

Jun 6, 2018
J. Post

Govt anticipates Idul Fitri congestion

Farida Susanty
THE JAKARTA POST/JAKARTA

Government authorities are scrambling to ease the expected congestion as the Idul Fitri holiday approaches, encouraging holidaymakers to avoid popular travel dates and putting more regulations in place.

With more than 19 million predicted to make trips to their hometowns to celebrate Idul Fitri, expected to fall on June 15 and 16, Transportation Minister Budi Karya Sumadi has advised travelers to plan ahead to avoid severe traffic jams during the expected popular travel dates.

A recent survey suggested that citizens of the predominantly Muslim nation generally hope to travel from major cities to their hometowns on June 8 and 9, and return on June 19 or 20. The most popular dates have changed from the previous estimates of June 12 to 14 and June 22 to 23 following the government's decision to extend the collective Idul Fitri holiday period from seven to ten days, making it the longest collective Idul Fitri holiday period to date.

The extension applies mainly to the civil service, with the private sector allowed to adjust its holiday period accordingly.

"We urge people to avoid popular dates [to avoid severe traffic jams]. If they leave on June 10 and 11, there will be less traffic," he said on Tuesday.

The ministry has also issued a letter to logistics businesses recommending that cargo trucks weighing more than 14,000 kilograms with more than three axles avoid major toll roads between June 8 to 10.

Major toll roads include the Jakarta-Cikampek toll road and the Jakarta-Merak toll road, which are often congested even on normal days.

The ministry previously issued Ministerial Regulation No. 34/2018 to limit the operation of large cargo trucks and trucks carrying mining and construction goods.

The regulation limited the operation of the large cargo trucks to between June 12 and 14.

The ministry's director general for land transportation, Budi Setiyadi, assured that there would not be any logistics troubles following the restriction imposed on large trucks.

National Police traffic division chief Insp. Gen. Royke Lu-

Most popular travel dates for Idul Fitri exodus predicted to be June 8-9

Truck drivers advised to avoid traveling on busy dates, roads

mowe, however, acknowledged the challenge of managing a high number of stationary cargo trucks.

"If there is a large number of [cargo trucks], we have to put them in parking spots. Where are the parking spots?" he said.

Indonesian Truck Operators Association (Aprindo) vice chairman Kyatmaja Lookman said the trucking companies planned to operate as usual during the suggested dates as it would be impossible to reschedule cargo deliveries.

"It also involves port and international shipping schedules. If we tell them the cargo cannot be delivered, they might have to pay for demurrage," he said.

The government is also anticipating an increase in the use of private vehicles during the Idul Fitri exodus period and has urged motorists to take alternative roads.

Budi said the newly available toll roads connecting Jakarta and Surabaya, East Java, would likely entice people to take the toll roads.

"The Public Works and Housing Ministry has also provided the Pantura road," he said, referring to the popular national road along the northern coast of Java.

The Public Works and Housing Ministry's director general for Bina Marga road agency, Arie Setiadi Moerwanto, said that the government had provided 760 kilometers of toll roads connecting Jakarta and Surabaya, 235 kilometers of which would operate with limited functionality.

"The national roads are 90 percent ready [to handle the mass exodus]," he said.

This year, the number of people using private cars is expected to climb by 16.6 percent to 3.72 million people year-on-year (yoy), while those traveling by motorcycle are predicted to increase by 33.3 percent to 8.52 million people from last year.

The government previously identified nine spots in Java prone to severe congestion, including the Jakarta-Cikampek toll road and the Ciawi toll road gate. (nor)

Govt lowers expectations for 2019 growth target

Anton Hermansyah
THE JAKARTA POST/JAKARTA

After giving up hope on achieving its economic growth target in 2018, the government has now lowered its expectations for 2019, aiming at 5.2 to 5.6 percent growth.

During a meeting with House of Representatives Commission XI on Monday, the government initially set a 5.4 to 5.8 percent target for 2019, which was criticized for being too high amid the global uncertainty and the ongoing trade war between the United States and China.

As the commission resumed the meeting with Finance Minister Sri Mulyani Indrawati and Bank Indonesia (BI) Governor Perry Warjiyo on Tuesday, lawmakers criticized the government for often setting targets that were too high.

Commission XI member from the Golkar Party Elviana said the government was "always too optimistic" in its target for economic growth as the target, along with other macroeconomic assumptions, could never be reached.

