

# Different IDs for native religions

Marguerite Afra Sapiie  
and Apriadi Gunawan

THE JAKARTA POST / JAKARTA

When the Constitutional Court (MK) ruled last year that native faith followers should be allowed to state their religion on their ID cards, hopes were high the ruling would put an end to decades of discrimination against adherents of indigenous religions.

These hopes were dashed when the government announced on Wednesday that, in response to the court's ruling, it would issue different ID cards for native faith followers, following the advice of the Indonesian Ulema Council (MUI), which insisted that native faiths never be regarded as religions.

Native faith followers and human rights activists have condemned the new policy as "discriminatory", arguing it merely perpetuates the view that native faiths are inferior to the six official religions: Islam, Catholicism, Protestantism, Hinduism, Buddhism and Confucianism.

While Indonesia recognizes the existence of native faiths, they have never been regarded as equal to mainstream religions. In other words, they are not considered "religions".

Islamic groups, including the MUI, blasted the court's ruling and rejected a proposal to change the format of the ID cards for all citizens by adding the word *kepercayaan* (belief) next to the *agama* (religion) column.

The format of the e-ID cards of adherents of native faiths would be different from the existing e-ID design, Home Minister Tjahjo Kumolo said after a Cabinet meeting on Wednesday.

While the other columns, such as name, address and date of birth, would remain the same, on the e-ID cards of native faith followers, the "religion" field would be replaced by "belief", and would state *Ketuhanan yang Maha Esa* (Belief in God the Almighty) without specifying the details of the native faiths to which they adhere, the minister said.

The decision, he claimed, was taken after a series of discussions with representatives of the six major religions as well as followers of native faiths.

He admitted that during the discussions, representatives of mainstream religious groups insisted that *agama* and *kepercayaan* were different and thus the religion field on the e-ID cards could not be changed from *agama* to *agama/kepercayaan*.

Activists blast policy as discriminatory

Government accused of caving to MUI demands

"This is only a matter of administration and the government is responsible for protecting all Indonesian citizens regardless of their adherence to a certain religion or native faith. The most important thing is they believe in God the Almighty," Tjahjo said.

The Home Ministry had recorded 138,791 native faith followers from 187 groups registered under the Culture and Education Ministry who still did not own an e-ID card, Tjahjo said, adding that the e-ID cards would be issued after the simultaneous regional elections took place in June.

Religious Affairs Minister Lukman Hakim Saifuddin argued that the decision to provide native faith followers with a different e-ID format was merely a matter of efficiency, as changing the religion column to *agama/kepercayaan* meant the government would also need to change the format of the e-ID cards of more than 240 million citizens.

However, rights activists and native faith adherents are not convinced, saying the government should have stuck to the court's decision that the religion field on the e-ID cards of native faith followers should show that they were *penghayat kepercayaan* (native-faith followers).

Lambok Manurung, a follower of the native faith Parmalim, said thousands of devout Parmalim in North Sumatra rejected the decision as discriminatory toward the minority group. "We still want the religion column to be on the e-ID card [...] if it is changed to 'belief', it gives the impression that we are treated differently from [adherents of mainstream religions]," Lambok said.

"This just shows that the desire of mainstream religions to discriminate against native faiths is still strong [...] Citizens who adhere to native beliefs are still regarded as second class," said Setara Institute researcher Sudarto.

He accused the government of caving to MUI's demand.

"I believe the influence of the MUI is very strong in this case because Maaruf Amin previously suggested making different IDs for adherents of native faiths and [with this decision] the government appears to have responded to MUI."

# Jokowi talks trade with new envoys

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JBSf

Marguerite Afra Sapiie

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo is doubling down on his economic diplomacy agenda as he calls for 11 new foreign ambassadors to strengthen trade and investment with Indonesia.

Ambassadors designate from 11 countries presented their credentials to the President at the Merdeka Palace on Wednesday, marking the start of their respective duties in Indonesia.

