ENI SpA and state energy holding company Pertamina.

PLN vice president for public relations Dwi Suryo Abdullah could not be reached for comment on the reduction in the company's LNG order.

PLN to buy six LNG cargoes from its earlier plan of 17 cargoes this year

PLN scales down LNG, likely increase use of coal

Arief further said that selling it to state sub-holding gas company PT PGN was not an option as the firm prioritized natural gas supply. "So selling it on the international market is the sole option. But we need to obtain permission from the energy and mineral resources minister as we will have to sell it below the initial price," he said, adding that Pertamina would act as the government's representative in the global market.

Separately, SKK Migas deputy chairman Sukandar said it should not be difficult to sell the 11 LNG cargoes on the global market or spot market, pointing out that daily LNG transactions in the Asian spot market could reach 20 cargoes.

In March, the government gave the green light to British oil giant BP to export 84 cargoes of LNG from its Tangguh LNG plant in West Papua to Singapore, with the first shipment scheduled for next year.

The government is also in the

process of selling another 40 cargoes of LNG from 2021 to 2025, said Djoko Siswanto, the Energy and Mineral Resources Ministry's oil and gas director general, previously.

"LNG cargoes are still unsold for 2021 to 2025. We have 40 unsold LNG cargoes from BP and Bontang [Badak LNG plant in East Kalimantan]," he said.

Exporting LNG is nothing new for Indonesia. The country was among the top five LNG exporters in 2017. Based on ministry data, Indonesia exports LNG to China, Japan and Taiwan. It also exports natural gas through a pipeline from Sumatra and Natuna waters to Singapore and Malaysia.

As of April, SKK Migas recorded that 22.27 percent of the country's total natural gas exports was LNG. Meanwhile, LNG made up only 10.55 percent of total natural gas domestic consumption.

LNG is different from liquefied petroleum gas (LPG). Indonesia still imports more than 70 percent of its LPG needs as a result of the country's lack of gas supply that matches LPG characteristics.

Last year, the average volume of LNG exports reached 1,907 billion British thermal units per day (bbtud) or almost five times the average volume for LNG domestic utilization at 405.2 bbtud.

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CHEMICAL

Lautan Luas expects trade war to boost exports to US

Made Anthony Iswara

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A publicly listed chemical company, PT Lautan Luas Tbk. (LTL5), says it hopes it would be able to take advantage of the escalating trade war between the United States and China to boost its exports, especially to the US.

The increase of import tariffs imposed by the US on Chinese goods would encourage American companies to source raw materials from other countries. This would offer an opportunity for Lautan Luas and similar companies from other emerging countries to boost their exports.

"With higher import tariffs on Chinese goods, the United States will look for other sources of goods from other countries, especially in Southeast Asia and specifically Indonesia," the company's operational director, Herman Santoso, said on Thursday following the company's annual shareholder meeting.

In the meeting, the shareholders agreed to allocate 30 percent of last year's net profits for dividends.

Lautan Luas, a major integrated chemical company, has 17 manufacturing facilities, which include 14 factories in Indonesia, two in China and one other in Vietnam.

The high tariffs imposed by the US had dealt a major blow to the company's operations in China, as they make its chemical products too expensive for US industries, he said. Only about 20 percent of the company's production is exported.

Herman Santoso said that the company's revenues were projected to increase by about 10 percent to about Rp 8 trillion (US\$559.44 million) this year.

"Our most interesting finding is that our supply chain logistics is one of our fastest-growing businesses, but we are equally optimistic about our main manufacturing and distribution facilities," Herman said.

PT Lautan Luas has been in the business since 1995, offering basic chemical and laboratory services to clients in the leather, paper, textiles, water processing and electroplating industries.

Since its founding, the company has expanded into an integrated business logistics and supply chain business, as well as technology-driven solutions and water-processing facilities.

The sluggish economy has affected the company's profitability. In the first quarter, its net profits fell by 4.7 percent to Rp 48.23 billion from Rp 50.65 billion in the same period in the previous year.

The company estimated its total net profits would stagnate at about Rp 200 billion. In 2018, the company booked net profits of Rp 200.33 billion, up 34.5 percent from Rp 149.89 billion in 2017.

The company has yet to undertake any major expansions this year, Herman said, adding that \$10 million would be allocated from its internal funds and bank loans to buy new machines for their manufacturing facility in Surabaya, Central Java.