During the occasion, BI gave a more pragmatic forecast, predicting that 5.6 percent would be the maximum growth Indonesia could achieve in 2019.

Another Commission XI member Hendrawan Supratikno of the Indonesian Democratic Party of Struggle (PDI-P) suggested that the government should adjust its

Govt lowers 2019 economic growth target to 5.2 to 5.6 percent from initial 5.4 to 5.8 percent

Decision comes after lawmakers dismiss initial target as 'too optimistic'

target to meet BI in the middle. Most of the members agreed to use BI's forecast.

After almost three hours of discussions, Sri Mulyani finally agreed to moderate the target.

"We agree to use Bank Indonesia's figure of 5.2 percent to 5.6 percent," she said during the meeting.

Other than economic growth, the meeting also agreed on a range of macroeconomic targets for the country in 2019. Inflation is expected to be between 2.5 and 4.5 percent, as in 2018. The rupiah exchange rate assumption was set at Rp 13,700 to Rp 14,000 per US dollar.

The meeting also agreed to set assumptions on three-month treasury yields at 4.6 to 5.2 percent. Further, the unemployment rate target was set between 4.5 and 5.2 percent. The target for the Gini coefficient, an indicator of national income inequality, was set between 0.38 and 0.39, while the Human Development Index (HDI) was set at 71.98.

The finance minister also predicted that the economy could

grow between 5.18 and 5.4 percent by the end of 2018. Consumer spending was the critical factor in reaching that target.

"If consumer spending grows below 5 percent, [the economy] will grow at less than 5.2 percent, possibly [even lower]," Sri Mulyani said.

The former World Bank managing director also mentioned that investment would be the growth factor in 2018, as investors were still interested in the country, mainly in the chemical and the food and beverages sectors. She predicted that in 2018, investment would grow by between 7.27 and 7.54 percent.

Sri Mulyani said exports would grow by 6.57 to 7.18 percent. Indonesia would enjoy the advantage of increasing commodity prices, but a possible trade war could hinder exports.

"As the US adopts a more protectionist policy, in the third or fourth quarter we might see a spillover effect," she said.

BI Governor Perry said that the Indonesian economy would still be under pressure from the trade war as well as the US Federal Reserve's rate-normalization policy. The rupiah exchange rate is expected to be somewhere between Rp 13,800 and Rp 14,100 per US dollar at the end of the year.

"We will support the rupiah with a preemptive rate policy, double intervention both in the money market and the securities

market, as well as higher frequency of analyst and media meetings to form public opinion so the rupiah will not overshoot its fundamental [value]," he said.

He added that the central bank would ease the loan-to-value (LTV) requirement in the housing sector to support consumer spending and the deepening of the financial market.

"If our financial market is deep enough, it will reduce the burden on our state budget because infrastructure projects can seek funding in the market," he said.

Last week, Sri Mulyani said that economic growth might be lower than the target of 5.4 percent set in this year's state budget.

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

In May, BI raised its benchmark rate twice in a bid to stabilize the rupiah, with the most recent hike taking place last week, while hinting that future hikes were also possible.

The central bank decided to raise its policy rate, the seven-day-reverse repo rate, by 25 basis points to 4.75 percent last week. It also decided to raise the lending facility and deposit facility rates by the same amount to 5.5 and 4 percent, respectively.

Jun 6. 2018
J. Post

DIESEL PRICE

Govt wants to raise subsidy but unsure how to finance it

**Stefanno Reinard Sulaiman
and Anton Hermansyah**

THE JAKARTA POST/JAKARTA

The government is set to foot an additional subsidy bill for state-owned energy giant Pertamina's Solar-brand diesel fuel this year amid rising global crude oil prices.

However, it is still trying to find the money.

In May, Indonesian Crude Price (ICP) stood at an average US\$72.46, or 51 percent higher than the oil price assumption of \$48 in the state budget.

Finance Minister Sri Mulyani Indrawati said on Tuesday that she agreed with the decision to raise the diesel subsidy to Rp 2,000 (14 US cents) per liter this year from the current Rp 500.

The additional subsidy would also help protect state-owned oil company Pertamina against losses, she said.

Energy and Mineral Resources Minister Ignasius Jonan and State-Owned Enterprises Minister Rini Soemarno have agreed to the plan.

