

Govt to focus on stability in wake of weakening rupiah

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo may be giving up hope for higher growth this year as the government shifts its focus on ensuring stability amid external pressures that have taken a toll on the rupiah in the past few months.

Finance Minister Sri Mulyani Indrawati told lawmakers at the House of Representatives' budget committee in Jakarta on Thursday that economic growth may be lower than the target of 5.4 percent set in this year's state budget.

"With Bank Indonesia [BI] raising its interest rate, it's possible to have slower than expected economic growth as a consequence," she said, adding that the revised prediction for 2018 economic growth was 5.17 percent.

The country's gross domestic product (GDP) expanded by

5.06 percent during the first quarter of the year thanks to positive growth recorded in investment and household spending, according to data from the Central Statistics Agency (BPS).

According to Bank Permata economist Josua Pardede, the 5.17 percent projection was more realistic after taking into account developments made in the first quarter this year.

"The 5.17 percent [growth projection] is a more realistic figure to anchor the expectations of market players, as pursuing a target that is too high would pose a risk to the government's credibility," he added.

BI has twice raised its policy rate, the seven-day reverse repo rate, each time by 25 basis points to now settle at 4.75 percent as it looks to prevent the rupiah from further depreciation. It has also hinted at future hikes to further stabilize the currency.

From a fiscal standpoint, the government would maintain low inflation and a manageable budget deficit — set at 2.19 percent this year — to create "fiscal space" and use fiscal instruments to stabilize the economy, Sri Mulyani explained.

The minister added that the government would intensify its coordination with the central bank, the Financial Services Authority (OJK) and the Insurance Deposit Corporation (LPS) to focus on stabilization measures.

The government was committed to its development agenda, and the move to prioritize stability would not sacrifice its push for growth, she said.

"When we focus on stabilization, that does not mean we are sacrificing growth. The strategy is not to expand fiscal and monetary [policies], but to use structural policies. This is where we need to coordinate with relevant

ministries."

BI Governor Perry Warjiyo said effects of the interest rate hike on economic growth would take longer to materialize compared to the impact of a volatile currency.

"The weakening [rupiah] had a negative impact on the economy and it was immediate," he said, pointing to the manufacturing sectors' reliance on imported raw materials or intermediary goods as an example of vulnerabilities felt by industries if the rupiah depreciated.

Perry previously said it would be hard for the economy to grow beyond 5.3 percent this year on account of declining household consumption growth, which still stood at below 5 percent, as well as slim net exports, meaning that imports saw higher growth than exports.

The central bank has projected an economic growth of 5.2

percent this year, on the back of strong commodity prices as well as a positive fiscal stimulus to encourage growth, particularly from the government's infrastructure spending.

Despite focusing its monetary policies on maintaining stability, Perry said the central bank would soon relax its macroprudential regulation on the housing sector, believing that growth in the sector would boost the economy.

He added that BI would continue to deepen the country's financial market by issuing new instruments aimed at financing the government's infrastructure projects.

Bank Permata's Josua argued that consequences of the central bank's policy rate increase would be felt by the end of next year, echoing Perry's explanation that the effects would be sluggish compared to the those of a weakening rupiah.

TAX REVENUE

Investment climate, tax reform priority in setting 2019 target

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

The government has said it will prioritize its tax collection target for 2019 while adhering to its commitment to maintaining a conducive investment climate and continuing its tax reform.

Finance Minister Sri Mulyani Indrawati told the House of Representatives that in calculating its tax revenue target for the 2019 budget, the government would take into account the latest economic developments, past tax revenues, as well as its current tax revenue potential.

"In determining the 2019 tax revenue target, the government will uphold its strategy in mobilizing tax revenue while maintaining the investment climate and driving the ongoing tax reform [agenda]," she said at a House plenary meeting on Thursday.

She added that the tax authority was working to improve its administration system following the conclusion of the tax amnesty, which ran from July 2016 to March 2017, to expand the database of taxpayers and optimize tax collection, subsequently boosting tax revenue.

To do this, taxation policies, she added, would aim at tightening integration between the Finance Ministry's Taxation Directorate General and Customs and Excise Directorate General, as well as encouraging investment and boosting the competitive edge of the country's exports.

In addition, the tax authority

will process the data it is set to receive from the implementation of international agreements such as the Automatic Exchange of Information (AEOI) and Country by Country Reporting (CBCR), among others, said Sri Mulyani.

In its latest move, the tax authority has teamed up with the Human Rights and Law Ministry's Immigration Directorate General, allowing the former to up its ante in monitoring taxpayers, particularly foreigners who work in Indonesia. The move allows the authority to slap travel bans on taxpayers who owe Rp 100 million (US\$7,168) or upward in unpaid taxes.

