Feb 2. 2018
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Tourism afloat amid eruptions

Farida Susanty
THE JAKARTA POST/JAKARTA

Foreign tourist arrival up 21.8 percent yoy in 2017

Industry players confident over future of tourism

Despite continuous reports of Mount Agung's rumblings in Bali, the number of foreign tourist arrivals in the country showed a 21.8 percent year-on-year (yoy) increase in 2017 to 14.04 million.

The rise has bolstered the confidence of the government and industry players over the future of tourism in the country, which lies in the Ring of Fire.

The Central Statistics Agency (BPS) said on Thursday that despite the increase, the figure fell short of the government's target of welcoming 15 million foreign tourists in 2017.

I Gde Pitana, the Tourism Ministry's assistant for overseas promotion, said the achievement was remarkable considering that Mt. Agung's eruptions had greatly affected the country's main tourism gate, Bali.

"If there had been no natural disaster from Mt. Agung, we are quite sure we would have achieved the 15 million [foreign visitors] mark," he told *The Jakarta Post* on Thursday.

Mt. Agung's activity forced local authorities to close Ngurah Rai International Airport in November. The closure was a severe blow to hotel operators on the resort island, who scrambled to come up with ways to attract visitors, such as by offering tour packages to watch the volcano's rumblings from a safe distance.

Mt. Agung, Bali's highest peak, is 75 kilometers from the tourist hub of Kuta and 52 km from Ubud, an iconic landscape known for its rainforest and terraced rice paddies.

According to BPS data, the number of foreign visitors passing through Ngurah Rai International Airport dropped 29.83 percent in December alone. The Tourism Ministry previously estimated the financial damage from Mt. Agung's eruption to stand at US$1.2 billion.

Still, Pitana said the double-digit growth of foreign tourist arrivals underlined the country's potential, especially compared to last year's global tourism growth of just over 6 percent. He also seemed undisturbed by the drop in Chinese tourist arrivals in December, which placed them in fourth place behind visitors from Australia and Singapore.

Chinese tourists are usually at the top of the list as the major contributor of foreign tourists in the archipelago.

The drop was reportedly the result of a travel advisory issued by the Chinese government following growing volcanic activity at Mt. Agung. Beijing softened the warning after Indonesian Tourism Minister Arief Yahya visited China to assure its leaders that Indonesia had prepared a mitigation system for tourists in the case of an eruption.

Pitana confirmed that Chinese vacationers returned to Indonesia in January, including through the newly opened route of national flag carrier Garuda Indonesia connecting Denpasar and Xi'an.

"This means we are already seeing positive signs at the beginning of the year. If nothing happens in the next one to two months, I think [Chinese tourist arrivals] will recover," Pitana said.

China, which sends more than 100 million outbound tourists annually, remains Indonesia's main target market this year and is expected to contribute 3.2 million vacationing visitors.

The ministry has pinned its hopes on the Chinese New Year celebration, which will fall on Feb. 16, having promoted the latest situation in Bali on Chinese national television. It has also set up meetings between travel agents from the two countries.

Association of Indonesian Tour and Travel Agencies (ASITA) chairman Asnawi Bahar said ASITA also viewed the year-end increase as a great feat.

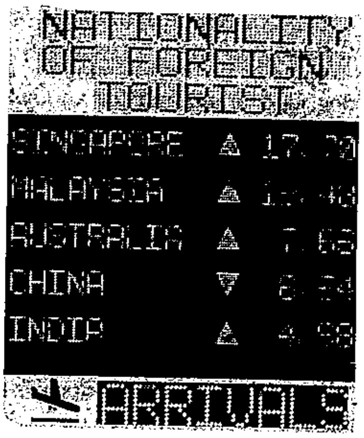
"I think we just have to talk more about developing new destinations apart from Bali, because if we keep relying on one spot, we'll face challenges when an issue arises there," he said.

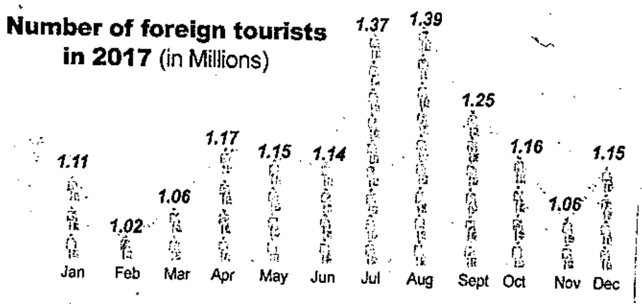
Association of Air Ticketing Companies in Indonesia (Astindo) vice president Rudiana said Astindo still expected tourism to rebound in February.

