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# Anger at new House powers

**Nurul Fitri Ramadhani**
THE JAKARTA POST/JAKARTA

Critics claim new MD3 law could violate Constitution

House insists law needed to protect itself, its members

The recent amendment to the 2014 Legislative Bodies (MD3) Law, which criminalizes any person or institution deemed to have been disrespectful to the House of Representatives, has been met with a chorus of condemnation from activists and legal experts who believe the provision will be used to silence critics.

The amended law was passed on Monday after months of deliberation. It includes a provision granting the House's ethics council the power to take legal action against an individual or legal entity for "disrespecting the dignity" of the House and its members.

The provision, stipulated in Article 122, is said to have been inserted only recently and is meant to protect the legislature from "contempt".

A person, for example, could face charges for calling the House "corrupt" or accusing a lawmaker of an ethics breach without supporting evidence. The person could be charged under Article 310 and 311 on defamation in the penal code.

The insertion of the controversial provision caught many by surprise, as the public were focusing their attention on the House's plan to reinstate the article criminalizing insults to the President in the Criminal Code bill.

Constitutional law expert Feri Amsari of the Center for Constitutional Studies (Pusako) at Andalas University said on Tuesday that the provision was potentially unconstitutional as it might violate Article 28 of the 1945 Constitution on freedom of speech.

The Constitution, he argued, also limited the House's authority to three parts: legislation, supervision and budgeting.

"If the House grants itself the power to press criminal charges against citizens, such authority is beyond what is prescribed in the Constitution," Feri told *The Jakarta Post*.

The House's ethics council was supposed to watch over the conduct of lawmakers and not the public, Indonesian Parliament Watch (Formappi) senior researcher Lucius Karus said.

"[Article 22 of the MD3 Law] could be used as a political tool by politicians to criminalize certain people," he said. "The consequence of this is that corruption and bribery would likely be more rampant among politicians."

In another controversial provision, the law also stipulates that lawmakers can only be summonsed by the President based on the ethics council's recommendation.

Such a provision, critics say, practically grants House members legal immunity.

The activists said they were still considering whether or not to challenge the law in the Constitutional Court, given their low confidence in the court under the leadership of Arief Hidayat.

Arief was recently found guilty of an ethics breach for attending a meeting with lawmakers at a hotel without an official invitation.

The House began deliberating the MD3 bill in 2016. The passage of the bill had long been stalled by the refusal of several political factions to grant the Indonesian Democratic Party of Struggle's (PDI-P) request that the election winner be given a seat on the board of speakers.

The PDI-P won the 2014 legislative election, but the old MD3 Law had prevented it from getting a House speakership because at the time the House was controlled by the opposition parties, some of which have since joined the PDI-led ruling coalition.

The party, of which President Joko "Jokowi" Widodo is a member, may have achieved its goal, but the country has ended up with several controversial provisions that might have been hastily inserted less than a month before the law's passage.

The "contempt" article was proposed by the ethics council and was included in the bill in April 2017 by the House's legislative body (Baleg), Baleg chairman Supratman Andi Agtas said.

The House then sent the proposal to the government for approval, but the latter had been slow in giving its response, Supratman said. "Only three days before we held a working meeting last week did the government give the green light for the article."

Baleg deputy chairman Firman Soebagyo, of the Golkar Party, dismissed the idea that the House was opposed to criticism, saying that "we only want to make people understand that they must respect the House as an institution and lawmakers, because we are their representatives."

All political factions reportedly backed the provisions on criminalizing those insulting the House and lawmakers.

During Monday's plenary session, only two parties — the United Development Party (PPP) and the Nasdem Party — walked out in protest at the law. But they were protesting the new House leadership composition and not the articles on contempt.

The lawmakers claimed that they would be prudent in exercising their authority, calling on the public to have faith in their judgment.

House ethics council chairman Sufmi Dasco Ahmad of the Gerindra Party said the council would create guidelines or a code of conduct to define actions deemed to be "disrespectful" to the House.

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# RI on track with trade, infrastructure projects

tefani Ribka
HE JAKARTA POST/JAKARTA

- Private involvement will bring in more foreign investment
- Infrastructure projects, policies improve country's ratings
- PPPs also needed to realize power generation target

Indonesia is on track with its nfrastructure projects across the ountry especially with the inreasing involvement of the priate sector, which could eventually ring in more foreign investment, ccording to the latest report by esearch and consulting firm Oxord Business Group.

