

Idul Fitri exodus begins early

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THE JAKARTA POST/JAKARTA/
BANDUNG

Holidaymakers are expected to start leaving the capital city on Thursday, a week before the largest Muslim holiday of Idul Fitri on June 5 and 6, with millions expected to take the newly inaugurated trans-Java toll road to reach home, according to official forecasts.

The Transportation Ministry's research body estimates that 14.9 million residents of Greater Jakarta, 44.1 percent of the total population of the area, will leave the capital for their hometowns, with Central Java as the most popular destination with 37.68 percent of travelers, followed by West Java (24.89 percent) and East Java (11.14 percent).

The ministry expects an increase in the number of motorists amid stubbornly high airfares that have coincided with the opening of the trans-Java toll road. The data suggests that 4.45 million travelers, around 30 percent, will travel by public bus, while another 28.9 percent will use private cars. The remaining holidaymakers are expected to travel by train (16.7 percent), by air (9.5 percent) and by motorcycle (6.3 percent).

Jakarta resident Anggara Bayu Pratama and his wife Nova are among those who plan to drive via the trans-Java toll road to Yogyakarta. He has even offered vacant seats for other holidaymakers who wish to travel to the same destination.

"This is the most reasonable option [because] plane tickets are very expensive. I'm offering our vacant seats to those who are willing to share the cost of tolls and

Public Works and Housing Minister Basuki Hadimuljono recently pointed out that the toll for the Jakarta-Cikampek road worked out at only Rp 200 (US\$ 1.4 cents) per km, because it is a very old stretch. The toll for the Cikopo-Palimanan (Cipali) section is set at Rp 700 per km, and the newer roads have tolls between Rp 1,100 and 1,500 per km.

Toll road operators have opened 75 rest areas along the road, 25 of which have been constructed this year. All rest areas are equipped with toilets, food kiosks, prayer spaces, parking lots and gas stations.

Anggara said his return trip from Jakarta to Yogyakarta will cost approximately Rp 600,000 in total, including gas, tolls and meals.

This is considerably cheaper than traveling by air during the holiday season, with a one-way trip costing up to Rp 900,000 per person for the same destination.

To avoid severe congestion, the government also plans to apply a one-way system on the trans-Java toll road. The plan will be imple-

mented from KM 70 Cikampek, West Java, to KM 262 in West Brebes, Central Java, from May 30 to June 2.

West Java Police traffic unit chief Sr. Comr. Mohamad Aris said the policy would be in place only from 8 a.m. to 9 p.m. Other than that, both directions of the toll road will operate as normal so travelers can still access the toll road to reach Jakarta and Banten, to Soekarno-Hatta International Airport or Merak Port.

"We will apply a contraflow system from KM 29 [in Bekasi] to KM 70 from Bandung to Jakarta so there will be no one-way [policy] on that particular section," Aris said.

Another one-way system will be applied from June 8 to 10 to alleviate expected congestion on the way back to the capital.

Transportation Minister Budi Karya Sumadi recently estimated that around 22 million people across the nation will travel to their hometowns by air, sea, road and rail. The figure is a 4.14-percent increase from last year.

The management of Belawan Port in Medan, North Sumatra, is also expecting an increase in the number of holidaymakers traveling by sea as a result of the high airfares.

On Tuesday, the KM Kelud sailing from Tanjung Priok in Jakarta with at least 3,071 passengers on board arrived at the port,

before resuming the journey to Batam in Riau.

The head of the Medan office of state-owned ship operator Pelni, Mutfi Israr, said the arrival of the KM Kelud marked the beginning of the exodus season this year.

"We expect a 10-percent increase in the number of incoming travelers this year [compared to last year]," he said.

Meanwhile, state-owned railway company PT Kereta Api Indonesia (KAI) is operating several sleeper cars in Java to anticipate increased demand. After launching four Luxury 1 sleeper cars last year, the company launched Luxury 2 last week.

The Luxury 2 cars will be on the

Argo Lawu and Argo Dwipangga plying the Jakarta-Surakarta, Central Java; Jakarta-Yogyakarta and Gajayana Jakarta-Malang, East Java routes. The Luxury 1 cars, meanwhile, will operate on the Argo Bromo Anggrek Jakarta-Surabaya, East Java, route. Costing Rp 750,000 for a one-way trip, passengers will be spoiled with meals and free-flow snacks and beverages.

Meanwhile, at least 160,000 security personnel will be deployed across the country's 34 provinces.