"I hope there will be a rebound this Chinese New Year," he said.

He had concerns, however, over the fact that only three of the 23 booked charter flights, including from Russia, have flown to Bali.

The government has set a target of welcoming 17 million foreign tourists this year and 20 million by 2019. (kmt)





Number of foreign tourists visited Indonesia

Feb. 2. 2018
J. Post

FREE TRADE

Lack of information behind slow implementation of FTA

The Jakarta Post
JAKARTA

Anne Patricia, the CEO of the country's major textile manufacturer PT Pan Brothers, could not emphasise enough the importance of a free trade agreement (FTA) for the nation's growth.

She believed a sluggish implementation of the FTA could lead to the country suffering huge losses while other countries, especially in Southeast Asia, prevailed.

"Vietnam currently holds 6 percent of the market share for global textiles, while we only control 1.8 percent. So you can imagine how far behind we are," she said during an FTA workshop held by the Indonesia Chamber of Commerce and Industry (Kadin) on Wednesday.

Anne, who is also chairperson of the Indonesian Textile Association, added that Vietnam's rapid growth in the industry came about due to its trade agreements in recent years.

She said there are still some businessplayers in Kadin who neglected the FTA due to the fear of foreign competitors.

Kadin deputy chairperson of international relations Shinta Widjaja Kamdani acknowledged the fact that many businessplayers feared global competition, adding that such competition was inevitable.

"The question is: will Indonesia be able to survive without FTAs? Of course not, because we have to be part of a global market," she said on the sidelines of the event.

Shinta said fears of global competition could have been minimized if the government had started its assessment into which sector had the most weaknesses so that it could come up with a mitigation plan before any trade agreement came into effect.

"That's why we have asked our members to asses their strengths and weaknesses. And after that we will know how to create a mitigation plan that will strengthen their competitive values," she said, adding that the assistance could come in the form of funding or training.

Shinta emphasized that international trade agreements could not wait for the businessplayers to be ready.

She said implementing the FTA could serve as a wake-up call for those who fear foreign competition. "Actually it will benefit us in that our products can also reach the international market."

Meanwhile, Trade Ministry bilateral cooperation director Ni Made Ayu Marthini proposed the creation of a website that would consist of information about how the FTA could be beneficial to the country.

"We want to create a portal so it can be accessed easily by our exporters. The portal can help them find out how much the tariffs are to export their products. It can also show them how to process export permits," she said.

Research by the University of Indonesia (UI), between May and July 2013, found that companies' knowledge about the FTA was limited due the poor quality of information provided by the main sources.

It also found that small firms faced more barriers when using FTAs than medium-sized and large firms in terms of the cost and length of time taken to obtain Certificates of Origin.

As of July 2013, when the survey was conducted, Indonesia had completed at least five trade agreements — the ASEAN Free Trade Agreement in 2003, the ASEAN-China FTA in 2006, the ASEAN-Korea FTA in 2007, the ASEAN-India FTA in 2010 and the ASEAN-Australia and New Zealand FTA in 2012.

A study by the Finance Ministry's Fiscal Policy Agency in 2015 found that Indonesia had only managed to reach 30.43 percent of its total trade potential. As for the Indonesia-Japan Economic Partnership Agreement, which was signed in 2007, Indonesia's potential stood at 32.65 percent.

When asked about the situation, Ni Made said it probably was caused by a lack of information, unwillingness to deal with documents or choosing to stay in the comfort zone.

"So it's a pity to know that after we have negotiated the deal for 6 or 7 years like RCEP [Regional Comprehensive Economic Partnership], but only our trade counterpart enjoy the benefits," she said.

Feb. 2. 2018
J.Post

Our utterly poor exports

We can understand President Joko "Jokowi" Widodo's disappointment about Indonesia's export performance, which though increased by 16.22 percent in 2017 was utterly poor compared to other, much smaller ASEAN countries. Our total exports of only US$169 billion in 2017 pale compared to the $214 billion earned by Vietnam, which started building its economy only in the late 1970s, let alone to the more than $230 billion each booked by both Thailand and Malaysia.