The report underlined the rowing role of the private sector n transportation infrastructure, uch as roads, seaports, airports nd railways, through Public Priate Partnerships (PPP), which ould pave the way for global layers to make a bigger contriution to those projects.

"There's increasing coordinaion within the public sector itelf, among the different minisries, making transitions [in PPP] more seamless," OBG editorial manager Nathan Thadani told reporters on the sidelines of the report's launch on Wednesday.

Construction of roads, such as the flagship Trans-Sumatra toll road, is expected to start connecting provinces in Sumatra by 2024. Meanwhile, reaching a power generation capacity of 35,000 megawatts and airport upgrades in new industrial and travel destinations are ongoing.

President Joko "Jokowi" Widodo, who was interviewed for the report, said, "This administration's attitude toward infrastructure is very different from the previous administration's attitude." He said his administration took an integrated approach to ensure new projects fit in harmoniously with other planned and existing developments.

Infrastructure projects and economic deregulation packages in the past three years have moved Indonesia up in various rankings: 72nd place in the World Bank's Ease of Doing Business index this year from 91st in 2017; investment grade from Standard & Poor's; and positive credit ratings outlook from Fitch and Moody's.

This is the first time Indonesia has improved its rating with every major agency since the 1997-1998 financial crisis.

Nevertheless, the country is in need of more PPPs in order to accelerate realization of the power plant projects. Out of the 35,000 MW capacity targeted by 2019, only 3 percent is in operation, while 48 percent is under construction as of November, according to the Energy and Mineral Resources Ministry.

Meanwhile, in a bid to improve trade, at least nine special economic zones (SEZ) are now under construction, some of which have been operating to boost the manufacture of export-oriented goods as well as raw materials to reduce import dependency.

The SEZs, most of which are outside the main island of Java, focus on the effort to improve petrochemical, steel and nickel processing, among other things.

Various incentives in SEZs include income tax reductions of between 20 and 100 percent for up to 25 years depending on the investment value, value-added tax exemptions on raw materials and on manufactured goods sold within the country, eligibility for a 30-year land lease and 10-year extension.

However, deregulation has lost steam over the last year, said Investment Coordinating Board (BKPM) head Thomas Lembong during the report launch.

"We'll fully return to the economic reform agenda [...] this year after it lost steam in 2017, when we saw more reregulation rather than deregulation. I think the very controversial Jakarta gubernatorial election [last year] had a lot to do with it. It blew up political and social fractures, [...] there was a big distraction, the president ended up being very busy healing these fractures," he said.

The government will also issue a revision of the negative investment list (DNI) to open up more sectors to foreign investors in the first half of this year, including tertiary education.

Indonesia aims to pocket Rp 765 trillion (US$56.3 billion) in investment this year, up by 13.1 percent year on year (yoy). In 2017, it reaped Rp 692.8 trillion.

Indonesian Chamber of Commerce and Industry deputy chairwoman for international relations Shinta Kamdani shared Thomas' view, saying implementation was as important as good regulation.

Smooth implementation and special attention to emerging industries such as food and beverages, automotive and ship components as well as creative industries are necessary.

Faster conclusion of free trade agreements with potential markets such as the European Union is urgently needed to help the struggling textile sector today.

Despite having increased by 16.22 percent to $168.7 billion last year, Indonesia's export figure was outsized by smaller countries such as Vietnam, Thailand and Malaysia, all of which exported more than $200 billion.

## World benchmarks

| | | | |
|---|---|---|---|
| *Indonesia (JCI)* | *6,578.18* | *54.72* | *0.84* |
| Malaysia (FTSE BM) | 1,833.02 | 2.85 | 0.16 |
| Philippines (PSE Index) | 8,570.14 | 82.223 | 0.97 |
| Singapore (FTSE ST) | 3,415.07 | 30.09 | 0.89 |
| Thailand (SET Index) | 1,799.33 | -0.12 | -0.01 |
| Australia (All Ordinaries) | 5,956.96 | 37.26 | 0.63 |
| China (SSE Comp.) | 3,184.96 | 30.83 | 0.98 |
| Hong Kong (Hang Seng) | 29,839.53 | 379.90 | 1.29 |
| India (S&P Sensex) | 34,300.47 | N/A | N/A |
| Japan (Nikkei 225) | 21,244.68 | -137.94 | -0.65 |
| S. Korea (Kospi) | 2,395.19 | 9.81 | 0.41 |
| USA (DJIA) | 24,601.27 | 410.37 | 1.70 |
| UK (FTSE) | 7,181.55 | 4.49 | 0.06 |

Source: IDX

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COMMODITY

# European alliance to help palm oil producers counter attacks

**Anton Hermansyah**
THE JAKARTA POST/JAKARTA

With the help of the European Palm Oil Alliance (EPOA), Indonesian palm oil producers are working on measures to counter negative campaigning against palm oil in Europe, as well as lobbying lawmakers. EPOA chairman Frans Claassen said on Tuesday his alliance would help the Indonesian Palm Oil Producers Association (GAPKI) to negotiate with relevant private supply chains, such as food producers, and educate customers on how to handle the effects of the negative campaigning.