As a rite of passage, Jokowi invited each envoy for a few minutes of veranda talks to discuss issues of common concern. Foreign Minister Retno Marsudi, who accompanied the President in each of the talks, said they were all heavily peppered with economic issues.

"In general, the President said during his discussion with each ambassador that economic cooperation with each country was a priority for Indonesia," Retno told journalists after the event on Wednesday.

Seven of the 11 diplomats are resident ambassadors, including Australian Ambassador Gary Francis Quinlan, Russian Ambassador Lyudmila Georgievna Vorobieva and South Korean Ambassador Kim Chang-beom, all of whom represent countries that Retno described as traditional partners of Indonesia in trade and investment.

During discussions with South Korea's Kim, Retno said the President had requested the envoy to focus on improving cooperation to accelerate industrial development, which was laid out in the "Special Strategic Partnership" agreement that Jokowi and his counterpart from Seoul, Moon Jae-in, signed during the latter's visit to Indonesia last year.

With Ambassador Quinlan of Australia, Jokowi also focused on improving economic ties, especially with the ongoing negotiations to finalize the Indonesia-Australia Comprehensive Economic Partnership Agreement (CEPA).

Negotiations on the CEPA were originally planned to conclude in November last year, but the two countries had failed to reach an agreement on a number

Eleven new foreign envoys present credentials to Jokowi

Jokowi pushes economic diplomacy agenda in talks with new envoys

Indonesia expects to ink trade deals at IAF in Bali

of issues.

Quinlan said Australian Prime Minister Malcolm Turnbull planned to visit Indonesia sometime at the end of the year, the foreign minister said.

Russian President Vladimir Putin also has plans to visit Indonesia, Ambassador Vorobieva said during her chat with Jokowi, although Retno said that no specific date has been proposed other than after Putin's presidential inauguration in May.

President Jokowi also reaffirmed his commitment to increase trade with Russia to US\$5 billion, while expressing Indonesia's intention to expand cooperation with the Eurasian Economic Union (EAEU), of which Russia is a member.

"We are currently proposing to be involved in negotiations [with the EAEU], and ask for Russia's continued support of Indonesia's efforts in developing an economic partnership with it," Minister Retno said.

The four remaining resident ambassadors were Polish Ambassador Beata Stoczynska, Fijian Ambassador Seleima Dikawakawayali Veisamasama, Georgian Ambassador Irakli Asashvili and Bahrain Ambassador Mohamed Ghassan Shaikho.

Shaikho, who is Bahrain's first ambassador to Indonesia, made a request to improve cooperation

in the energy sector, particularly in the oil and gas industry, Retno said. She said he also expressed his hope to hold a special meeting with Energy and Mineral Resources Minister Ignasius Jonan.

The other envoys are non-resident ambassadors, which means they hold their offices abroad, often in other countries in the region. They were Ugandan Ambassador Dorothy Samali Hyuha, Gambian Ambassador Ramzia Diab Ghanim, Latvian Ambassador Normans Penke and Ivory Coast Ambassador Jeanne Guehe.

In discussions with envoys from European Union member states, Retno said Jokowi placed particular importance on having economic partnerships that are mutually beneficial, a not-so-subtle dig at Brussels' stance on the palm industry.

Jokowi's call comes amidst ongoing negotiations for a CEPA between Indonesia and the EU, in which Jakarta has repeatedly called out the European Parliament's decision to phase out the use of palm oil-based biofuels as a trade barrier for the Indonesian palm oil industry.

"The President has once again called attention to the problem faced by palm oil," the minister said.

With ambassadors from Gambia, Uganda and Ivory Coast, Jokowi pledged his commitment to translate the strong political ties that Indonesia has with African nations into cohesive economic cooperation. The envoys responded by saying that they had been assigned to improve economic ties with Jakarta, Retno said.

She also said Jakarta expected to ink business deals during the inaugural Indonesia-Africa Forum to be hosted later this month in Bali.