The price of Solar-branded

diesel is currently set at Rp 5,150 per liter, with a subsidy of Rp 500 per liter.

The government has yet to announce the funds needed to finance the additional subsidy, where it would obtain the money.

In the 2018 state budget, the government assumes that demand for diesel will reach 15.6 billion liters. As of May, the country has consumed 5.85 billion liters. Therefore, the government needs to provide around Rp 14.6 trillion for the Solar subsidy until year-end, if it inks the additional Rp 1,500 per liter.

Raising the subsidy has been discussed for months. In March, Sri Mulyani said her ministry was considering to raise it to Rp 1,000.

If the funds are sourced from the state budget, the government has to propose a budget revision through the House of Representatives.

However, Energy and Mineral Resources Ministry secretary-general Ego Syahril said last month that the government was open to using foreign exchange reserves, known as off-budget spending, to

speed up subsidy disbursement.

Such a move would not require House approval.

Another scheme is also being discussed.

Finance Ministry Fiscal Policy Office head Suahasil Nazara told *The Jakarta Post* on Monday that the government was planning to keep the subsidy volume in the current state budget unchanged.

"The funds will be taken from the increase in revenue from the ICP and an adjustment in the exchange rate," he said.

Suahasil did not respond when asked whether that plan would necessitate a state budget revision.

Institute for Development of Economics and Finance economist Bhima Yudhistira lambasted the idea of using off-budget funds, saying the correct way was to revise the state budget.

"[A budget revision] is still the ideal way to do this, because it creates accountability by being watched over by the public and the House," he said on Tuesday.

President Joko "Jokowi" Widodo's administration has promised to maintain the prices of subsi-

dized fuels, namely of Solar and of the gasoline brand Premium, until the presidential election next year.

Premium is currently sold at prices of Rp 6,450 to Rp 6,550 per liter, below the market value of Rp 7,350 at the end of last year.

The government scrapped the subsidy for Premium in early 2015, after the oil price had slumped by more than half over a short period of time. The decision has been dubbed a brave move, saving around Rp 200 trillion in annual state budget spending.

In 2019, the government, however, is likely to earmark more funds for fuel subsidies, given the recent rise in crude oil prices.

At least Rp 25.7 trillion is set to be allocated for diesel fuel and kerosene subsidies in the 2019 state budget, according to an Energy and Mineral Resources Ministry's presentation during a meeting with the House on Tuesday.

That figure is based on an ICP at \$70 per barrel. The allocation of Rp 25.7 trillion would mark a 217 percent hike from the Rp 8.1 trillion earmarked in the 2018 budget for a subsidy of Rp 500 per liter.

UNITED NATIONS

Indonesia's efforts expected to result in Security Council seat

Agnes Anya
and Dian Septiari

THE JAKARTA POST/JAKARTA

Indonesia's all-out efforts are likely to pave the way to a non-permanent seat on the United Nations Security Council, as the nations of at least two world organizations have openly pledged to back Jakarta in the vote to be held on Friday in New York (Saturday in Jakarta), experts say.

International relations experts, like Teuku Rezasyah of Bandung's Padjajaran University, are optimistic about Indonesia getting a seat, considering its aggressive campaign to win support.

"Support statements have been revealed either in written and verbal declarations," he said. "From recent dialogues, state members of ASEAN are unanimously voting for Indonesia — and so are Organization of Islamic Cooperation [OIC] members."

ASEAN consists of nine countries in addition to Indonesia and the OIC has 57 members, like Egypt, Algeria and Afghanistan.

Indonesia wants to be a non-permanent member of the Security Council for 2019 and 2020 and the Maldives is its only rival for the Asia-Pacific slot. To get elected, either country needs two-thirds of

the ballots cast — at least 129. Reza said Indonesia's chances to win a seat were good, since it was respected around the world.

"Indonesia has a positive image in the world because of its loyalty to international law," he said. "Moreover, Indonesia never berates other countries."

Dewi Fortuna Anwar from the Center for Political Studies of Indonesian Institute of Sciences agreed, saying Jakarta's efforts built up credit for its candidacy.

Those included the appointment of several special envoys by President Joko "Jokowi" Widodo in the hope of gaining support from African, Pacific and European countries. In addition, Foreign Minister Retno LP Marsudi has spoken to representatives from at least 120 countries on various occasions to win backing.