While welcoming next year's tax collection strategies, Center for Indonesia Taxation Analysis executive director Yustinus Prastowo said it was vital for the tax authority to optimize its investigation procedures aimed at recalcitrant taxpayers.

"Compliance risk management is key," said Yustinus, referring to risk-based assessment carried out by tax officials in determining compliant and non-compliant taxpayers. "It will expand the tax base because [tax officials' investigation] would target non-compliant taxpayers."

The tax authority collected Rp 383.3 trillion in tax revenue during the first four months of 2018, a 14.88 percent increase compared to the same period last year, excluding penalties from the tax amnesty.

The figure rep-

resents 26.91 percent of the 2018 tax revenue target of Rp 1.42 quadrillion as outlined in the state budget.

The government projects gross domestic product (GDP) to expand between 5.4 percent and 5.8 percent in 2019, higher than the current 5.4 percent target outlined in the state budget.

To further boost the economy, Sri Mulyani said the government was planning to introduce new fiscal incentives to complement existing ones, such as tax holidays, to support labor-intensive and export-oriented businesses.

"Fiscal incentives will also be offered to taxpayers that provide vocational training and conduct research and development activities in Indonesia," she said, adding that the incentives should encourage investment and boost exports in the mid-term.

In addition, the higher GDP growth target is also expected to increase the GDP ratio to between 11.4 percent and 11.9 percent, slightly up from the 11.6 percent target in the 2018 state budget.

While welcoming the government's fiscal incentive initiative, Indonesian Employers Association (Apindo) chairman Hariyadi Sukamdani said maintaining clear communication with the public would be key in optimizing tax collection next year.

"What's important is good communication and thorough investigations that follow procedure; not digging up [taxpayers'] mistakes," he said.

Jun. 2, 2018
J. Post

DIPLOMATIC ROW

Indonesia confirms denying visas to 53 Israelis

The Jakarta Post

JAKARTA

Law and Human Rights Minister Yasonna Laoly confirmed on Friday that the government had denied visas to 53 Israelis but declined to reveal reasons behind the decision due to the sensitivity of the matter.

"It is true that we did not grant visas to Israelis, and the decision was made by our clearing house," he told reporters during a press conference at the Foreign Ministry's office, without elaborating. "Each country has its own policies on granting or denying visas to foreign applicants."

A statement from the Israeli Ministry of Interior has been cir-

culating among travel agents in Indonesia informing them that as of June 9, Indonesian passport holders can no longer enter Israel. Despite the absence of diplomatic relations between the two nations, Indonesians were previously allowed to visit Israel for religious pilgrimages, while Israelis could also come to Indonesia on what is referred to as a "calling visa", or a limited-stay visa.

According to *middleeastmonitor.com*, Israeli Foreign Ministry spokesman Emmanuel Nahshon claimed on May 23 that Indonesia had banned Israelis from entering the archipelago in response to "the massacre in Gaza", but Israel was trying to reverse the decision.

Meanwhile, Foreign Minister

Retno LP Marsudi, who accompanied Yasonna at the press conference, shot down rumors of a secret negotiation to establish a visa-free policy between the two countries.

"I can confirm it's not true. We do not have any diplomatic ties with Israel," she said.

Israeli media portal *Hareetz* reported on May 3 that Indonesia, the world's largest Muslim-majority country, was issuing tourist visas to Israelis as part of a policy that had been effective since May 1. It further claimed Israelis could apply for tourist visas through the "Israel Indonesia Agency", which, according to *Hareetz*, was set up last month. However, the article did not quote any Indone-

sian authorities.

Retno reiterated that Indonesia's foreign policy on Palestine was clear: "Indonesia will continue to side with Palestinians in their fight for freedom and for their rights."

Travel agents are now in limbo following Israel's policy, as between 11,000 and 15,000 Indonesians visit Israel yearly as pilgrims.

Meanwhile, Religious Affairs Minister Lukman Hakim Saefudin emphasized the importance of access to Jerusalem as a holy city for several religions.

"Israel should understand this so the prohibition should not include the Holy City, which belongs to the citizens of the world who have equal rights to it," he said.

Govt approves fuel price hike proposals

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

The government has recently approved proposals from several private gasoline distributors seeking to increase its prices, although the former still did not agree with prices proposed by at least one distributor.

All fuel distributors in the country must obtain approval from the Energy and Mineral Resources Ministry before increasing the price of gasoline in the general fuel type (JBU) category, except for jet fuel and industrial fuel.

Three private companies have proposed price adjustments, namely PT Shell Indonesia, the local subsidiary of Netherlands-based Royal Dutch Shell; Total Oil Indonesia, the local arm of France's Total SA; and PT AKR Corporindo, a Jakarta-based petroleum and chemicals distributor.