MANUFACTURING

# Govt launches Industry 4.0 roadmap

Marchio Irfan Gorbiano  
THE JAKARTA POST/JAKARTA

Indonesia is set to ride the wave of technological advancement resulting from the so-called fourth industrial revolution, also known as Industry 4.0, as the government launched on Wednesday a roadmap to maximize industrial development.

The fourth industrial revolution refers to automation and data exchange, driven by internet advances, in the manufacturing sector.

The roadmap, titled "Making Indonesia 4.0", was launched in Jakarta by President Joko "Jokowi" Widodo. It aims to boost the competitiveness of local industry amid the increase in technology use in the manufacturing sector without jeopardizing the country's job market.

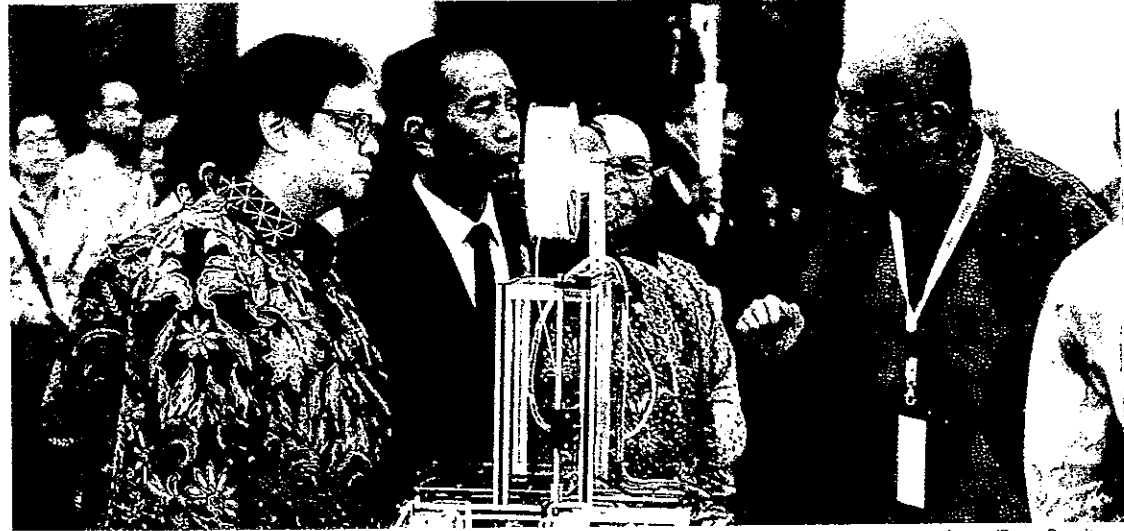
Speaking at the launch, Jokowi stressed the importance for Indonesia to understand the impact of the fourth industrial revolution.

"We have to understand the fourth industrial revolution will have 3,000 times the impact of the first industrial revolution, which occurred in the 19<sup>th</sup> century," said Jokowi, quoting a 2015 study from research firm McKinsey Global Institute.

Jokowi said he hoped the implementation of the roadmap, although focused only on five prioritized industries, would increase the competitiveness of the said industries in facing global competition.

Jokowi also expressed optimism that Indonesian labor would gain from the implementation of the roadmap, while also stressing the importance of the roadmap in fostering inclusive growth in the country through the development of small and medium enterprises (SMEs).

The President further said the



Antara/Puspa Perwitasari

**Deep thoughts:** President Joko "Jokowi" Widodo (*center*) and Industry Minister Airlangga Hartarto (*left*) exchange ideas with the president director of PT Toyota Motor Manufacturing Indonesia (TMMIN) Warih Andang Tjahjono at the 2018 Indonesian Industrial Summit in Jakarta on Wednesday. At the event, Jokowi launched "Making Indonesia 4.0", a road map that details Indonesia's vision of the digital era and building a strong manufacturing industry that is globally competitive.

government's initiative to develop 10 new tourist destinations outside Bali as well as the government's focus on developing the country's creative industry, which includes handicrafts, would continue to accommodate large numbers of workers.