Yet more discouraging is the fact that, even though more than 75 percent of our exports are categorized as manufactured goods, most of them — such as palm oil, cocoa and coffee beans and crumb rubber — are products with low added value. Take, for example, palm oil exports, which rose to $23 billion last year. Most of these exports are crude palm oil, a product of low added value.

The President's so open an expression of disillusionment at the Trade Ministry's working conference on Wednesday should rudely jolt the trade minister to critically reevaluate the export promotion programs in traditional and new markets and to realign the location of Indonesia's trade promotion centers overseas to tap new markets.

But we should not blame the poor export performance solely on the acute lack of well-designed promotion overseas. Trade Minister Enggartiasto Lukita, like his predecessors, has been overwhelmed with the politically sensitive task of maintaining price stability and the smooth distribution of basic staples to help check inflation.

This task alone has forced him to always conduct a balancing act between fulfilling the need for imports to cover any deficit in the basic necessities and maintain price stability and the interests of farmers in getting fair prices for their products.

Hence, besides improving overseas promotion, the government also should step up efforts to strengthen the competitiveness of our exports by reducing logistics costs and lowering bank lending rates, which are among the highest in the ASEAN region. Exporting manufacturers need credits at the pre-shipment stage to allow them to procure raw materials, cover their processing costs and pay for the packing, freight and insurance for export operations.

In fact, the operations of our exporting manufacturers involve a wide range of cross-sectoral activities: import of inputs, port handling, transportation to processing plants and shipment. Any hurdle at one of these points of activity can adversely affect the competitiveness of exports due either to delayed delivery or increased costs.

The Jokowi administration has set the right top priority programs for accelerating infrastructure development to improve connectivity within the country and between the country and the international market. Sixteen reform packages have also been launched to improve the ease of doing business and slash transaction costs.

But we still need a higher pace of progress with these reforms to make seaport handling, land transport services and customs clearance much more efficient. Cumbersome customs clearance, for example, delays the release of imports, while the manufacturing sector depends mainly on imported basic and intermediate materials, components and parts.

Feb. 2. 2018
J. Post

MINING POLICY

Mineral, coal sector to enjoy deregulation

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

The Energy and Mineral Resources Ministry is set to revoke 17 decrees related to mineral and coal business and merge them into only three in an effort to cut red tapes and boost ease of doing business in Indonesia.

The first of the three new decrees will integrate six existing regulations related to mining areas, licensing as well as work program and budget (RKAB).

The second one will be a merging of four decrees related to a policy on value-add. The third one, meanwhile, will melt seven decrees related to guidance and supervision of technical aspects in mining business.

Heri Nurzaman, the ministry's secretary for mineral and coal directorate general, said this move was part of President Joko "Jokowi" Widodo's deregulation strategies to improve the country's investment climate.

"In general, the substance of the [three new] decrees will be the same. We will only simplify our policies, including by scrapping some requirements previously imposed to miners," Heri told *The Jakarta Post* on Thursday, adding that the first part of the three new decrees would be introduced next week.

The ministry will also introduce several fresh policies in the new decrees, one of which is a requirement for governors to obtain recommendations from their regents or mayors before determining whether mining area (WIUP) will be granted to mining permit (IUP) holders.

Furthermore, in order to obtain registration mark, transporters and sellers of mining products will be required to submit a copy of their agreements or contracts with their suppliers, or otherwise facing permit revocation.

It is also not mandatory for smelters operators who apply for operating permit to show they have hired experts with experience of at least three years in metallurgy or mineral processing and refining. They will also no longer have to submit to the government their sales and purchase agreements with their buyers.

As for revised value-added policy, the ministry plans to include an upcoming provision on financial penalty for miners failing to meet the targeted progress of their new smelters development.

At present, the ministry allows miners to export low-grade nickel ores with content below 1.7 percent and washed bauxite with an aluminum oxide content of 42 percent or more in return of their commitment to establish a new smelter within five years.

As stated in the Energy and Mineral Resources Ministerial Decree No. 35/2017, which is one of the four decrees that will be merged into a new one on value-added policy, an independent verifier body will monitor the smelter development progress. If the progress is less than 90 percent of the original six-month target, the export permit can be annulled.

The financial penalty was needed to punish opportunistic miners that had no intention at all in developing new smelters as they only wanted to obtain export permit, said Bambang Gatot Ariyono, the ministry's mineral and coal director general.