The security operation, labeled Operation Ketupat, will take place between May 29 and June 10 and involve, among others, 93,589 police personnel, 13,131 TNI personnel, 18,906 officials from relevant ministries and agencies and 11,720 Public Order Agency personnel.

"Operation Ketupat 2019 will be carried out simultaneously with the phases of the 2019 general election and thus the potential for disturbances during the operation is more complex," National Police chief Gen. Tito Karnavian said during a joint security briefing in Jakarta on Tuesday.

The authorities are set to prioritize security measures at hundreds of terminals, train stations, seaports and airports as well as at thousands of shopping centers, tourist sites and mosques across the country.

The South Sumatra Police say they will ensure security along dangerous zones by deploying nine snipers in certain locations along the exodus routes.

— RIZA ROIDILA MUFTI IN JAKARTA,
APRIADI GUNAWAN IN MEDAN AND
YULIA SAVITRI IN PALEMBANG
CONTRIBUTED REPORTING

14.9 million Jakarta residents to start leaving town on Thursday

Around half of travelers expected to take trans-Java toll road

the gas," he told *The Jakarta Post* on Tuesday.

The 933-kilometer trans-Java toll road stretches from Merak in Banten to Pasuruan in East Java. Discounted tolls that the government has applied since its opening on Dec. 20 last year will still be in place until the Idul Fitri holiday season.

The riots that gripped parts of Central and West Jakarta from late May 21 to the early hours of May 23 have left behind many questions, including who masterminded the apparently "pre-planned" violence that resulted in at least eight deaths and hundreds of injuries.

The police said that initially peaceful protests by supporters of Gerindra Party chairman Prabowo Subianto following the announcement of the official election results by the General Elections Commission (KPU) had been "infiltrated" by those who had more nefarious motives.

Who exactly was behind the riots and what was their goal?

'People power' rally plans

The idea of staging a rally to protest the presidential election results had been mooted since before election day.

In early April, National Mandate Party (PAN) patron and Prabowo campaign advisor Amien Rais said he would lead massive protests if he found systematic election fraud.

"If we find any evidence of election fraud after voting day, I will gather a massive number of people at Monas [National Monument], [I will] use people power," Amien said at the time.

After election day, with preliminary results and quick counts indicating that President Joko "Jokowi" Widodo had won reelection, a group of Prabowo-Sand-

iaga Uno supporters attempted to hold a rally on May 9 to demand that the Jokowi-Ma'ruf Amin ticket be disqualified from the race.

The police dispersed the rally participants, saying no permit had been granted, and have since declared two of the rally's initiators — National Mandate Party (PAN) politician Eggi Sudjana and Gen. (ret.) Kivlan Zen — treason suspects.

A few days before the riots, the conservative Muslim 212 Movement announced that it would stage a mass protest in front of the KPU's headquarters on May 22, the day the KPU was expected to announce the official election results.

Political parties in Prabowo's coalition denied active involvement in the planned rally, with Gerindra spokesperson Andre Rosiade calling it "a movement of the people".

Terror alerts

In the days leading up to the KPU's announcement, the police arrested several people who allegedly had violent plans for the planned May 22 rally.

The police arrested about 30 people allegedly connected with Jamaah Ansharut Daulah (JAD), a terrorist group linked with the Islamic State (IS) group. Police spokesperson Insp. Gen. M. Iqbal said the suspected terrorists had planned to set off a bomb during the rally.

Gen. (ret.) Soenarko was also arrested for allegedly smuggling sniper rifles and other assault weapons

to be used in the May 22 rally.

"The motive must be to create chaos [...] they could fire at the crowds to make it seem the gunshots came from security personnel, be it police or military, which could lead to chaos," Presidential Chief of Staff Moeldoko said in reference to the weapon smuggling plot.

The riots

The KPU unexpectedly made its official announcement at about 2 a.m. on May 21, in an apparent attempt to preempt the planned rally.

Thousands of protesters nevertheless began to assemble in front of the Elections Supervisory Agency (Bawaslu) headquarters in Central Jakarta on the afternoon of May 21, in what began as a peaceful rally.

Iqbal said the initial protesters in front of the Bawaslu headquarters cooperated with the police.

"The protest coordinator asked for permission to break the fast together and perform *tarawih* [evening Ramadan prayer], which we allowed even though the law states that protests should end by 6:30 p.m.," he said.

He said that at 9 p.m., the police asked the crowd to disperse, which it did without incident.

At 11 p.m., however, an apparently different group attacked the security barriers in front of the Bawaslu building.

Police then drove the crowd, which had started to throw projectiles such as rocks and Molotov cocktails at the security forces, back toward Tanah Abang.