"The point is, we have to face the fourth industrial revolution. We cannot ignore or not utilize it as other countries are also making ways [to harness it]," he said.

Meanwhile, Industry Minister Airlangga Hartarto said the government would focus on providing training and new skills for workers in order to fit the needs of industry amid the increase of the use of robotic technology.

"Behind the robots there are still jobs for workers such as maintenance, for example. The most important things are retraining and reskilling workers to equip them with adequate skills," he said.

The industrial roadmap, which outlined the steps of industrial development from 2018 to 2030, will focus on five industries, namely food and beverages, chemicals, textiles, automotive and electronics.

Airlangga added that the Industry Ministry was currently in talks with the Communications and Information Ministry and state-owned telecommunications firm PT Telekomunikasi Indonesia (Telkom) to develop fifth-generation (5G) internet connections in certain industrial zones as part of the implementation of the roadmap.

By implementing "Making Indonesia 4.0", it is hoped to boost gross domestic product (GDP) growth by 1 to 2 percent from the current 5 percent baseline.

It is also hoped the implementation of the roadmap will open up some 10 million new jobs by

2030 as a result of a pick up in export demand as well as increasing the contribution of manufacturing to the GDP, which is projected to reach between 21 and 26 percent by 2030.

Center of Reform on Economics (CORE) Indonesia executive director Mohammad Faisal said as the fourth industrial revolution brought about greater technology use in manufacturing it would result in a reduction in the use of human labor.

Consequently, he called on the government to provide a clear transitional phase in order to accommodate rising unemployment as human labor was replaced by technology.

"The government needs to provide a clear program to accommodate the jobs lost in the prioritized sectors [in the industrial roadmap], otherwise unemployment will rise," he said.

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## TAXATION

# Indonesia goes hi-tech in hunt for tax assets after amnesty

**Gayatri Suroyo and  
Maikel Jefriando**

REUTERS/JAKARTA

Indonesia's tax office plans to spend hundreds of millions of dollars to update its outdated technology to boost low tax compliance and raise revenue collection in Southeast's largest economy, the country's tax chief told Reuters.

Indonesia completed one of the world's most successful tax amnesties in 2017, but its very success has created headaches. The tax office has to use old technology or even manual labor to deal with a wealth of new data, Robert Pakpahan, director general of the finance ministry's tax department, said.

A standard method of assessing companies' profit margins, for example, has to be done manually by tax officials, said Pakpahan. "It should be done by machines, through automation so that it's accurate."

The majority of Indonesia's more than 250 million people do not pay tax and many are not even familiar with the concept of paying. Only 38 million are registered taxpayers, including corporations, and less than a third submit tax returns.

A nine-month tax amnesty that ended in March 2017 exempted tax dodgers from prosecution

and imposed on them only small fines if they declared their undisclosed wealth, which helped the government unearth assets worth around US\$330 billion.

Moreover, a law passed in 2017 requires financial institutions to share data with the tax offices from this month under a global transparency drive, while data on offshore assets should be shared from September.

With only 43,000 staff, Pakpahan, who was appointed to the job last November, said it was difficult to manage data while going after, sometimes, reluctant taxpayers.

"The number of taxpayers grows, the data increases, and so we cannot count on a manual system only. That's why we are buying a sophisticated system," Pakpahan said.

Indonesia will buy a new "core tax system" via a tender this year with a winner due to be announced next year, he said. The tax chief estimated the budget at around Rp 3 trillion (\$218.1 million), but said it could cost more as other countries have been known to spend \$400 to \$600 million for a similar system.

With the new technology, Pakpahan said the tax office would be better able to profile taxpayers and uncover ones who may not have paid. The system could also analyze margins to help the

tax office find possible doctored financial statements or cases of transfer pricing — where a company exports at a lower price or at a loss to an affiliate to report lower profits or avoid tax.

"Once the system is in place, compliance should increase because we can be fairer to people," he said.