Ministry Oil and Gas Director General Djoko Siswanto said last week that the ministry had evaluated proposals from the three companies. While the ministry confirmed that it had approved their proposals, prices were still being evaluated for one distributor.

"Some proposals are still not on the same page as us [regarding the price]," he told reporters in Jakarta last week, referring to Shell's proposals.

Djoko said Shell's adjustment price was "too high" but called Total's proposal "reasonable". AKR's proposal last Friday was still being reviewed.

In a document obtained by *The Jakarta Post*, Shell proposed an increase of Rp 500 (3 US cents) per liter for its Super (research

Total increases prices of nonsubsidized fuel by Rp 100 to Rp 400 per liter

Shell, AKR yet to increase price

Govt says Shell's proposal 'too high'

octane number level of 92) and Regular (RON 90) gasoline, and an increase of Rp 700 per liter for Vpower (RON 98) and diesel.

Meanwhile, Total proposed an increase of Rp 100 per liter for Performance 90 (RON 90), Rp 200 to Rp 300 per liter for Performance 92 (RON 92), Rp 300 to Rp 350 per liter for Performance 95 (RON 95) and Rp 350 to Rp 400 for diesel.

Representatives of Total could not be reached for comment on the price hike over the weekend. However, the prices of Total's fuel in its gas station on Jl. MT Haryono in South Jakarta have increased in accordance with its proposal.

Shell also could not be contacted for comment. It has not updated gasoline prices on its website, still listing prices that were last updated on March 18.

Further, AKR Corporindo has not increased the price of its AKRA 92 fuel, which has a RON level of 92, or at the same level as Pertamina, state energy giant Pertamina's RON 92 gasoline.

As of June 1, AKRA 92 is sold at Rp 8,800 per liter.

"The price of AKRA 92 [will] likely go up after June 10th," AKR director Suresh Vembu told the *Post* on Sunday.

Previously, Vembu said the

government's new pricing policy might not have a significant impact on its existing business, considering that industrial fuel accounted for 90 percent of its total fuel sales.

However, it might affect its plans to develop 15 new gas stations in Jakarta and Surabaya, East Java, this year along with British oil and gas giant BP.

This is part of its wider plan to jointly build around 350 new gas stations nationwide within the next decade.

Separately, Pertamina spokesperson Adiatma Sardjito told the *Post* that the firm had yet to submit a proposal on a price adjustment to the government. He did not respond when asked which date Pertamina would submit a proposal.

Pertamina acting director Nicke Widyawati has repeatedly said the firm would increase their prices soon. However, to date, there have been no signs that Pertamina would adjust the prices of their nonsubsidized fuel.

Previously, President Joko "Jokowi" Widodo signed a revised presidential regulation to require the sale of Pertamina's subsidized Premium gasoline at gas stations in Java, Madura and Bali. Premium, which has 88-RON, is sold at Rp 6,550 per liter, below 90-RON Peralite, which is sold at Rp 7,800 per liter.

The move was made in response to a government request, as customers in several areas had complained about a lack of Premium gas. According to the Downstream Oil and Gas Regulatory Agency (BPH Migas), there are 3,306 gas stations in Java, Madura and Bali.

Private firms told to invest in coal gasification

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The government has said it expects private companies to invest in facilities that can transform coal into gas and help the country reduce gas imports.

Speaking during a hearing at the House of Representatives on Wednesday, Energy and Mineral Resources Minister Ignasius Jonan said once the plan was realized, it could reduce national gas imports to zero percent.

"Around half of our gas consumption is imported, which costs us around Rp 2 billion [US\$144,600] a year. However, if we can transform coal into gas, it [gas imports] could go down to zero," he said. "I believe that we should push coal miners to invest more in the plan."

The ministry is ready to help any coal players who are interested in developing the industry by speeding up the issuance of permits, he said.

"When it comes to permits, [the companies] could even write them up themselves and let me do the signing." Coal gasification transforms lignite coal into gas and other feedstocks that can serve as a competitive fuel source for the manufacturing industry.

Meanwhile, coal liquefaction turns the material into liquid hydrocarbon, which is the chief component of petroleum and petrochemicals.

Jonan, a former transportation minister, said private investors could have their own distribution channels, which means they do not have to use those set by state energy giant Pertamina.

"As long as they don't ask for subsidies because the state budget only allocates subsidies for research and development."

To prove the commercial feasibility of the plan, the ministry's research and development center has been using gas from coal for cooking and small-capacity power plants (below 1 megawatt), among others.