After the crowd had been reasonably subdued, a separate group of people in Petamburan, Central Jakarta, started attacking the National Police's Mobile Brigade (Brimob) dormitory, setting cars in its parking lot on fire.

The violence continued sporadically around Petamburan, Tanah Abang and Slipi until the afternoon of May 22.

Protesters once again began to assemble in front of the Bawaslu building on the afternoon of May 22 in an initially peaceful demonstration.

But when the police attempted to disperse the crowd at 6:30 p.m., some protesters started throwing lit fireworks at the security forces.

The police again drove the protesters back toward Tanah Abang and clashes continued until the early hours of May 23.

Evidence of premeditation

Hundreds of suspected rioters were arrested between May 21 and 23, and the police said they were in possession of envelopes full of money, indicating that the rioters had been paid to instigate violence.

"There are indications that the rioters were mostly from outside Jakarta and that they were paid [to riot]," Iqbal said.

He added that the police found an ambulance filled with rocks and other weapons and projectiles.

Iqbal also said two of those detained were found to be affiliated with IS and had intended to launch a terror attack amid the protests.

The police, he said, had also identified another three suspected rioters in possession of firearms, including short and long rifles, who they suspect had intended to cause rioting by shooting into the crowd and making it seem as though the shots had been fired by security personnel to turn the public against the authorities.

"These are [two] different groups," Iqbal said, "Many groups intended to take advantage of the demonstration, that's why we made calls since the very start for people not to participate [in the rallies]."

Prabowo and his campaign team have denied any involvement or responsibility in the street protests and riots, calling them "the actions of provocateurs".

Assassination plot

Most recently, the police declared six people suspects for alleged illegal arms possession related to an assassination plot against four state officials and the head of a polling agency during the riots.

The four officials have been identified as Coordinating Maritime Affairs Minister Luhut Pandjaitan; Coordinating Political, Legal and Security Affairs Minister Wiranto; State Intelligence Agency (BIN) head Budi Gunawan and Gen. (ret.) Gories Mere, the creator of the National Police's Densus 88 antiterror squad.

Three of the suspects, identified only as HK — thought to be the leader of the operation — AZ

and IR, were arrested on May 21, before the first riot broke out, while the other three suspects, identified only as TJ, AD and AF, were arrested on May 24.

Police spokesperson Brig. Gen. Dedi Prasetyo said the person behind the plot had supplied Rp 150 million (US\$10,432) in the form of Singaporean dollars to purchase weapons.

Bottom line

In total, the police have identified four groups with violent intent involved in the rioting: IS-linked hard-line Islamic Reformist Movement (Garis), a group linked to former Army Special Forces (Kopassus) commander Soenarko, members of the Gerindra Party linked to the party-owned ambulance that was filled with stones and the group behind the assassination plots.

Wiranto has said that security forces know who was behind the groups, but the police have declined to name the masterminds behind the violent groups or state whether any of the groups are connected.

Gerindra lawmaker Sodik Mudjahid, meanwhile, called on the House of Representatives to urge the government to form an independent fact-finding team to investigate the riots at a House plenary meeting on Tuesday.

NasDem politician Aries Saputra has also called for the "intellectual actors" behind the riots to be brought to light.

"The House should pressure the police to untangle this so that everything is crystal clear," he said.

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J. Post

Dems to accept defeat with 'notes'

JAKARTA: Former president and Democratic Party chairman Susilo Bambang Yudhoyono has called on his party to accept the official results of the 2019 general election on a few "conditions", claiming a lack of fair play during the elections.

Yudhoyono, who is currently tending to his hospitalized wife in Singapore, delivered his statement by a video that was played at a gathering of senior party members on Monday at his Jakarta residence.

"I personally, and the Democratic Party, uphold the value of accepting defeat if we have truly lost," he said in the video.

However, he added that the party had suffered losses from what he claimed to be "lack of fair play" in the general election.

"Frankly, there are many things that must be noted in the 2019 general election. Therefore, the Democratic Party offers its support to our legislative candidates who are challenging the results at the Constitutional Court," Yudhoyono said.

The General Elections Commission (KPU) announced its official tally that shows the Democratic Party secured 10.8 million votes (7.77 percent) in the legislative election, to rank seventh among the nine parties that passed the 4 percent electoral threshold.

The Dems backed losing presidential pair Prabowo Subianto-Sandiaga Uno.

Yudhoyono added that the party would evaluate the 2019 elections to ensure that the 2024 elections would proceed more peacefully and fairly, especially for participating parties and candidates.