In addition, the tax office is also creating new connections with some state firms to allow real-time exchanges of transaction data, which would reduce paperwork for value-added tax payments, Pakpahan said.

The tax office had done this for state oil company Pertamina and will soon use the same technology for state power utility Perusahaan Listrik Negara and state-controlled banks.

The adoption of technology would still probably not be enough to achieve a target of 16 percent ratio of tax revenue to gross domestic product (GDP) by 2019, Pakpahan said, but it would be a step towards an improvement. The current ratio is around 11 percent, one of the lowest in Southeast Asia.

Nonetheless, Pakpahan is optimistic that this year's tax target of Rp 1,618.1 trillion would be met, after seeing a more than 15 percent growth in the early months of 2018 compared with a year ago.

# Plantation fund fails to boost productivity: Farmers

## The Jakarta Post

JAKARTA

The Palm Oil Farmers Union (SPKS) has demanded the Supreme Court to overrule a government regulation that serves as a legal basis for the collection of plantation funds from palm oil exporters and plantation owners.

The union argued that Government Regulation No. 24/2015 on plantation funds had failed to increase palm oil productivity as it was supposed to, and only benefited companies receiving biodiesel incentives.

"We think the plantation funds missed the intended target," SPKS advocacy department head Marselinus Andry told reporters on Tuesday.

The union says the funds have been misused and therefore, the Supreme Court must annul the regulation.

The funds collected from plantation owners, exporters and other sources are managed by the Palm Oil Funds Agency (BPDP-KS) for plantation expansion.

In 2015-2017, the agency raised Rp 27.94 trillion (US\$2.028) billion, but 89 percent of it was allocated for 19 biodiesel companies in the form of incentives.

The rest was allocated for replanting, human resources improvements, research and development, plantation facilities, as well as promotion. Only 1 percent was used for replanting during the 2015-2016 period, or about Rp 25 million per hectare.

Andry said the BPDP-KS was set to raise between Rp 10.9 trillion and Rp 13 trillion this year; 70 percent to be allocated as biodiesel subsidies, 22 percent for replanting, 2 percent for human resources improvement, 2 percent for research and development, 2 percent for facilities and 2 percent for promotional purposes.

Andry said biodiesel incentives given to companies had a weak legal standing, and palm oil farmers' rights to incentives had been cut and ignored because of them.

Gadjah Mada University (UGM) researcher Hifdzil Alim said the distribution of plantation funds for biodiesel incentives only fixed the problem of supply and demand, but did not increase productivity among palm oil planta-

tions and farmers.

"Regulations on biodiesel in Government Regulation No. 24/2015 and Presidential Regulation No. 24/2016 have disadvantaged palm oil workers because they prevent workers from being part of programs that had been designed for them, as mandated by Law No. 39/2014 on plantations," Hifdzil said.

The SPKS filed its petition to challenge Government Regulation No. 24/2015 on Feb. 8, arguing that it contradicted Law No. 39/2014 on plantations.

The Indonesian Palm Oil Producers Association (Gapki) and the government have denied that biodiesel incentives only benefited companies, saying the current regulation was intended to stabi-

lize crude palm oil (CPO) prices.

When the BPDP-KS was established in 2015, CPO prices were at an all-time low, reaching Rp 400 per kilogram, according to Musdalifah Machmud, food and agriculture undersecretary for the Office of the Coordinating Economic Minister.

The decrease had been triggered by the drop in oil price at the time, dragging down with it the cost of other commodities.

"The [CPO] price kept decreasing because of an abundant supply, so it should be absorbed by domestic industries. It was impossible to increase cooking oil consumption, while other industries already absorbed CPO. Meanwhile, our biodiesel industry was ready, but production was

sluggish," Musdalifah told *The Jakarta Post*.

She added that the incentives the biodiesel industry received were in proportion to their scale of production, and CPO prices slowly recovered as a result.

"Sometimes, people do not realize that the biodiesel industry benefits palm oil farmers. The rise in CPO for diesel has stabilized prices," Gapki member Eddy Martono told *the Post*.