"We are worried there will be companies that suddenly stop their new smelter development after exporting their mining products for six months," Bambang said.

"It's possible after we blacklist them, they will come again with new company names just to get another export permit."

However, Indonesia Mining Association chairman Ido Hutabarat argued the ministry should review such a violation case by case because, often times, technical problems on the ground had thwarted miners to boost their smelters development.

Ido was hoping the deregulation efforts could streamline bureaucracy, but he would wait for further clarification as sometimes there was no need to make a decree to revoke the whole policies.

"We are concerned that this deregulation might create a new problem in the future," Ido said.

Feb. 2. 2018
J.Post

Govt seeks more private investments

Farida Susanty
THE JAKARTA POST/JAKARTA

Finance Ministry to closely filter requests for extra state funds for infrastructure projects

PPP, PINA schemes expected to ease burden on state budget

The government wants the private sector to play a bigger role in financing infrastructure development in the country as it faces a cash-strapped state budget, while longing for higher economic growth.

Finance Minister Sri Mulyani Indrawati said ministries should improve their project preparations, especially those under the public private partnership (PPP) scheme, and implement a proper bidding process as a welcoming gesture towards investors.

The state budget, therefore, should only be allocated to project preparations, while requests for additional funds would be filtered closely by the Finance Ministry, she said.

Sri Mulyani added that she would request the ministries to source the extra funds from the private sector.

"If a ministry asks for Rp 1 trillion [US$74.5 million], then I will question whether it can be cut to Rp 250 billion, with the remaining Rp 750 billion coming from private investments," she said on Thursday.

"I will now start asking [the ministries] with that filter [mechanism]."

Sri Mulyani added that the state budget should be allocated to infrastructure with the highest added value that had the lowest private investor appetite, while private investment was more urgently needed in projects intended for the masses, such as public transportation.

The ongoing development of light rail transit (LRT) projects in Jakarta and Palembang, South Sumatra, were examples of infrastructure with a surging demand, yet had a limited budget, she said.

The current Greater Jakarta LRT project, costing Rp 29.9 trillion, is being built largely with investments from state railway operator Kereta Api Indonesia (KAI) and state construction firm Adhi Karya, while the government merely poured in a state capital injection (PMN) totaling Rp 9 trillion for the equity.

Sri Mulyani pointed out that, since Jakarta and Palembang's LRT development projects were launched, other city administrations in Medan, North Sumatra and Surabaya, East Java, have also requested that similar projects be implemented in their respective cities.

President Joko "Jokowi" Widodo has set infrastructure development as his administration's priority in a bid to spur economic growth, but it may only be able to cover less than the required funding of Rp 4.7 quadrillion for the projects until 2019.

The government aims to build 3,258 kilometers of new railway lines, 1,000 km of new toll roads, 2,650 km of new roads, as well as 49 new dams before 2019.

In an effort to achieve such ambitious targets, the government has introduced various schemes to work with private investors, including the PPP and non-state budget infrastructure financing, among others.

Sri Mulyani said those schemes would help make the state budget more efficient, pointing out that fund disbursements at some ministries, such as the Transportation Ministry — one of main patrons for infrastructure development — had been lackluster.

The Transportation Ministry, which was endowed with Rp 48.2 trillion in the 2018 state budget, has been constantly failing to disburse more than 90 percent of its budget from 2010 to 2017.

Coordinating Maritime Affairs Minister Luhut Pandjaitan voiced a similar opinion that ministries should push for more privatization of existing infrastructure, including Silangit Airport in North Sumatra and even Soekarno-Hatta International Airport in Tangerang, saying that "projects with high returns will be given to the private sector, while the government is only a facilitator."

Transportation Minister Budi Karya Sumadi said he had urged the Indonesian National Shipowners Association, which represents the private sector, to form a consortium with state port operator Pelindo to operate ports.

Meanwhile, Mohammad Faisal, a research director at the Center for Reform in Economics Indonesia, said solutions from the government on the land procurement problem, which is usually the most difficult issue found on the ground, would make infrastructure projects more attractive to investors.

Feb 2. 2018
J.Post

Port checking reduced to cut dwell time

Anton Hermansyah
THE JAKARTA POST/JAKARTA

Starting on Feb. 1, the government will implement a "post-border" system, in which the physical checking of some restricted goods will be done outside the customs area of the port, in order to reduce the length of time goods remain in the port, known as the dwell time.