He also addressed the criticisms laid against himself and his eldest son, Agus Harimurti Yudhoyono, refuting claims that Agus sought a Cabinet position.

Agus met with President Joko "Jokowi" Widodo earlier this month at the Presidential Palace in Jakarta on the President's invitation.

"It should be a lesson that meetings can be held publicly without [slinking] through the back door to avoid negative rumors, because the meeting was [held in good faith]," he said, seeming to imply that Jokowi and Prabowo should also meet publicly to ease post-election tensions. —JP

Indonesia issues map on lands of indigenous peoples

Kharishar Kahfi

THE JAKARTA POST/JAKARTA

Back in 2015, President Joko "Jokowi" Widodo kicked off the ambitious program of social forestry, in which his administration is expected to distribute 12.7 million hectares of forests to be managed by communities through various schemes, including *hutan adat* (customary forests).

Customary forests are distributed to local neighborhoods that have been established as an indigenous community through a regional bylaw.

However, activists have been lambasting the government for its sluggish progress in recognizing and granting forest tenure to indigenous people despite a historic court ruling around six years ago mandating that the government recognize their tenure rights.

Attempting to answer such criticism, the government launched on Monday a map showing the current and indicative locations of customary forests across the archipelago, the purpose of which is to assist future measures to recognize indigenous people's tenure rights.

The map, which has a scale of 1:2,000,000, the first of its kind, consists of around 472,981 ha of forest lands that have been verified by the Environment and Forestry Ministry and are in proper condition to be turned into cus-

Map covers 472,981 ha of forest lands verified by ministry

Indonesia criticized for being slow in granting forest tenure to local communities

tomary forests.

Of the total area, around 384,000 ha was designated as state forest areas, while the other 68,900 ha was nonforest estate. It also includes around 19,150 ha of customary forest area that has been established as of the end of April.

"By declaring lands as indicative locations of customary forests, we assist regional administrations in turning certain areas into such forest," Environment and Forestry Minister Siti Nurbaya Bakar said on Monday.

"Apart from such purpose, we are also issuing the map in order to prevent other parties from misusing the land designated to become customary forests. Therefore, we can also contribute to solving land conflicts," she added.

The ministry will update the map every three months to include new plots of land that have fulfilled requirements to be established as customary forests, the minister went on to say.

Bambang Supriyanto, the ministry's director general of social

forestry and environmental partnership, said the ministry would send letters to regional leaders containing instructions to accelerate the issuance of regulations on the establishment of customary forest areas.

Despite showing ambitious targets of distributing forest lands to indigenous communities, Indonesia has been criticized for being slow in granting forest tenure to local communities.

According to a study released by the Rights and Resources Initiative in September last year, the total amount of land designated for both categories only grew from 0.22 million hectares in 2002 to 0.79 million in 2017. The total area owned by local peoples only reached 0.01 million ha in the same year.

Since 2016, the Jokowi administration has granted 49 customary forest ownership certificates, resulting in the recognition of ownership of around 22,193 ha of customary forests.

Such action marked the first implementation of a Constitutional Court ruling in 2013 that removed customary forests from state control as well as formalizing local people's ownership.

The total area delivered to the people, however, is still very small compared with a total of 4.3 million ha targeted by the President. A draft law on indigenous people has been stalled as the executive

and legislative branches of the government have not made it a priority.

More than two-thirds of the forests in the country, representing at least 1.9 billion ha, are administered by governments, and at least 140 million ha, or 5.1 percent, are privately owned by individuals and firms.

R. Yando Zakaria, the founder of the Ethnographic Study Center for the Rights of Indigenous Peoples (PUSTAKA), said the ministry's move to issue such a map should be appreciated.

However, he said the solution might be hindered by the country's current legal framework that requires indigenous communities to be formally recognized through a regional bylaw, prior to accepting their tenurial right to customary forest. The delimitation of such a bylaw could take six months to two years as well as much money that is not necessarily owned by indigenous communities.

"Our constitution has already recognized these indigenous communities as Indonesian citizens. This bylaw mechanism is deemed unnecessary," Yando said.

"If the government wants to be serious in solving these tenurial issues, it should fix the legal framework so it can allow local communities to be recognized without going through such a political mechanism."

RI should avoid commodity price 'rollercoaster'

Made Anthony Iswara

THE JAKARTA POST/JAKARTA

Investment Coordinating Board (BKPM) head Thomas Lembong has said Indonesia needs to boost investment in the downstream industry in the next five years in order to free itself from an intergenerational reliance on raw commodity-based exports that are prone to price swings.

"We have to get off the commodity price rollercoaster," Thomas said in an interview with *The Jakarta Post* at his office on Tuesday.