"We imported 7.5 million tons of palm oil in 2017, around 50 percent is for food, feed and oleochemical products. But now the palm oil use for food is slowly declining in Europe because of the negative image," he said after a meeting in Jakarta.

In Europe, campaigners have stated that palm oil plantations cause forest fires, deforestation, animal extinction and the exploitation of child labor. The campaigners have also claimed palm oil plantations are unsustainable.

In order to counter this negative campaigning, the EPOA will produce publicity material through books, websites and social media underlining sustainable palm oil programs in palm oil-producing countries. The material will cover the progress toward reaching 100 percent sustainable palm oil by 2020.

In December 2015, several European countries signed a commitment, the Amsterdam Declaration, to only use fully sustainable palm oil by 2020. This document has been signed by Denmark, France, Italy, Germany, the Netherlands, Norway and the United Kingdom.

Indonesia and Malaysia are now making efforts to certify their palm oil supply chains under the government-backed Indonesian Sustainable Palm Oil (ISPO) and Malaysian Sustainable Palm Oil (MSPO) programs, respectively.

"I have been active for 15 years in the palm oil industry and I know the story about the sustainable palm oil industry in Indonesia and the rest of the world. At the same time we have to step up efforts to explain more what palm oil is and the background of palm oil in supporting the livelihoods of ordinary people," Claassen said.

He added that the alliance would also partner with the food industry for the campaign. Some European producers such as Ferrero and Unilever are reportedly willing to contribute.

"Most of the companies in the food industry do not want to get rid of palm oil. They believe we need palm oil as a perfect ingredient of food," he said.

ISPO commission head Aziz Hidayat welcomed the EPOA initiatives as the alliance had helped Indonesia to explain about ISPO progress to the European public.

Meanwhile, GAPKI executive director Danang Girindrawardana said the countermeasures were crucial because despite having signed the commitment to produce 100 percent sustainable palm oil by 2020, palm oil products remained the target of negative campaigning and discrimination.

He was referring to the "No Palm Oil" label in food products case in 2014 and the dumping allegations against Indonesian palm oil-based biodiesel in 2013.

"The 100 percent sustainability of palm oil industry can only be achieved in the next several years so it is unwise to 'punish' palm oil now," he said.

Biofuel Producers Association (Aprobi) chairman Paulus Tjakrawan said the campaign and lobbies had to start quickly as the European Parliament had added to pressure on palm oil by passing a new regulation restricting the import of vegetable oil-based biodiesel in 2021.

In order to fully implement the rule, the parliament has to seek approval from the European Council and European Commission.

"The trilateral meeting will start on Feb. 28 and last for around two or three months. The government will lobby the European Commission and Council while we, the private sector, along with EPOA will lobby private European stakeholders," he said.

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# Pertamina set for restructure

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

Pertamina's marketing directorate to expand into three divisions

Restructure expected to strengthen distribution

Company will be more market-driven

The government has ordered state-owned energy giant Pertamina to scrap its gas business directorate prior to its transformation into a holding company, while also expanding its marketing directorate into three divisions to make it more customer oriented.

The government plans to transfer its 57 percent stake in state-owned gas firm Perusahaan Gas Negara (PGN) to Pertamina by March at the latest, as part of the move to transform the latter into an oil and gas holding company.

Under the restructure, PGN will be consolidated with Pertamina's gas subsidiary PT Pertamina Gas (Pertagas). PGN will then serve as the subholding firm overseeing the midstream to downstream gas business.

"That's why we decided to scrap Pertamina's gas business directorate as it will be handled by the subholding firm [PGN]," Fajar Harry Sampurno, State-Owned Enterprises Ministry's undersecretary for mining, strategic industries and media affairs, said on Tuesday.

Consequently, he said, Pertamina's current gas and renewable energy director Yenni Andayani would be dismissed.

The consolidation with Pertagas will increase PGN's total assets by 27.5 percent to US$8.7 billion, according to the two companies' 2016 financial reports. Their combined downstream gas pipelines span 9,520 kilometers as of 2017.