"Coal gasification could save 40 to 50 percent of energy compared to petroleum-based fuel. It has also been used by small and medium businesses as it has low emissions," the center stated.

A 2017 study called "Economic Analysis of Coal Gasification Plant for Electricity and Thermal Energy Supplies in Indonesia", published in the *Journal of Clean Energy Technologies*, found that the selling price of electricity from coal gasification was "competitive compared to that of diesel oil [375 cents/kWh]".

"[They are] much less competitive compared to the price of natural gas [864 cents/kWh]. The selling price of synthesis gas is also higher than that of LPG [238 cents/Normal Cubic Meters]," the article stated.

Jonan added that he hoped Pertamina could also intensify its investment in the coal gasification and liquefaction plan.

For coal gasification, Pertamina is currently in a consortium with state-owned coal miner PT Bukit Asam, state fertilizer holding firm PT Pupuk Indonesia and PT Chandra Asri Petrochemical, a chemical company owned by PT Barito Pacific and Siam Cement Group.

The consortium set up a project to transform gas into Dimethyl Ether (DME) with the capacity of 400,000 tons per year, as well as projects for fertilizer and petrochemical products. Ramson Siagian, a member of House Commission VII overseeing energy, however, said the plan should be entirely funded by the government as it aimed to ensure energy availability.

Jakarta-based mining research group ReforMiner Institute's executive director Komaidi Notonegoro concurred, saying coal gasification and liquefaction would fare better in the hands of the government.

"The goal of advancing this technology is to [preserve the] environment rather than [achieve] efficiency, so it shouldn't entirely be given to the private sector," he said, adding that the plan would not likely be profitable for miners.

When asked about the plan, Indonesian Coal Companies Association (APBI) deputy executive director Hendra Sinadia said the technology was still considered expensive.

Miners would therefore require additional regulations and incentives to push the investment of downstream coal, including coal gasification and liquefaction.

"Investment in downstream coal is long-term, which means it also needs long-term assurance, such as a guarantee on a permit extension," he said, adding that fiscal incentives were also crucial.

Govt sets up FTA centers

to promote agreements

Riza Roidila Mufti

THE JAKARTA POST/JAKARTA

Even though the government has tried to help local businesses access a wider market outside Indonesia through free trade agreements (FTAs) with several countries, many businesspeople have not made full use of the trade deals.

A lack of information has resulted in businesses not benefiting fully from the FTAs, with many businesspeople and small and medium enterprises (SMEs) confused over how to access and utilize the trade deals.

Many have no idea that the agreements even exist.

To disseminate information about the FTAs, the Trade Ministry set up on Thursday FTA centers in five major cities, namely Jakarta, Bandung, Surabaya, Medan and Makassar.

The ministry's international trade cooperation directorate general, Iman Pambagyo, said he hoped that the FTA centers could

help in disseminating information about FTAs to help small firms and SMEs across the country.

"We want SMEs [...] to know that we have FTAs with countries like South Korea, Pakistan, Japan and they can make use of the trade deals to export their goods," he said on Thursday. "With more entrepreneurs in the regions utilizing FTAs, it can boost our exports," said Iman, stressing that there could be more exporters if more businesspeople were informed about FTAs.

Previously, a 2013 survey-based research study by the University of Indonesia that was published by the Economic Research Institute for ASEAN and East Asia (ERIA) revealed that companies' knowledge of FTAs was limited.

The research also suggests that information on FTAs is not easily accessible and that the quality of information on them is poor.

With the FTA centers, Iman said he hoped that related parties, from big and small firms to SMEs, would stay informed about FTAs

that could benefit them.

The FTA centers will be tasked with disseminating information on FTAs and providing consultancy and advocacy services.

With its consultancy role, the centers are expected to help SMEs or business players understand and deal with export procedural processes, funding and marketing and promotion strategies in the export process. The centers will also play a role as an advocacy center for firms that face problems or disputes related to FTAs.

The FTA centers, which began operating at the end of May, were formed under Presidential Regulation No. 79/2017. Each FTA center has three expert staff members and consultants who are experts on international trade, export processes and marketing and promotion strategies.

To operate the FTA centers, the Trade Ministry is collaborating with several state universities in areas where the FTA centers operate, provincial trade and industry agencies and local busi-

ness players.

Fernanda Reza Muhammad, an exporter and expert staff member for an FTA center in Surabaya, said the changes were a positive for Indonesia.

"As an exporter, I know that many entrepreneurs and SMEs, especially those in regional areas, have not yet received information about FTAs. FTAs open up access to a huge market of 9.5 billion people outside of Indonesia that we can utilize," Reza said, adding that it would be unfortunate if FTAs were not utilized by SMEs at the regional level.