"Indonesia has had enough roles [internationally]. It has been a non-permanent [Security Council] member three times and has shown a good capacity [for maintaining peace and providing humanitarian aid]," she said.

Meanwhile, Dewi said, the Maldives, which has never been a non-permanent council member, "has its own concerns", referring to recent political instability.

The Foreign Ministry's direc-

tor general for multilateral cooperation, Febrian A. Ruddyard, said the support Indonesia gathered was "according to expectations", but he added that he could not reveal the countries that had pledged it. "The campaign has been very intensive," he said, adding that being the world's third biggest democracy was also one of Indonesia's major assets.

Febrian added that Indonesia did not plan to ask the Maldives to withdraw — like it did with Nepal prior to the 2006 election — because it believed all countries had the right to compete.

Retno did some last-minute campaigning on Tuesday during a diplomatic reception at the UN headquarters, touting Indonesia's decades of experience.

"Indonesia's track record is built upon the many actions and contributions that we have carried out for world peace, humanity and prosperity," she said, citing Indonesia's initiative to advance peace by hosting the Trilateral Ulema Meeting for Afghanistan and Pakistan in Bogor last month.

Representatives in Jakarta from the council's permanent members — the United States, the United Kingdom, France, Russia and China — said they would not reveal their countries' votes.

Giant waste-spewing mine turns to battleground in Indonesia

Danielle Bochové
and David Stringer

BLOOMBERG/TORONTO/MELBOURNE

Every year, Freeport-McMoRan Inc. dumps tens of millions of tons of mining waste into the Ajkwa River system. The company has been doing it for decades, and is demanding the right to keep at it for decades to come.

The discharge of what are called tailings, the leftovers of mineral extraction, is perfectly legal under Freeport's current contract with the government. But recently, after more than a year of tense negotiations over the terms of a new deal, Indonesia suddenly changed the rules: The Grasberg mine in the highlands of Papua province would have to operate by heightened standards. It should not have been a surprise, really, considering most other miners in the world has been forced or has elected to stop discarding tailings in rivers.

Freeport, though, has said that will not happen at Grasberg. Chief Executive Officer Richard Adkerson has been blunt about it. "You can't put the genie back in the bottle," he said in April. "You simply can't say 20 years later 'we're going to change the whole structure.'" Grasberg's waste management, he added, has "always been controversial".

The tailings tussle is the latest twist in the complicated relationship between the mining giant and the Southeast Asian republic. How it plays out will have far-reach-

ing consequences in Indonesia. Freeport is a major taxpayer and job provider and has built homes, schools and hospitals in one of the poorest provinces. But Grasberg has also long been a target for environmentalists, indigenous and separatist groups and human-rights watchdogs.

At stake for Freeport are reserves that Bloomberg Intelligence estimates to be worth US\$14 billion at the world's biggest gold deposit and second-largest copper mine. Grasberg accounted for 47 percent of Freeport's operating income in 2017, according to data compiled by Bloomberg.

"What happens at Grasberg has global significance," said Payal Sampat, the mining program director at the mining watchdog-group Earthworks. "It involves some of the largest global players in the mining industry and one of the leading mining economies."

Most countries have banned tailings deposits in waterways over concerns they can be toxic, destroying habitats, suffocating vegetation and changing the topography of rivers, causing floods. Most miners have said they are against the practice regardless of local rules. The industry's biggest, BHP Billiton Ltd., will not "dispose of mined waste rock or tailings into a river or marine environment", as the company put it in a statement.

Only two other industrial-scale mines — and a third, small operation — are known to get rid of tail-

ings as Grasberg does, and they are in Papua New Guinea, which occupies half of the island of New Guinea; Indonesia owns the rest, which is home to the Freeport-run mine. In recognition of risks that could leave "a massive environmental burden for future generations", the practice has been phased out everywhere else, according to the United Nations' International Maritime Organization.

Freeport sees things differently. "As we have stated before, the tailings are benign," said Eric E. Kinneberg, a spokesman, referring to the corporate website for a detailed explanation.

The Phoenix-based company maintains that much of the sediment in the Ajkwa River system downstream from Grasberg is caused by natural erosion, and that tailings pose no significant — or at least unexpected — threats. "There have been no human health issues or impact on the environment that wasn't anticipated," Adkerson said on a quarterly earnings call in April.