The post-border system is expected to reduce dwell time in the port by 0.9 to 1.1 days. At present, the dwell time at Tanjung Priok Port, the country's busiest port, is 4.9 days on average.

The shorter dwell time would facilitate the import process for companies that are part of the international supply chain, such as those in automotive manufacturing.

Coordinating Economic Minister Darmin Nasution said on Wednesday the government would reduce the amount of goods that had to be physically examined at the port's customs area.

Some prohibited or restricted goods must be physically examined by officials, such as the Agriculture Quarantine Agency and the Industry Ministry before they leave the port.

Post-border system expected to reduce dwell time by 1.1 days

Shorter dwell time would ease import process for companies

One-fifth of around 10,800 items to face port checking

"We will move certain goods to post border, so around one-fifth of around 10,800 goods must be checked at the port," Darmin said.

The senior minister added the examination of those imported goods would be conducted by related government offices later at the importers' warehouses.

In addition, Darmin said the government would give special treatment to 381 reputable companies, such as Astra Daihatsu and Garuda Maintenance Facilities (GMF). Their imported goods would be examined in post-border despite not being among the specified goods.

"The imported goods of these 381 companies will be examined at their respective warehouses," Darmin said.

Finance Ministry customs and excise director general Heru Pambudi said the 381 reputable importers consisted of importers with Authorized Economic Operator (AEO) status and the government's business partners.

According to Finance Ministerial Regulation No. 227/PMK.04/2014, AEOs are operators that are involved in the international supply chain. To get AEO status for five years, a company needs to apply to the Customs Office and fulfil some stringent requirements.

"These 381 reputable importers own 25.6 percent of all containers in Indonesian ports. Below the reputable importers there are green line importers, which get less special treatment and own 57.3 percent of all containers; yellow line importers, which own 10 percent; and red line importers, which own 7 percent of all containers," Heru said.

To further improve the speed, Darmin said in two weeks the government would also add 330 goods to those to be checked outside the port. Talks on the issue are ongoing.

Heru Pambudi said implementation of the post-border system would significantly reduce the dwell time. "We hope this new initiative can reduce the dwell time," he said.

Previously, President Joko "Jokowi" Widodo had asked his cabinet to facilitate imports for companies involved in the international supply chain, such as automotive companies and aircraft maintenance, repair and operations (MRO) services. These companies would still have to import 10 to 20 percent of their spare parts.

"The problem is the imported spare parts always come late, which disturbs the assembly process," he said.

He emphasized that with the expanding tourist sector, MRO operators such as Garuda Maintenance Facility (GMF) had big growth potential and should be supported by the regulation.

"The MRO service is very important and I want Indonesia to have competitive operators. If our technicians can service more foreign-owned airplanes, we can increase service export," Jokowi said.

Feb. 2. 2018
J.Post

PLN turns to Jokowi on coal price

JAKARTA: State-owned electricity firm PLN has reported its challenges, particularly those related to the price and supply of coal, directly to President Joko "Jokowi" Widodo, hoping the government will help ease its financial burdens while maintaining electricity rates.

"We expect the government can lower the price of coal allocated for the domestic market obligation [DMO]," PLN president director Sofyan Basir said on Thursday after meeting with Jokowi at the Presidential Palace in Jakarta.

Sofyan claimed that Energy and Mineral Resources Minister Ignasius Jonan had promised to lower the DMO coal price by February.

"The President has thrown his support behind PLN to maintain electricity rates. But if the price of coal keeps increasing, it will be difficult for PLN [to maintain rates]," Sofyan said.

As of 2017, Indonesia operated various power plants with a total capacity of 60,491 megawatts, of which 57.22 percent were coal-fired facilities. Therefore, any increase in global coal prices will be a major blow for PLN.

Indonesia's coal reference price climbed by 9.05 percent to US$94.04 per ton throughout 2017.

The Energy and Mineral Resources Ministry has limited the country's coal production in 2018 at a maximum of 485 million tons, 25 percent of which will be allocated for the domestic market under the DMO.

"It will be troublesome for PLN if the country exports all of its coal," Sofyan said.

PLN has previously projected that coal demand for electricity generation will soar by 18.4 percent year-on-year (yoy) to 90 million tons in 2018. —*JP*