Reza, who is also a director at Promosia Group, a Surabaya-based product supplier, said that if more SMEs across Indonesia received more information about FTAs, exports could be boosted.

Around 65 percent of FTAs were utilized for exports in 2016, with the highest contribution coming from the ASEAN-India Free Trade Area (AIFTA), while around 50 percent of FTAs were utilized in the same year for im-

ports, with the highest contribution coming from an agreement with South Korea in AKFTA.

However, growth in the utilization of FTAs for exports was only 8.3 percent, lower than the growth in the number of FTAs used for imports at 11.4 percent.

To boost exports and optimize FTAs, Indonesia is actively exploring other agreement and co-operation opportunities.

As of March 2018, there are nine ongoing reviews or negotiations on FTAs, such as the Economic Partnership Agreement (EPA) with Japan, the Preferential Trade Agreement (PTA) with Pakistan and the Comprehensive Economic Partnership Agreement (CEPA) with the European Union and Australia.

Six agreements are pending the ratification process, including the Indonesia-Chile CEPA signed on Dec. 14 last year. There are 12 upcoming negotiations scheduled with countries such as Sri Lanka, Morocco, Peru, Mozambique, Nigeria and Kenya.

Palm oil row will not halt CEPA with EU

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

The government will continue its negotiations with the European Union to conclude one of the country's biggest trade deals, the Indonesia-EU Comprehensive Economic Partnership Agreement (I-EU CEPA), despite their ongoing dispute over palm oil.

The Trade Ministry's international trade director general, Iman Pambagyo, who chairs the Indonesian delegation, said so far no issues had been raised in the talks that might halt progress on the deal, including palm oil.

"There is nothing, I would say, that has hampered the process. All is going according to plan. However, we need to speed up the engagement phase within the state agencies and ministries," he told The Jakarta Post on Monday.

When asked about the deadline of the agreement, which is expected to be finished before the end of this year, Iman did not provide any assurances on whether it would be concluded on schedule or not.

He said simply that he was "instead focused on pushing the negotiation forward".

According to the ministry's data, both Indonesia and the EU are slated to ink the agreement by the end of 2018, with ratification and implementation to follow next year.

Separately, Vincent Guérend, the EU delegation head and ambassador to Indonesia and Brunei Darussalam, concurred that the palm oil issue would not hamper the agreement.

He said the EU had never con-

CEPA talks expected to conclude by end of year

Fifth round of talks slated for July

FTA expected to increase RI's market share

sidered palm oil to be a trade issue, because he claimed neither tariffs nor maximum duties had been imposed on the commodity.

Indonesia has protested strongly against the European Parliament's plan to phase out palm oil as a transportation fuel by 2021.

"We are not specifically talking about palm oil [in the I-EU CEPA], because we have 15 chapters to discuss. It may be one aspect of a wider issue, but from our point of view we have no problems at all. We have imposed no tariffs and half the palm oil [products] enter with no duties," he said recently.

Guérend explained that 95 percent of the I-EU CEPA covered trade issues; however, he expected the agreement to also touch on legal aspects such as intellectual property rights and labor, competition and public procurement laws.

"We also expect to have a discussion on investment," he said, adding that the fifth round of the I-EU CEPA discussions was expected to be held in July.

Voicing a different perspective, Shinta Widjaja Kamdani, deputy chairperson of international relations at the Indonesian Chamber of Commerce and Industry (Kadin) expressed concern that the ongoing debate on palm oil could affect

the I-EU CEPA negotiations.

"I hope the government sorts out [the palm oil dispute] immediately, because this negotiation is crucial for our nation, as we have fallen behind our neighboring countries [in trade relations with the EU], such as Vietnam," she told the Post on Monday.

The EU is Indonesia's third largest export destination with \$25.2 billion in total trade value recorded in 2016. The EU is also Indonesia's fourth-biggest investment partner, contributing \$2.6 billion in investment in 2016.

Kadin, which represents Indonesia's business community, held a seminar earlier this year on the importance of free trade agreements (FTAs), including the I-EU CEPA, for boosting Indonesia's competitiveness among other Southeast Asia countries.

During the seminar, Anne Patricia, the CEO of major Indonesian textile manufacturer PT Pan Brothers, agreed that FTAs were the most effective way to compete on the global market.

She highlighted the example of Vietnam, which held a 6 percent share of the global textile market, a figure which will likely increase after the EU-Vietnam agreement.

"Meanwhile, we [Indonesia] only hold a 1.8 percent share. So, you can imagine how big an effect FTAs will have," she said.

The Partnership and Cooperation Agreement between the EU and Vietnam came into force on October 2016. The agreement includes the elimination of nearly all tariffs with Vietnam expected to liberalize its tariffs over a 10-year period and the EU over a 7-year period.