The company's partner in the Grasberg complex, Rio Tinto Group, recently addressed concerns about waste removal. "Riverine tailings disposal is very, very far from best practice," Chairman Simon Thompson told a meeting in London in April, perhaps highlighting one of the reasons Rio may be willing to sell its 40 percent interest to a state-owned company for \$3.5 billion. A spokesman for the company declined to comment for this story.

Rio declined 1.4 percent in Sydney trading, as an index of the country's largest energy and mining companies fell 1.2 percent.

"If you think about it from Rio Tinto's perspective, one of the biggest problems with this mine is the environmental issues. I think that's an incentive for Rio to get out," said Christopher LaFemina, an analyst at Jefferies LLC. "This is a critically important part of Freeport's overall value. For Rio Tinto, it's not."

The problem for Freeport and Indonesia is that there is no easy solution. "There has been no realistic alternative identified," Thompson said. Freeport's local unit studied 14 alternatives for tailings disposal — including dams and pipelines — and concluded all were too risky in a mountainous terrain prone to earthquakes and heavy rainfall.

As it is, the heavy ooze wends its way through glacier-capped valleys, descending almost 4 kilometers to tropical lowlands and a 230 square kilometer deposition zone, where roughly half the tailings are parked. The rest flows on to a river estuary and the Arafura Sea.

"The company has sacrificed not just the river, but also the coastal area," said Pius Ginting, coordinator of Action for Ecology and People's Emancipation, an Indonesian environmental group.

According to Earthworks, Freeport sends more than 76 million metric tons of tailings and waste rock into Indonesian riv-

ers every year. The company puts the 2017 figure at 50 million tons. Without spelling out precisely how the requirement should be met, Indonesia told Freeport that it would boost to 95 percent from half the amount of tailings that must be recovered from the river system, according to Adkerson.

That was a shock that sent Freeport's stock tumbling after Adkerson revealed it on April 24. Shares have largely recovered as investors bet the government will fail to follow through.

The negotiations to secure the right to keep mining Grasberg until 2041 had already been complicated by an edict that foreign miners sell majority stakes in their assets to local interests. Rio's apparent interest in divesting would ease that problem for Freeport, reducing how much it would need to unload.

Even if its share dropped below 50 percent, Freeport as an operator could still win big — Grasberg is a stunning asset, expected to produce more than 520,000 tons of copper in 2018 and more gold than any other mine. Of course, Indonesia's tailings mandate may be a negotiating tactic, as some Freeport investors said they suspect. Ilyas Asaad, inspector general at Indonesia's Environment & Forestry Ministry, did not respond to a request for comment.

The company is holding its position: The discharge of tailings into the river system is an inescapable consequence of keeping the mine in operation. If the

government backs down, it will be "a political decision", said David Chambers, a geophysicist who runs the US non-profit Center for Science in Public Participation. "There aren't many governments that are willing to sacrifice those kinds of environmental resources for the financial resources."

Few investors have publicly seized on the tailings mess as a reason to shun Freeport. One was Norway's \$1 trillion sovereign wealth fund, which in 2006 excluded Freeport from its investment universe and in 2008 sold its holding of about \$850 million of Rio shares, citing Grasberg's use of the river system to dispose of tailings.

"The spotlight has shone on these issues a lot more brightly in the last couple of years," said Andrew Preston, head of corporate governance in Australia for Aberdeen Standard Investments, which owns shares in Rio and BHP. The "wake-up call", Preston said, was the 2015 failure of a tailings dam at BHP's Samarco iron-ore joint venture with Vale SA in Brazil. Billions of gallons of sludge escaped to travel hundreds of kilometers down the Doce river, killing at least 19 people and leaving hundreds homeless.

Jefferies' LaFemina said investors are betting on the status quo in Indonesia. "In negotiations, different sides are trying to get leverage." In the end, "I am not expecting there to be a significant change to how this asset operates."

KPK intensifies e-ID graft investigation ahead of elections

Jun. 6. 2018
J. Post

Kharishar Kahfi

THE JAKARTA POST/JAKARTA

House of Representatives member Aziz Syamsudin of the Golkar Party, and Central Java Governor Ganjar Pranowo of the Indonesian Democratic Party of Struggle (PDI-P), have confirmed they did not show up for questioning by the Corruption Eradication Commission (KPK) in regard to the e-ID graft case on Tuesday.

They asked to reschedule via letters sent to the KPK as they had pressing party business to attend to.