Eddy warned that if biodiesel incentives were revoked, there would be an oversupply of CPO that in turn would hurt the farmers.

"We are just maintaining our commodities so that they don't lose their competitiveness," Musdalifah said. (amf)

# RI's expensive gas at risk of sitting idle

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

Indonesia's abundant natural gas supply is at risk of sitting idle if the government is unable to reduce the energy price that has long been the scapegoat for the stale growth in certain industries.

The Energy and Mineral Resources Ministry estimates that annual gas demand in the fertilizer and petrochemical sectors will soar from 1,075.5 million standard cubic feet per day (mmscfd) this year to 1,332.5 mmscfd in 2021, when the new petrochemical industry in Teluk Bintuni, West Papua, starts its commercial operations.

The government's plan to establish new fertilizer and petrochemical industries in Senoro, Central Sulawesi and Masela, Maluku, respectively, will further increase the demand for gas to 1,432.5 mmscfd in 2023 and 1,762.5 mmscfd in 2026.

By taking into account the existing supply, ongoing developments and potentials in several gas fields, the ministry is optimistic about fulfilling gas demand for fertilizer and petrochemical industries until 2023.

There will be a deficit for two years due to natural decline before it can eventually offset the demand gap with additional production from the Masela block in 2026, the ministry's data shows.

"Based on the calculation in our national gas balance, we will still be able to meet the demand from fertilizer [and petrochemical] industries with the existing gas supply and additional

Industries reluctant to boost expansion due to high gas price

Ministry confident industries will increase demand for gas

production from other fields," the ministry's oil and gas director general, Djoko Siswanto, said on Wednesday.

According to the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas), the existing gas supply for the fertilizer industry alone currently stood at around 775 mmscfd, while at least 394 mmscfd of potential extra stock would be available within the next decade from several new gas fields.

That includes new supply amounting to around 54 mmscfd from Block A in Aceh slated to be used by state fertilizer producer Pupuk Iskandar Muda and 70 mmscfd from the Corridor Block in South Sumatra to support the former's sister company, Pupuk Sriwidjaja Palembang (Pusri).

However, Achmad Sigit Dwihajono, the Industry Ministry's director general for chemicals, textile and miscellaneous industry, argued all of those supplies would be for nothing if the Energy and Mineral Resources Ministry was unable to slash gas prices as initially expected.

"For us, the big challenge lies in the high price of gas.

"We only hope that the Energy and Mineral Resources Ministry can deliver its promise to reduce gas prices to a level of US\$6 per million British thermal units

[mmbtu]," Achmad said.

The expensive price has forced state fertilizer firm Pupuk Kujang to cancel its plan to purchase gas produced from the Jambaran Tiung Biru field in East Java as the cost is reaching nearly \$8 per mmbtu.

Furthermore, state fertilizer holding company Pupuk Indonesia has yet to reach terms with Genting Oil Kasuri, a subsidiary of Malaysian conglomerate Genting Bhd, regarding the price of gas produced from the latter's Kasuri Block in West Papua.

President Joko "Jokowi" Widodo has ordered the Energy and Mineral Resources Ministry to cut gas prices in seven industries, namely petrochemical, fertilizer, steel, oleochemical, glass, ceramics and rubber gloves, to below \$6 per mmbtu in order to create multiplier effects in the industrial sector.

However, the ministry is still unable to realize the mandate, yet it has made a price cut simulation for 77 industrial gas users that could sacrifice non-tax state revenue (PNBP) collection by \$4.3 million per year in the upstream sector, coupled with possibilities to slash distribution costs at midstream.

Even with such efforts, the ministry said gas prices would still hover above \$6 per mmbtu.

"If we want to sacrifice [non-tax revenue] a little bit more, we will be able to bear the fruit from the multiplier effects in the downstream sector.

"But, without any willingness to do so, our industrial sector, and our gas demand, will not grow as fast as expected," Achmad said.