He said Indonesia needed to promote the downstream industry so that it could export processed products from both the mining and agriculture sectors in order to achieve more price stability and gain greater added value from its exports. By doing so, Indonesia could reduce its current account deficit, which has continued to widen because of the country's weak exports, he added.

Indonesia's current account deficit reached US\$7 billion in the first quarter of this year, 2.6 percent of gross domestic product (GDP). The figure was larger than the 2.01 percent of GDP in the first quarter of last year. Analysts are worried that with the weak performance of the country's exports and low foreign capital inflows, the current account deficit could further widen in the coming months.

The government has launched a series of programs not only related to the simplification of licensing procedures but also tax holidays for certain business sectors in order to attract foreign investment into the downstream and manufacturing sectors.

In the mining sector, the government has required mining companies to process their mineral production in local smelters before being exported. They can use their own smelters or other companies' smelters to process their production when the government's ban on the export of



JP/Donny Fernando

Thomas Lembong

raw minerals takes effect in 2022.

Publicly listed diversified mining company PT Aneka Tambang has recently announced a multibillion-dollar investment plan to produce cathodes and ferronickel in partnership with two Chinese companies.

Apart from the downstream sector, Thomas said the government would also attract investment to further promote the country's service sector, particularly tourism. With the improvement of the road infrastructure

such as toll roads and railways, the country's tourist industry will thrive in the next few years.

For instance, he predicted the Jakarta-Bandung high-speed train railway, which is currently under construction, will promote business activities in smaller towns between the two large cities.

Indonesia also needs to develop more tourist destinations beyond Java and Bali in order to attract more foreign tourists he said, adding that the tourist sector would enable Indonesia to earn more foreign exchange, which would not only help empower the local economy but also reduce the current account deficit.

The government aims to increase the number of foreign tourists to 20 million this year from 15.8 million in 2018.

Thomas said the government would also continue to pay close attention to the booming e-commerce industry, the growth of which Bank Indonesia has forecast at between 100 and 150 percent a year. Global management

consulting firm McKinsey & Company has also estimated that e-commerce sales will reach \$65 billion annually by 2022, eight times the \$8 billion recorded in 2017.

Meanwhile, the BKPM has set a modest 8.4 percent growth target in total investments to Rp 792.3 trillion (\$55.67 billion) this year after a slow performance in 2018, when investments grew by a mere 4.1 percent compared to 13.1 percent in 2017.

With the encouraging growth during the January to March period, however, Thomas said he was optimistic the annual growth would reach as high as 13 percent at the end of this year.

Total investment rose 5.3 percent to Rp 195.1 trillion by the end of March this year from Rp 185.3 trillion in the same period of last year.

Foreign investments, which made up over 55 percent of the figure, declined by 0.9 percent to Rp 107.9 trillion, but this was in contrast to the 11.6 percent slump in the previous quarter.

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Final agreement on Masela block to be signed in June

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

Uncertainties over the development of the gas-rich Masela Block in eastern Indonesia will likely come to end as the Indonesian government and Japan's Inpex Corp. have reached an agreement on "substantial matters".

The Indonesian government has targeted to ink the final plan of development (PoD) of the block by the end of June this year during the G20 Summit in Japan.

Energy watchdogs lauded the development as a positive step to ending the uncertainty related to the development of the Masela Block, touted the largest in Southeast Asia.

"The final signing of the agreement between the government and [Masela Block contractor] Inpex Corp will take place during the G20 Summit in Japan," Energy and Mineral Resources Minister Ignasius Jonan said Monday in a press statement.

The 14th G20 Osaka Summit will be held on June 28 and 29 in Osaka, Japan. Indonesia and Japan are G20 members.

Jonan's statement came after the final PoD of the Masela Block was agreed on Monday by the government and Inpex Corp., which holds a 65 percent stake in

Total investment will reach US\$20 billion

Government will receive 50 percent share in production

the block.

The agreement came during Jonan's visit to Japan on Monday to meet Inpex Corp. CEO Takayuki Ueda in Tokyo. It was the second meeting for both parties after their meeting on May 16 also in Tokyo.

"Finally, Inpex and SKKMigas agreed on the substantial matters of the Masela Block development this afternoon in Tokyo. The discussion has been taking place for 18 years," Minister Jonan said, referring to the country's upstream oil and gas regulatory body.

During the May 16 meeting, both parties agreed on the final structure of the PoD. They then discussed the details further, which will pave the way for both parties to ink the official PoD soon.