"Aziz said he had to go to a [Golkar] party event in Lampung today," KPK spokesman Febri Dianasyah said on Tuesday. "Thus, he

asked to reschedule for June 6."

Meanwhile, Ganjar, a former deputy chairman of House Commission II on home affairs, which deliberated the e-ID project between 2010 and 2012, cited preparations for his re-election bid as a reason to skip Tuesday's questioning, Febri said.

Aziz and Ganjar are among the politicians on the list of witnesses to be grilled by the KPK this week in its investigation into the e-ID graft case, which reportedly caused Rp 2.3 trillion (US\$165 million) in state losses. Ten other politicians, including Golkar's Markus Nari who has been named a suspect, were summoned by KPK investigators on Monday

and Tuesday in its attempt to dig deeper into the disbursement of illicit money embezzled in the case and its rigged budgeting process in the House.

Democratic Party's Nurhayati Ali Assegaf and House Speaker Bambang Soesatyo of Golkar, who pleaded urgent business elsewhere, failed to answer a KPK summons on Tuesday and Monday, respectively.

"We are also clarifying statements obtained from the trials of other suspects about the money flow to several lawmakers," Febri said.

The KPK has been intensifying its probe into one of the biggest corruption cases in the country's

history, while most of political actors and their respective parties are gearing up to fight either the simultaneous regional elections on June 27 or next year's legislative and presidential elections.

"Even if there are political events ongoing, we'll still make sure our investigation into the case continues," Febri said.

The KPK's move raises the question whether it will affect political parties or their candidates, like Ganjar, in the elections.

Ganjar, however, despite being implicated in the high-profile e-ID graft case, continues to enjoy a comfortable lead over challenger Sudirman Said, as reflected in several recent surveys, including

those by Jakarta-based pollster Indikator Politik Indonesia and the Centre for Strategic and International Studies (CSIS).

"The effect won't be felt immediately because members of almost every party in the House are implicated in the case. The story might be different if the antigraft body names a senior party official a suspect in the case," CSIS political analyst Arya Fernandes said on Tuesday.

The antigraft body named Golkar's former chairman and then House speaker Setya Novanto a suspect in July last year, resulting in Setya's downfall from the leadership of both his party and the House. Setya is currently serving 15 years in prison following his

conviction in April.

At least 20 politicians have been implicated in the e-ID case. Most of them, including Ganjar, have been questioned as witnesses in the case at least once in the past and have denied all allegations.

The KPK has so far managed to convict Setya and three other individuals — a businessman and two senior Home Ministry officials — and named Markus a suspect.

The antigraft body commissioners have repeatedly said the investigation to uncover every party involved in the corruption case might take years given the large number of parties implicated in the case — a statement echoed by Febri on Tuesday.

Nationalist Gerindra looks to form 'ummah alliance'

Nurul Fitri Ramadhani and
Margareth S. Aritonang

THE JAKARTA POST/JAKARTA

Gerindra, a nationalist-based opposition party led by Prabowo Subianto, has called for a religiously inspired political alliance to challenge incumbent candidate President Joko "Jokowi" Widodo in next year's presidential election.

The party has urged the nation's Islamic parties to stand behind its candidate, Prabowo, and referred to the proposed political coalition as the "ummah [Islamic community] alliance", a name coined by Islam Defenders Front (FPI) leader Rizieq Shihab.

Rizieq reportedly suggested the idea to create the so-called "ummah alliance" when Prabowo and National Mandate Party (PAN) patron Amien Rais met him in Mecca, Saudi Arabia, last week.

The firebrand cleric, who fled to Saudi Arabia while under investigation for his alleged role in a pornography case, appears to have become more influential among conservative Muslim groups opposed to the Jokowi administration.

Gerindra deputy chairman Fadli Zon said on Tuesday there

Prabowo open to forming religious-inspired coalition to challenge Jokowi

'Ummah alliance' coined by FPI's Rizieq

would be no problem with calling the coalition the "ummah alliance" as suggested by Rizieq, although the suggestion has fueled concern that sectarian politics could play a role in the upcoming presidential election, as they did during the 2014 presidential election and the 2017 Jakarta gubernatorial election.

"It makes sense if we name it the 'ummah alliance', because the coalition is for the sake of the *ummah* and all of the people."