ENVIRONMENT

# The broken pipe was ours, Pertamina admits

N. Adri and Gemma Holliani Cahya

THE JAKARTA POST/BALIKPAPAN/JAKARTA

State oil and gas company Pertamina admitted on Wednesday that one of its pipelines, which was being used to transfer crude oil, had been the cause of an oil spill in Balikpapan Bay, East Kalimantan, last week.

The firm previously denied its involvement in the incident and claimed after collecting samples from nine different locations in the bay that the spill comprised marine fuel oil (MFO), which is used as fuel for ships.

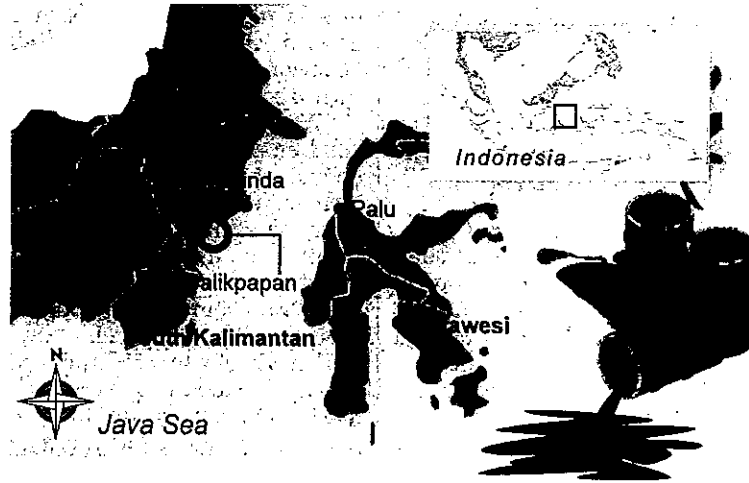
A 10<sup>th</sup> oil-spill sample, however, confirmed that the pollutant was crude oil and not the MFO Pertamina had first suspected.

"We discovered that a pipeline had been dragged 120 meters from its initial location, [causing it to break]," Togar MP, Pertamina Refinery Unit general manager, said in a press conference on Wednesday.

The steel underwater pipe, which rests 25 meters below sea level, measures 50.8 centimeters in diameters.

Pertamina began using the pipeline in 1998 to funnel crude oil from its Lawe-lawe terminal in North Penajam Paser to an oil refinery in Balikpapan.

"When the oil spill was detect-



ed, we shut down the pipeline to prevent [further spillage]," Togar said, adding that the firm was still trying to discern how much oil had spilled into the bay.

Meanwhile, East Kalimantan Police special crimes director Sr. Comr. Yustan Alpian said his unit was "still investigating the cause of the broken pipe".

Investigators have questioned 11 witnesses, including port authority and Pertamina personnel, residents in the area, and the skipper of coal cargo vessel MV Ever Judger 2, which was docked at the bay when the oil spill triggered a fire on Saturday, he added.

Any responsible parties in the incident could face im-

prisonment or a fine should they be found guilty of negligence causing environmental damages under the 2009 law on environmental protection and conservation.

At least five fishermen died in the fire over the weekend.

An Irrawaddy dolphin was also found dead and stranded on a beach behind the Balikpapan Legislative Council building.

According to the Environment and Forestry Ministry's report released on Wednesday, the oil spill affected some 7,000 hectares of Balikpapan Bay.

Around 60 kilometers of the area's coastline, stretching from Balikpapan to North Penajam Paser regency, have been marred with oil.

The spill also affected around 34 ha of mangrove trees in Kariagau village, as well as 6,000 mangrove trees and 2,000 mangrove seeds in Atas Air Margasari village.

Dead crabs found on Banua Patra Beach were also believed to be a result of the spill, according to the ministry.

Meanwhile, residents in the area have complained of experiencing nausea, difficulty breathing and vomiting since Saturday.

Satellite images from the National Institute of Aeronautics and Space (LAPAN) on Monday showed that the oil spill has covered 12,987 ha of Balikpapan Bay.