Prabowo flies to Mecca to woo support

Nurul Fitri Ramadhani
THE JAKARTA POST/JAKARTA

Gerindra Party chairman Prabowo Subianto made a trip over the weekend to Mecca, Saudi Arabia, where he met with firebrand cleric Rizieq Shihab in a move that many saw as stepped-up efforts by the former general to reach out to Muslim conservatives ahead of next year's presidential race.

The meeting opened up speculations that Prabowo is leaning toward Jakarta Governor Anies Baswedan, who was elected to office last year thanks to massive support from conservative Muslim voters, as his running mate.

Several sources within the Gerindra Party said the meeting between Rizieq and Prabowo, who was joined by National Mandate Party (PAN) chief patron Amien Rais and several executives of the Prosperous Justice Party (PKS), discussed the possibility of a Prabowo-Anies pairing.

Gerindra and the PKS backed Anies' nomination in the 2017 Jakarta gubernatorial election. A number of public opinion surveys, meanwhile, have found that Anies was a popular choice for Prabowo's presidential ticket.

Rizieq continues to be regarded as a key figure who could mobilize conservative Muslim support for Prabowo, despite his position on the National Police's most wanted list.

Rizieq is head of the hard-line Islam Defenders Front (FPI), a leading organization in the alliance of Islamist groups that calls itself the Brotherhood of 212 Alumni. The alliance has proposed the idea of Rizieq running for president.

Political communication expert Hendri Satrio of Paramadina University said Rizieq could significantly help Prabowo's chances in 2019, given that the 52-year-old cleric is considered by conservative groups as a leader of Indonesian Muslims.

"We can't underestimate Rizieq's stature. Muslim voters make up the largest voting bloc in the 2019 race. In fact, Jokowi himself is trying to court the country's ulema, so it's no wonder that the opposition camp made the overture to Rizieq," he said. "What Prabowo and Amien did here was motivated solely by their calculation for 2019."

The PKS, meanwhile, reiterated that it had the privilege of securing the vice presidential slot

Gerindra chairman Prabowo Subianto meets Rizieq Shihab in Mecca

Rizieq calls on Gerindra, PAN to form coalition

because the party has been loyal to Gerindra since the 2014 presidential election.

The party maintains that Prabowo should pick one of nine politicians it had proposed as vice presidential candidates, and if Gerindra chose to nominate someone else, it should first seek the approval of the PKS' highest law-making body, the *majelis syuro* (religious council).

"So far, the PKS is sticking to the decision of the council; there has been no change," said Abdul Hakim, a member of the PKS central board.

PAN, meanwhile, has considered offering its chairman, Zulkifli Hasan, as a vice presidential candidate to Prabowo.

Both the PKS and PAN has long held the support of a large section of Muslim voters. PAN is affiliated with Muhammadiyah, the country's second-largest Muslim group, while the PKS has long been a political vehicle for the ascendant Muslim middle-class and has long been associated with a network of Muslim activists in the country.

Support from both parties could be key to Prabowo's attempt to take away Muslim votes from Jokowi, who is currently backed by two Muslim-based parties, the National Awakening Party (PKB) and the United Development Party (PPP), which have ties to Nahdlatul Ulama (NU), the country's largest Muslim group.

While Muhammadiyah is considered to be the representative of conservative Muslims, NU has long been seen as a mainstay of moderate Islam.

And while the PPP has declared its endorsement for Jokowi in the 2019 race, the PKB has yet to announce its stance.

Both Jokowi and Prabowo have been officially nominated to run in next year's presidential election, yet they have both dithered about who they would pick as running mate.

"We pray that Prabowo's pilgrimage to Mecca can ease his good plan for the country and for the *ummah* [Muslim community]," said Gerindra deputy chairman Ferry Juliantono.

Terror networks target campuses in recruitment

Rizal Harahap, Kharishar Kahfi and Andi Hajramurni

THE JAKARTA POST/PEKANBARU/
JAKARTA/MAKASSAR

Universities are expected to champion democracy and human rights, not serve as hubs for extreme groups to plan malicious attacks.

However, the arrest of three suspected terrorists by the National Police's Densus 88 counterterrorism squad at Riau University (Unri) in Pekanbaru on Saturday has resurfaced concerns about the spread of extremism on campuses.

University of Indonesia terrorism expert Ridwan Habib asserted that students or academic members exposed to extreme teachings were not necessarily part of radical groups or prone to involvement in terror acts.

However, he said the arrests in Pekanbaru on Saturday were evidence that members of terror groups were approaching and recruiting students or academic members at educational institutions.