Currently, of the Islamic parties, the United Development Party (PPP), is firmly in Jokowi's camp, while Gerindra is close to two others — PAN and the Prosperous Justice Party (PKS), although without formal declarations of support.

PAN is associated with Muhammadiyah, the nation's second-largest Islamic group after Nahdlatul Ulama (NU), while the PKS controls a vast network of urban Muslim activists inspired by

Egypt's Muslim Brotherhood.

Another Muslim-based party, the National Awakening Party (PKB), is undecided whether to side with Jokowi or Prabowo in 2019. The PKB's support could be decisive as it is widely regarded as the party of NU, even though, like Muhammadiyah, NU is an independent organization with no official affiliation to any political party.

Gerindra has reportedly offered the PKB ministerial seats, along with the Democratic Party, a nationalist party, which also remains undecided whether to back Jokowi or Prabowo, or to create a third axis and offer an alternative candidate.

The PKB has been aggressively offering its chairman, Muhaimin Iskandar, as a vice-presidential candidate to Jokowi and Prabowo, but neither has yet accepted the offer. The Democratic Party is also seeking to pair its member, Agus Harimurti, with either of the two candidates.

"I am not saying that we would offer them ministerial seats, but we can offer power sharing. Power sharing is a requisite in any political negotiations for building an alliance," Fadli said.

Political analyst Sirojudin Abbas of Saiful Mujani Research and

Consulting (SMRC), however, has cast doubt on the party's ability to create an alliance of Islamist parties or gain more Muslim votes by aligning itself with Rizieq.

He argued that Rizieq was only popular among supporters of the mass demonstrations against then Jakarta governor Basuki "Ahok" Tjahaja Purnama in the lead up to the 2017 Jakarta election.

If anything, he said, Prabowo's move could even backfire.

"How come a national figure like Prabowo is visiting a person on the run from a legal case?" Sirojudin said to *The Jakarta Post*.

"The meeting [in Mecca] will not have any significant political effect for Prabowo or help Gerindra form a coalition," he added.

Rizieq has repeatedly claimed that the case against him is politically motivated and has refused to return home to face charges.

Gerindra, meanwhile, believes that Rizieq is a victim of "discrimination" and Prabowo's visit could help the party secure Muslim votes. "We can't deny that the majority of people in this country are Muslims. But Prabowo will not side with one particular group of people, he will embrace all of the people," the party's deputy secretary-general, Andre Rosiade, said.

Jun 6, 2018
J. Post

Police arrest dozens in terrorism raids

JAKARTA: The National Police revealed on Tuesday that 96 people allegedly involved in terrorist activities had been captured or killed across Indonesia as part of a crackdown on terrorist networks in the country.

National Police chief Gen. Tito Karnavian said the police were currently striving to uncover terrorist networks in Indonesia, following the deadly riot at the police's Mobile Brigade headquarters (Mako Brimob) detention center in Depok, West Java, which took the lives of five police officers in May.

"Fourteen of [those 96 people] were gunned down by the police force for attempting to resist arrest," Tito said during a joint coordination meeting at the National Police headquarters on Tuesday.

He explained that terrorist networks existed in most Indonesian provinces. Some of them were sleeper cells at the moment, but others were active.

Learning from the Surabaya bombings, Tito said, sleeper cells were more prone to committing terrorist acts than active ones. However, it was also important to keep an eye on the active terrorist cells, he went on.

On Sunday, counterterrorism squad Densus 88 captured three alleged terrorists in Pringsewu regency, Lampung. The suspects were identified only as US, 43, IN, 37, and IM, 42. They stand accused of being involved with Jamaah Ansharut Daulah (JAD), the largest local terrorist group, which pledges allegiance to the Islamic State (IS) group. —JP

Heavy equipment on the rise

Araminta Setyawati

JAKARTA

This year seems to be a good one for the domestic heavy equipment industry. Rising commodity prices, caused by stable coal prices with an upward tendency, have helped boost the performance of the mining sector and breathed fresh air into the heavy equipment industry.

As the mining sector improves, demand for heavy equipment has also risen. This is evident from the upward trend in the domestic production of heavy equipment. Production of heavy equipment nationwide reached 1,684 units in the first quarter of 2018, up 46 percent from 1,153 units recorded in the same period last year, data from the Indonesia Heavy Equipment Association (HINABI) shows.