According to the press statement, the final investment in the block will reach US\$20 billion and both parties agreed to a win-win solution. The government expects to have at least a 50 percent share in production from the block which will be de-

veloped under the Gross Split Production Sharing Contract. Unlike the general production sharing contract, exploration and operating costs for the development of the gas block are not covered by the government.

The agreement was marked with a signing of the meeting minutes between SKKMigas chairman Dwi Soetjipto and Inpex Corp CEO Takayuki.

The government expected the agreement would have a positive impact on the country's investment climate and help develop the eastern part of Indonesia.

The cost of the project's development with an onshore liquefied natural gas plant is \$6 to \$7 per barrel oil equivalent (boe) or 20 percent lower than the previous offshore Liquefied Natural Gas (LNG) plant at \$8 to \$9 per boe, according to an SKKMigas statement.

However, when asked for confirmation about the agreement, Inpex Masela only said Monday's meeting with the Indonesian government was a "constructive discussion".

"We can confirm that there was a constructive discussion in Tokyo [...] about the Masela Block PoD, but we can't comment further about this," Inpex Masela senior media relations specialist Moch. N. Kurniawan said in a text

message on Tuesday.

Mamit Setiawan, the executive director of Energy Watch, said Monday's meeting agreement was a step that should be appreciated as it has reduced the uncertainty of the project.

"After the PoD [is concluded in June], both parties should ensure that it is implemented in a timely manner, making sure there's no additional problems or costs," he told *The Jakarta Post* on Tuesday.

A series of policy changes in recent years, such as whether to build an onshore or offshore LNG plant, has affected the schedule for starting production.

The initial time frame for the project to begin production was in 2018 and the latest update suggested it will be delayed until 2027.

Based on recent data from SKKMigas, the LNG project in the Masela Block is only set to go on stream in the second quarter of 2027 with estimated annual LNG output at 9.5 million tons and 150 million standard cubic feet per day.

The project is crucial for the country because it might be short of gas supplies by 2025, which could be eased by the operation of gas fields including the Masela Block that holds 10.7 trillion cubic feet of proven gas reserves.

South Sulawesi benefits from Japanese connection

Kornelius Purba

THE JAKARTA POST/JAKARTA

Citing his own experience as the regent of Bantaeng for 10 years, newly elected South Sulawesi Governor Nurdin Abdullah strongly believes that his many Japanese connections will be very helpful in realizing his ambition to boost the province's position as a key agrobusiness hub for Indonesia.

The academic-turned-politician said that when he served as the regent of the tiny regency until August last year, many Japanese companies came to invest there and government agencies also gave technical assistance and grants to develop the regency.

He learned much from Japanese development policies at a regional level during a six-year stay in the country. Apart from completing his academic obligations, he also spent his six years in Japan building networks with the country's parliament, government and businesses, which he maintains until today and which have been fruitful during his public service.

"When I was the Bantaeng regent, my Japanese network pro-



JP/Wendra Ajistyatama

Nurdin Abdullah

vided us with ambulances, fire-trucks, garbage trucks, hospitals and equipment. We didn't need to allocate our budget for those things. They came to me and offered their help," Nurdin said.

Nurdin became governor in September last year after serving Bantaeng for 10 years. He obtained his master's degree from Kyushu Agriculture University in 1991, and his doctorate degree from the same university in 1994. During the Asian financial crisis in 1998, a Japanese company gave him US\$2.5 million to build a furniture firm, Maruki International Indonesia, in Makassar.

"The Japanese company trusted very much in developing the company. As you know trust is very im-

portant for Japanese people," said Nurdin in a recent interview with *The Jakarta Post* in Jakarta.

The governor is committed to taking steps to provide all necessary facilities to attract more investment, as the region is set to expand its agriculture sector and develop new economic hubs outside of its capital of Makassar.

As part of its efforts to get more investors, the province inaugurated its first public service mall, which offers one-stop services, in Polopo this month.

"We are simplifying the licensing processes that have hindered investment in the province. If necessary, I've even told the investors to proceed with the construction while we processed the permits," he said.

According to the Indonesia Investment Coordinating Board (BKPM) total direct foreign investment (FDI) realization in the province stood at \$617 million last year, slightly behind Central and Southeast Sulawesi.

Nurdin is optimistic that the province will secure more foreign investment given the promising potential of its agriculture,

plantations, fisheries and animal husbandry sectors, in addition to its vast and economical land reserves. South Sulawesi is known as one of Indonesia's main rice suppliers and cocoa exporters.