"These [extreme] groups often use a personal approach in recruiting those with prior acquaintances to other Islamic groups that have similar values

Concerns of terror on campus resurface after Pekanbaru arrests

Islamic leaders urged to cooperate with authorities to educate students about dangers of extremism

to those they want to offer," Ridwan said on Sunday.

Densus 88 personnel nabbed the three suspected terrorists for their alleged plan to launch an attack during a raid at Gelanggang Mahasiswa, a multipurpose student facility at Unri's School of Political Sciences in Pekanbaru, on Saturday.

The three suspects, Zamzam, Rio Bima and Orandi Saputra, were identified as Unri alumni. Zamzam is a class of 2005 alumnus of Unri's Tourism Department, Rio Bima is a class of 2002 alumnus from the School of Communications and Orandi is a class of 2004 alumnus of the Public Administration Department.

During the raid, the counterterror personnel confiscated four high-explosive devices in the form of pipe bombs, explosive powder, an air rifle, two

bows and eight arrows. "We suspected Zamzam had assembled the explosive devices at Gelanggang Mahasiswa. He might have learned about it from social media," Riau Police chief Insp. Gen. Nandang said on Saturday.

The police's initial investigation revealed that the three former students had been staying in the building for one month, during which they allegedly constructed bombs and planned to blow up the Riau Legislative Council in Pekanbaru and House of Representatives in Jakarta.

Unri rector Aras Mulyadi condemned the suspects for allegedly planning the attacks on campus. He said Unri officials did not detect any suspicious activities related to terrorism before the Densus 88 personnel raided the campus. "Based on our prevailing regulations, alumni are not allowed to stay in campus buildings because they are no longer part of the university once they graduate."

National Police spokesman Insp. Gen. Setyo Wasisto said on Sunday that Zamzam allegedly had a connection with members of pro-Islamic State group Jamaah Ansharud Daulah (JAD), including those who had been shot and killed in Cianjur, West

Java, on May 12, for allegedly plotting attacks during Ramadan.

"He [Zamzam] is also suspected of having a connection with a terror suspect identified as Pak Ngah, whose group was involved in a terror attack at the Riau Police headquarters on May 16. Prior to the attack, Pak Ngah asked Zamzam to make a bomb for him," Setyo said in a press conference.

Saturday's arrest marked the first time law enforcement personnel nabbed terror suspects inside an educational institution. Densus 88 personnel have in the past arrested university students and alumni who were allegedly connected to terror groups, but all of the arrests were made away from campus.

Ridwan urged Islamic leaders to cooperate with authorities, such as the police or the National Counterterrorism Agency (BNPT), to prevent recruitment from taking place on campus.

"Each university can form an 'ideology team' whose members come from various Islamic organizations. The teams can work to educate Islamic activists at faculties about the dangers of recruitment from extreme groups," Ridwan said.

COMMODITY

Palm oil exports decline on tax woes

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The country has been showing a poor performance in its palm oil exports, failing to book growth since January due to factors ranging from a higher import tax in India, planned regulations in China, which prompted importers to take a wait-and-see stance, and the China-United States trade war.

In January to April this year, Indonesia saw a 4 percent year-on-year (yoy) fall in palm oil exports to \$10.24 billion from \$10.24 billion in January. The export value decreased around 13 percent to \$7.04 billion yoy from \$8.06 billion, according to the Indonesian Palm Oil Producers Association (GAPKI).

"It [declining growth] occurred after [the implementation of] several trade barriers on our crude palm oil [CPO], both tariff and non-tariff," GAPKI executive director Danang Girindrawardana said on Wednesday.

Palm oil exports to China fell 38 percent from 379,980 tons in March to only 234,420 tons in April due to the wait-and-see position of its local businesspeople over planned regulations on vegetable oil import taxes.

Export to the US dropped 42 percent month-to-month (mom) in April to 62,160 tons of palm oil, caused by ballooning stocks of local soybeans after China imposed a high import tariff for US soybeans in a retaliatory move.

The drop in exports to India, GAPKI predicted, was likely due to a high import tariff, which had been raised several times since last year to settle at 44 percent for CPO and 54 percent for its derivatives.

"This was an unusual phenomenon, as during the holy month of Ramadhan, India usually imports high volumes of palm oil," Danang said, adding that in the first four months of 2018, palm oil exports to India declined 24 percent, or 1.8 million tons.

On Wednesday, during the visit of Indian Prime Minister Narendra Modi to Indonesia, President Joko "Jokowi" Widodo asked the Indian leader to lower the country's import tariff on Indonesian CPO.

Separately, GAPKI deputy chairman Togar Sitanggang hopes India would be able to give Indonesia a fair deal on vegetable oil, arguing that the third increase in import tariffs had only affected palm oil, while soybean and rapeseed remained safe.