Furthermore, Pertamina's current marketing division will be expanded into three new directorates, namely the corporate marketing, retail marketing and supply chain, logistics and infrastructure directorate.

As a result, Pertamina's current marketing director Muchamad Iskandar will manage the first two of the three new directorates. Meanwhile, the company's current human resources development director Nike Widyawati will temporarily head the supply chain, logistics and infrastructure directorate, where she will also take care of the renewable energy business.

Fajar said the restructure was triggered by a scarcity of subsidized 3-kilogram liquefied petroleum gas (LPG) canisters and some types of fuel, the under supply of which had sporadically hit many parts of the country at a time when demand continued to increase.

With the new supply chain, logistics and infrastructure directorate, he expected Pertamina could strengthen its fuel and LPG distribution networks.

Pertamina's fuel sales reached 49.79 million kiloliters between January and September 2017, up 5 percent year-on-year (yoy). At the same time, its LPG sales stood at 5.36 million metric tons, up 6.7 percent annually.

Pertamina president commissioner Tanri Abeng also said the restructure was needed so that the company could adjust to changing times.

"Within the past 60 years, Pertamina has always adopted a product oriented approach. But now, because the world and the market have changed, it needs to be more market driven," Tanri said.

Nonetheless, Fajar said the new retail marketing directorate would later be discarded and be taken over by one of Pertamina's subholding firms after the company's transformation into a holding company.

Pertamina previously stated it will setup at least four subholding firms under the holding scheme, each of which will oversee upstream, refinery and petrochemicals, retail and gas.

Fajar then expected Pertamina to formulate and propose the detailed restructuring plan, including in terms of new business processes and the reallocation of human capital, to the State-Owned Enterprises Ministry within the next two weeks to comply with the mandate.

Throughout 2017, Pertamina's revenues climbed 17 percent year-on-year to $42.86 billion. Nonetheless, its net income fell by 24 percent to $2.41 billion, driven by a 26 percent increase in its cost of goods sold and operating expenses in the wake of the government's decision to maintain the prices of Premium gasoline and subsidized Solar diesel.

Pertamina has allocated $5.59 billion in capital expenditure this year, up 55 percent. About 59 percent of the figure will be used to support its upstream business activities, including to develop the newly acquired Mahakam block in East Kalimantan and the Jambaran-Tiung Biru field in East Java.

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# House grills KPK in show of force against antigraft body

Kharishar Kahfi
THE JAKARTA POST/JAKARTA

Lawmakers grill commissioners in heated hearing

Commissioner slammed for making comments regarding court ruling, newly passed MD3 Law

The commissioners of the antigraft agency faced a barrage of questions from lawmakers during a hearing on Tuesday in the latest episode of a tug-of-war between the two institutions.

Lawmakers of the House of Representatives Commission III overseeing legal affairs grilled five commissioners of the Corruption Eradication Commission (KPK) over the latter's performances in the fight against graft.

As the commissioners had presented the report of their work performance and planning a day earlier, the lawmakers scrutinized more than what was brought to the table in a heated follow-up hearing on Tuesday.

Masinton Pasaribu of the Indonesian Democratic Party of Struggle (PDI-P) slammed the antigraft body regarding comments made by commissioner Laode Muhammad Syarif on the recent Constitutional Court ruling supporting the House's controversial inquiry into the antigraft body. "The KPK is [an institution that] implements the law, not interprets it. Therefore it doesn't have the right to make an assessment regarding the court's ruling," Masinton said during Tuesday's hearing.

The ruling last week rejected a request filed by KPK employees to invalidate the House's right to launch an inquiry into the agency deemed to undermine the power of the KPK. Soon after the court read its ruling on Feb. 8, Laode, who attended the hearing at the court, said the KPK leaders were disappointed with the ruling since it showed the inconsistency of the court. The court had issued a previous ruling in 2006 asserting the KPK's position as an independent law enforcement institution. It contrasted with the latest ruling, which concluded that the KPK was part of the executive branch and therefore its performance was subject to the House's inquiry.

Masinton added, echoing a comment from lawmaker Muslim Ayub from the National Mandate Party (PAN), that the commissioner had also made unnecessary comments regarding the House's new authority as stipulated in the revision of the Legislative Institutions Law, also known as the MD3 Law, passed at a plenary session on Monday.

The revised law allows the House Ethics Council to take legal action against individuals, groups of people and legal entities that "disrespect the dignity" of the House as an institution and the lawmakers themselves, which had been lambasted by the public given the House's poor legislative performance.