His office will adopt Japan's *michi-no-iki* supermarkets—stores that are run by local farmers and communities, and also sell local products. A team of officials from Japan's Infrastructure Ministry visited Bantaeng earlier this month, where the administration plans to build its pilot stores.

"We should convince farmers that the agriculture sector can provide welfare for them. Our farmers' quality products are sold in supermarkets and come in good packaging, but the farmers only get paid three months later. As their cash flow is disrupted, they tend to resort to loan sharks," he said.

Nurdin added that Japanese trading company Marubeni Corporation had expressed an interest in the region's agriculture sector, although he did not elaborate further as it is still under review. Nurdin said some Japanese companies had also shown interest in investing in the province's in-

frastructure projects. Marubeni was among the companies, he said, with its sights set on the toll road project expected to connect Makassar and industrial points in the region. Another project is the light rail transit (LRT), which is still at the stage of feasibility studies, he said.

"I have told Marubeni that my administration wants to focus on increasing farmers' production and markets," he said.

In 2016, the Bantaeng administration and the Ehime Toyota Motors Corp. inaugurated a vocational training center (BLK) to develop automotive technicians for the company. Earlier this year, South Sulawesi officially paired with Ehime prefecture.

Insufficient infrastructure remains a problem in the region—which comprises 24 cities and regencies. Nurdin said focusing on infrastructure would help boost the region's economy and improve its Gini ratio, which stood at 0.388 as of September 2018, slightly higher than the central government's target of 0.385.

To promote equality between regions, the administration is

planning to enhance economic activities in cities or regencies outside Makassar.

"We are designing new economic hubs in southern and northern parts of the province," he said.

A new economic hub currently in the works is in Takalar regency, which is located in the southern part of the province. The administration is joining hands with state-owned industrial bonded zone Kawasan Berikat Nusantara (KBN), several Chinese investors and the China Metallurgy Recycling Association (CMRA) to build the industrial zone, expected to be completed in 2020.

"We have provided the land, and we will build the biggest recycling company in Southeast Asia there. The company will provide supplies to the automotive industry among others. We will also build an oil refinery there," he said.

Approximately 50 businesses will be built in the 1,000-hectare zone, with 15,000 workers expected to be employed.

"Hopefully, once this is completed, people won't have to travel to Makassar to work," Nurdin said. (ars)

Is the domestic bond market still attractive?

Reny Eka Putri

JAKARTA

The Indonesian financial market is facing a challenge in maintaining its stability and attracting more investors amid continuing global economic volatility.

This tends to be more sensitive to external sentiments, making investors more careful in investing. The sentiment of developing countries and the risks from expected flat interest rates in developed countries, especially the United States and the dovish stance of the Federal Reserve, and the limited impact of the trade war are some of the main external factors that have pushed foreign funds to flow back to the domestic market.

The latest external threat is the higher tensions of the trade war between the US and China. The escalation of the trade war has increasingly worried investors because it has the potential to suppress global economic growth and trigger global financial instability.

The stability of domestic economic developments and strengthening investor confidence has supported the performance of the Indonesian capital market. Throughout 2019, the foreign funds entering the domestic capital market, both in the stock and bond markets, reached Rp 114 trillion (US\$7.9 million).

In the bond market, based on data from the Finance Ministry as of May 24, the total inflow of foreign funds was recorded at Rp 57.5 trillion since the beginning of the year. Of this value, foreign ownership is Rp 951 tril-

lion or 38.1 percent of total tradable government debt papers (SBN), followed by the banking sector with ownership of Rp 533 trillion or 21.4 percent of total tradable SBN.

Most foreign investors are still interested in investing in government bond instruments that have a long tenor or maturity of more than 5 years.

In May, foreign investors occupying bonds with a tenor of 5 to 10 years reached 37.2 percent, bonds with tenors of over 10 years were 34.6 percent and another 28.2 percent was spread over a 0 to 5 year tenor.

High investor appetite has been seen since the beginning of 2019 and it appeared in the sukuk global issuance in the middle of February. The global oversubscription reflects the magnitude of investor appetite.

It is worth noting that the government will issue gross government bonds of 60 percent throughout the first half, which includes retail government bonds, global bonds and regular government bond instruments.

In an effort to strengthen the performance of the domestic bond market, the government carried out several marketing strategies to expand the investor base. In addition, to encourage foreign investor interest by providing a variety of bond instruments with attractive tenors and coupons, the government

will also continue to issue individual or retail bond instruments regularly as an investment alternative that can be owned by the community.

In 2019, the government will issue 10 series of retail government bonds. Issuance will be conducted every month from January until the end of the year, except in June and December. The large variety of retail bonds issued aims to expand the domestic investor base and can accommodate the needs of investors.