A team of high-ranking officials from the environment ministry, including its director general for law enforcement, is in Balikpapan to look into the possibility of holding responsible any entity that caused the incident, while calculating how much the resulting damages may cost.

It is the largest environmental tragedy ever recorded in East Kalimantan, according to the Indonesian Forum for the Environment (Walhi).

"This is also the largest environmental tragedy in Indonesia in the last 10 years. Until today, you can still smell fuel around Balikpapan Bay," said Fathur Roziqin Fen of Walhi's East Kalimantan office. "This is a serious crime."

# Pertamina's ex-boss named corruption suspect

**Nurul Fitri Ramadhani  
and Viriya P. Singgih**

THE JAKARTA POST/JAKARTA

The Attorney General's Office (AGO) has named Karen Galaila Agustian, a former president director of state-owned oil and gas company Pertamina, a suspect in a graft case related to the firm's 2009 investment in the Basker Manta Gummy (BMG) Australia oil block.

The deal, which was reportedly not approved, is believed to have incurred Rp 568 billion (US\$39.7 million) in state losses.

In addition to Karen, Pertamina's chief of legal counsel and compliance, Genades Panjaitan, and former financial director Frederik Siahaan have also been declared suspects, according to AGO spokesman M. Rum.

A former upstream merger and acquisitions directorate manager at the firm, identified as BK, was declared a suspect in January.

The four face charges stipulated under Law No. 20/2001 on corruption.

"Our investigators have questioned 67 witnesses so far," Rum said as quoted by Antara news agency on Wednesday.

Pertamina, through its subsidiary PT Pertamina Hulu Energi, acquired a 10 percent share in Australia-based ROC Oil Ltd in 2009 for A\$66.2 million (\$50.99 million), with the expectation of gaining 812 barrels of oil per day.

However, the latter's BMG Australia oil block could only produce 252 barrels per day for PHE Australia Pty Ltd. On Nov. 5, 2010, the block was shut down after Roc Oil



tribunnews.com

**Karen Galaila Agustian**

Ltd, Beach Petroleum, Sojitz Energy and Cieco Energy decided to halt crude oil production, claiming the oil field was uneconomic.

The AGO found that Pertamina's investment in BMG Australia had violated Indonesia's investment guidelines, as the deal had been made before a final due diligence and failed to gain approval from the company's council.

Karen rose to the position of president director in 2009 and became the first woman to lead Pertamina, challenging the conventions of a male-dominated industry. The 59-year-old led the company to several notable achievements throughout her six-year term, including its highest net-profit earnings of Rp 25.89 trillion in 2012, 18.4 percent higher than the previous year.

Responding to Karen's suspect status, Pertamina spokesperson Adiatma Sardjito said the company would respect the AGO's legal process, "but will still uphold the principle of innocent until proven guilty".

Arief Setiawan Handoko, secretary of the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas), urged Per-

tamina to tread carefully in making any investment decisions, especially considering its status as the national oil company.

"Pertamina is a state-owned company that runs its business using the state budget — unlike private firms that take risks while using their own money. Such a [corruption] case has certainly thrust the company into the spotlight," Arief said.

Therefore, he said, Pertamina, along with other upstream oil and gas contractors in the country, must be able to ensure good corporate governance.

Early this year, SKKMigas implemented a new antibribery management system called the SNI ISO 37001:2016, which specifies a series of measures to help organizations prevent, detect and

address bribery.

The task force also signed a memorandum of understanding (MoU) with the Financial Transaction Reports and Analysis Centre (PPATK) in July last year to boost transparency and prevent money laundering among stakeholders involved in the upstream sector.

Meanwhile, the executive director of Jakarta-based energy think tank ReforMiner Institute, Komaidi Notonegoro, echoed Arief's warning, adding that another graft case would only harm Pertamina's global reputation.

"But, still, this is an old case that occurred during a different management era. Pertamina's current business operations, especially the ones related to international partners, might not be significantly affected because of this," he said.