Moreover, Golkar Party lawmaker Agun Gunandjar warned the commissioners that they should not make any comments or meddle in other issues unrelated to the fight against graft.

"It's not necessary for the KPK to dominate every minor thing, such as [petty] cases and comments on every issue."

Masinton and Agun have been among the KPK's loudest critics given their role in the House's inquiry team.

Responding to the criticism, Laode asserted his opinion that he believed the added articles in the revised MD3 Law were related to efforts to hamper the KPK's authority in investigating graft cases.

When Masinton pressed further by accusing him of having yet to read the law, he mumbled: "No sir, I have read the law."

Eventually, Laode responded calmly: "Thank you for your comments. I have written them down."

The agency's chairman Agus Rahardjo, meanwhile, said in a hearing on Monday that the KPK had set its sights on graft cases implicating politicians that had dominated cases handled by the KPK. Such rampant practices stemmed from public officials failing to understand the ethical code, poor recruitment, party restructuring and a lack of financial accountability.

He also mentioned that the agency urged political parties in the country to improve themselves especially regarding political funding.

The hearing on Tuesday eventually ended after reaching five conclusions, including the House's Commission III ordering KPK commissioners to respect and implement the court's ruling on the House inquiry committee that asserted the antigraft body's position [as part of the executive branch]."

Tuesday's hearing might have been a prelude to the reading of the inquiry committee's recommendations on the antigraft body during a plenary session scheduled for Wednesday.

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# Red tape holding back quality research in Indonesia

The Jakarta Post
JAKARTA

Excessive regulation is hampering research in Indonesia, placing the country far behind other Asian countries in terms of research productivity, a study shows.

Commissioned by Regional Autonomy Watch (KPPOD), the study reveals that cumbersome bureaucratic procedures and uncertain waiting times for obtaining research permits are discouraging research activity, which at the same time continues to be subject to competition for influence between the country's institutions.

KPPOD executive director Robert Endi Jaweng said on Monday that it took about three weeks to get a permit for a research project.

He opined that the requirement for an individual or institution to get a permit for a research project was unnecessary, because public information should be freely accessible for all people.

"It contradicts the spirit of our regulations on the freedom of information," Jaweng said, adding that the output of scientific research was rarely even used by the government.

Meanwhile, academics and researchers welcomed last week's move by the Home Ministry to annul a controversial regulation to screen research projects deemed to have potential negative impacts on the country. The regulation, issued quietly last month, had been sharply criticized, with academics stating it would harm scientific objectivity.

"Despite the progress, red tape is still a significant barrier to research development in the country," Jaweng said.

Scientists need a research permit, also known as a research recommendation letter, to access government data or to interview local administration officials. The requirement for a research permit is stipulated in a 2011 ministerial regulation on guidelines for research recommendations. The regulation was revised in 2014.

Conducted in East Java and Yogyakarta, the study, which was started in April last year, found that, despite the permit requirement, many researchers were determined to continue their research activities without obtaining a permit, as they saw no practical benefits of holding such a permit.

Researcher Boedi Rheza said their reluctance might be down to the fact that, even if they had a permit, they would often fail to get data as expected.

"They face many procedural obstacles regarding the issuance of the permit, especially in the eastern part of Indonesia. This is because there has been a shortage of staff available to handle the issuance of permits," he said, adding that inadequate infrastructure aggravated the situation.

Institute for Development of Economics and Finance (INDEF) economic researcher Bhima Yudhistira shared his bitter experience on the impact of red tape in his research activities.

Even though INDEF had officially collaborated with the government in carrying out a research project, he cited an example, regional administration offices would still ask the institute to present a permit or recommendation from the National and Political Unity Agency (Bakesbangpol). The group's researchers had to wait for the issuance of permits from higher local administration institutions as well.

"When we were about to carry out two research projects together with the Agriculture Ministry and the Villages, Disadvantaged Regions and Transmigration Ministry in 2016, local offices asked us to provide a permit from Bakesbangpol and from the regional administration," he said.

As a result, Bhima said, the institute had to allocate 20 percent of the projects' work time to getting the permits, which subsequently impacted the research outcome.

In 2016, Indonesia only published 11,470 scientific articles, far below Singapore and Malaysia, which published 19,992 and 28,546, respectively, according to *scimagojr.com*, an independent journal ranking website. That number puts Indonesia in the 11th position among Asian countries and 45th in global ranking.

"Research activities should be free from any hassle," said Jaweng. **(srs)**