The government has targeted the acquisition of funds through SBN and private placement in 2019 at Rp 80 trillion. This value is around 10 percent of this year's total SBN issuance target of Rp 825.7 trillion.

From January to April, retail bonds issuance reached Rp 30.5 trillion or 9.7 percent of the issued government bonds. This realization is greater than the same

period in 2017 and 2018. This step is expected to attract more domestic bond investors.

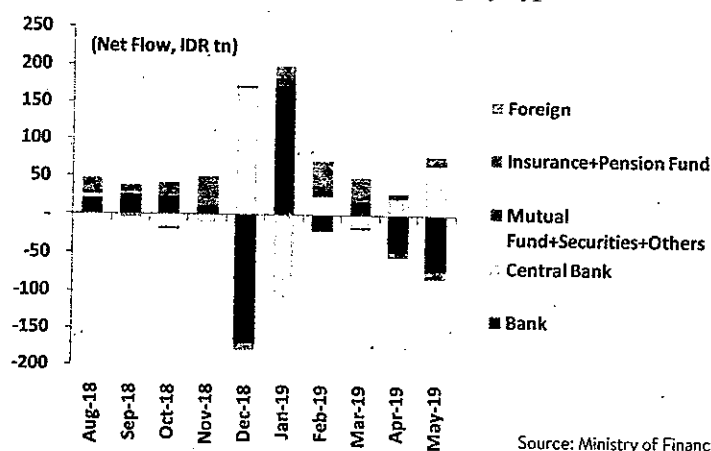
Higher market demand for the bond market is indicated by a decline in benchmark bond yields for all tenors. Benchmark yield of 10-year government bonds declined 10.2 basis points from the beginning of the year to 7.92 percent per May 24. Previously, bond yields had risen above 8 percent because of the demonstrations after the 2019 election and the increasing tension between the US and China.

We see that demand for government bonds will become more stable after Idul Fitri.

As a developing country, Indonesia still needs a strong source of investment to support the strength of the national economy.

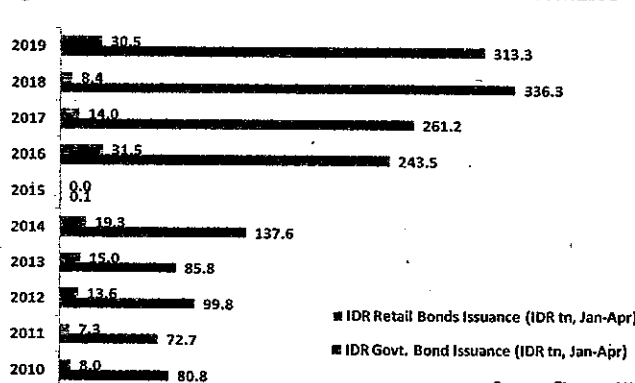
Therefore, the management of capital flows must be consistent and effective in order to provide an optimal impact on the Indonesian

Figures 1: Tradable IDR Government Bond Ownership by Type of Investor



Source: Ministry of Finance

Figures 2: Realization of IDR Government Bond Issuance



Source: Finance Ministry

financial system in the long run.

Going forward, we expect investment in the domestic bond market to remain attractive. Indonesia's declining credit default swap (CDS) can encourage foreign investors to enter the Indonesian bond market. The reduced potential for an increase in interest rates in developed countries will also have a positive impact on bond markets.

Even though there was an increase in volatility, the yield of government bonds still showed a downward trend. The continuous flow of investment funds can contribute positively to the economy because it can increase the trend of portfolio investment and maintain market liquidity.

Seeing the prospect of economic fundamentals remaining solid, the potential of the domestic bond market can continue to grow and take an important role as a means of investment as well as a source of funding in the state budget.

Domestic macroeconomic sta-

bility will be maintained with economic growth reaching 5.22 percent this year. We see that several positive catalysts will support investors this year.

First, the expectation of the benchmark interest rate of Bank Indonesia is still stable in the range of 5.75 and 6 percent. Second, the supply of domestic bonds will be maintained in line with the 2019 budget target deficit which is low, below 2 percent.

Third, inflation is well managed below 3.4 percent. Fourth, the rupiah is not as volatile as 2018 and may strengthen to 4,300 by the end of the year. Fifth, foreign funds may continue to flow into the bond market because bond yields are more attractive than its peers.

We predict that the benchmark 10-year tenor domestic bond yield can be maintained in the range of 7 to 7.5 percent at the end of 2019.

— The writer is senior quantitative analyst with PT Bank Mandiri

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