"We hope that [India's import tariff on Indonesian CPO] could be decreased to around 34 percent, or around the same level as the tariff on soybeans," he said.

India is Indonesia's biggest CPO export destination to date. In 2017, CPO exports to India reached 7.6 million tons. Meanwhile, to European Union and China, Indonesia only exported 5 million tons and 3.7 million tons, respectively.

Furthermore, the April export drop to the EU and US of 17 percent and 42 percent mom, respectively, was also the result of the regions' political stance.

With regards to the EU, GAPKI believes the main cause was the bloc's negative campaign against Indonesian palm oil. The EU has claimed that the commodity did not meet its criteria on sustainability. Also, the EU parliament recently decided to phase out the use of palm oil in motor fuels by 2021.

"It was also contributed by the [EU's] surging stock of rapeseed," Danang said, adding that in the January-April period, exports to the EU decreased 16 percent yoy to around 300,000 tons of palm oil.

The EU has argued that the commodity is part of a wider goal to slash greenhouse gas emission to 20 percent by 2050. GAPKI chairman Joko Supriyono believes the solution for these global obstacles could be solved through bilateral negotiations, such as an inter-association roundtable.

"We need to maintain a good relationship in positive markets, such as to Bangladesh and Pakistan, by creating room for discussion," he said. "For negative markets, we will create a special team consisting of both countries' associations to set up recommendations."

Bangladesh, which booked a 222 percent mom growth in palm oil imports from Indonesia this April, is one of the latter's success stories of bilateral negotiations.

BCA raises deposit rate, holds loan rate

Anton Hermansyah
THE JAKARTA POST/JAKARTA

Bank Indonesia's (BI) recent decision to raise its reference rate for the second time by 25 basis points (bps) has pushed Indonesia's biggest private lender Bank Central Asia (BCA) to raise its deposit rate by the same amount, while maintaining its lending rate.

In an official statement, the bank announced that the annualized deposit rate for rupiah-denominated savings was between 4.5 to 5 percent, depending on the tenor — which varied between one to 12 months — and the deposit amount.

"We have increased the deposit rate but only by 25 bps," BCA individual banking director Suwignyo Budiman said in Jakarta recently.

He added that the deposit rate was raised to catch up with increasing rates at both the domestic and global levels. Previously, the bank also hiked its deposit rate in February.

BI's move to raise its rate was seen as an attempt to ensure stability against volatility that is expected to increase on the back of the United States Federal Reserve's planned interest rate hike.

Despite holding its rate in April and May, there were strong signs that the Fed would again raise its reference rate during a meeting in mid June.

The Fed rate hike in March had pushed BI to raise its seven-

BCA increases deposit rate by 25 bps following BI's rate hike

Lending rate maintained

Demand for loans depends on economic growth

day repo rate by 25 bps on May 17. On May 30, newly inaugurated BI Governor Perry Warjiyo held an additional meeting and raised again its reference rate by 25 bps.

The additional meeting was held because the Fed's June 13 meeting coincides with the long Idul Fitri holiday. According to the central bank's schedule, the June meeting would be held from June 27 to 28, a week later than the usual monthly meeting.

Although BCA had increased its deposit rate, it has yet to raise its lending rate. Suwignyo Budiman reasoned that the bank was still monitoring the market's supply and demand.

"I guess for now, we will leave the lending rate steady," he said.

BCA commercial and small and medium enterprises (SME) director Henry Koenaifi said the lending rate hike must be calculated precisely because it could disrupt the bank's relationship with customers. A decision to increase the lending rate would depend on the banks' cost of funds.

"The main factor is cost of funds and another is customer ex-

pectations. If we increase the rate but customers expect us to hold the rate, our relationship will turn sour," he said.

In April, the bank recorded a 14 percent year-on-year (yoy) loan growth for the commercial and SMEs segment. The bank has set lending rates at between 10.5 to 12 percent for commercial customers while SME customers are charged with a rate that is 25 bps higher.

At BCA, those categorized as SME customers are customers with Rp 1 billion to Rp 15 billion in annual income. Those who earn more than Rp 15 billion are categorized as commercial customers.

"Actually our rate is negotiable. If a customer has good track record and is a relatively low risk, we can give a lower-than-average rate," Henry said.

He added that the demand for loans in the segment depended on macroeconomic growth and that corporations would not seek expansion if the economy did not book high growth.

"In 2015 and 2016, many people thought the Indonesian economy could grow above 6 percent. But now, they realize the economy only grew at 5 percent so demand for loans did not grow much," he said.

Henry added that the bank's SME and commercial customers came from various segments, such as garments, textiles, packaging and plastic utensil manufacturing.