Flashback to 2017, realized production of heavy equipment was quite astonishing, reaching 5,609 units, a 52.5 percent increase from 3,678 units seen a year earlier. This figure exceeded HINABI's earlier target of 4,400 units. This year, HINABI has set a production target of 70 percent of installed capacity nationwide,

structure development, 97 percent of which will be spent this year to build infrastructure projects that will support the economy, such as roads, ports, airports and irrigation.

Other examples include ongoing projects such the Bekasi-Cawang-Kampung Melayu Toll Road, the Bogor Ringroad Toll Road, Sultan Babullah Airport, Tjilik Riwayat Airport, Kupang Port as well as the construction of a smelter in Morowali. Of the 68 completed projects, 21 are toll roads. Other projects include 12 airports, four ports, two power plants, seven state boundaries (PLBN), seven dams, five irrigation channels, three railways, two smelters, two telecommunication facilities, a number of flyovers and a fishery center. Therefore, in our opinion, the need for heavy equipment in the construction sector is high enough to increase sales this year.

Within the plantation sector, crude palm oil (CPO) production was down earlier this year, most likely due to the effects of tree stress following the high activity of producers in 2017 and post-recovery from El Nino. Those factors have caused demand for

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equal to 7,000 units.

However, the current demand has reached more than 10,000 units, prompting imports from other countries such as China, South Korea and Japan. Hydraulic excavators still dominate sales with 5,002 units sold, followed by bulldozers, dump trucks and motor graders at 375 units, 151 units and 81 units, respectively.

Sales this year are also likely to be driven by companies replacing or renewing their heavy equipment.

Sales of Komatsu heavy equipment increased by 38 percent year-on-year (yoy) to 1,171 units in the first quarter of 2018, compared to 847 units recorded in the same period last year. The increase was driven by the sale of heavy equipment to the mining industry, which surged by 107.1 percent yoy, followed by plantation and construction sectors at 46.3 percent yoy and 1.9 percent yoy, respectively.

In contrast, sales to the forestry sector experienced negative

heavy equipment in the plantation sector this year to fall below expectations and, as a result, CPO exports experienced negative growth.

Demand for heavy equipment in the forestry sector, meanwhile, has seen negative growth. This is likely due to two significant unresolved problems, the conflict over forest tenure between stakeholders as well as deviations in forest utilization permits.

Thus, forestry sector players have not increased their demand for heavy equipment.

Our assessment highlights several things that should be taken note of by the heavy equipment industry, despite its upward trend in sales.

First, the increase in demand has not been matched by the availability of heavy equipment. Although Indonesian heavy equipment manufacturers have an installed capacity of up to 10,000 units per year, utilization this year has only reached 70 percent, equal to the production of 7,000 units.

The gap between production targets and installed capacity has been caused by a supply short-

growth of minus 49.9 percent yoy. Without doubt, the mining sector dominates heavy equipment sales, accounting for 50 percent, followed by the plantation, construction and forestry sectors at 13 percent, 29 percent and 8 percent, respectively.

Rising demand for heavy equipment is expected to continue, in line with increased activity in the mining sector and infrastructure project developments. In addition, coal export volume and value continued to grow in March this year. Indonesia saw its coal export volume increase by 8.4 percent yoy in March, far below the 23.5 percent seen a month earlier.

Its export value, meanwhile, grew by 25.5 percent in the third month of this year, lower than the 37.6 percent growth recorded in February.

China and India are still the main drivers of the increase in Indonesia's coal exports. With growing exports, the need for heavy equipment in this sector is expected to continue to grow.

In the construction sector, the government has allocated Rp 410.7 trillion (US\$29.58 billion) from the state budget for infra-

age in raw materials and trained workers. A possible solution is for companies to conduct training sessions for workers on a regular basis. Another point of concern is the possible impact of politics this year. We hope that the upcoming simultaneous regional elections run peacefully and do not lead to turmoil that could impact the industry negatively.

In addition, United Tractors, which owns the brand Komatsu, continues to hold the largest market share in the domestic heavy equipment market with 34 percent as of the first quarter this year, followed by Caterpillar, Hitachi, Kobelco and others at 16 percent, 14 percent, 14 percent and 20 percent, respectively.

Our hope is that, as long as there is stability in the supporting factors of the heavy equipment industry, such as positive growth in commodity prices and progress in government infrastructure projects, sales performance will continue to grow throughout the year.

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