

Indonesia says Fed must be mindful of policy impact on others

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BLOOMBERG/JAKARTA

Indonesia's new central bank chief joined his counterpart in India in calling on the Federal Reserve to be more mindful of the global repercussions of policy tightening amid a rout in emerging markets.

In his first interview with international media since he took office two weeks ago, Bank Indonesia (BI) Governor Perry Warjiyo said the pace of the Fed's balance sheet reduction was a key issue for central bankers across emerging markets. Reserve Bank of India Governor Urjit Patel made similar comments earlier this week, arguing that slowing the pace of stimulus withdrawal would support global growth.

"We know every country must decide their policy based on domestic circumstances but look, you have to take account of your actions and the impact of your actions to other countries, especially the emerging markets," Warjiyo said in Jakarta on Wednesday.

With the Federal Reserve proceeding with its policy tightening, and another interest-rate hike expected next week, emerging markets across the globe are bracing for a further selloff. BI has already raised its key rate twice to help bolster its currency, while the Reserve Bank of India on Wednesday became the latest to move, increasing its policy rate by 25 basis points to 6.25 percent.

"Communication is very important," Warjiyo said. "We are looking for the Fed to communicate more clearly the intention

of their policy so the market can understand clearly and also react and all the central banks can also anticipate and consider it in their policy making."

The comments underscore the difficult policy choices central bankers are being forced to make as they try to respond to external forces driving their currencies.

South African central bank Governor Lesetja Kganyago said on Tuesday the Fed is communicating its intentions better than it did in 2013 during the taper tantrum, but its job is being complicated by United States fiscal policy.

"Nobody figured out that the US could embark on all of these trade policies that they had embarked on and that complicates the work of the Fed," he said in Johannesburg. "I don't think that

they had factored in earlier that there will be stimulus that had been put in for the US economy from the fiscus."

Policy normalization in Japan and Europe will bring more uncertainty, Warjiyo said that while the "dollar is king" at the moment, it may lose that status next year.

"There are three global players that impact the future of interest rates and exchange rates. Now it's only the US," Warjiyo said. "That's why the US and the dollar are king. But next year if Europe starts normalizing, Japan starts normalizing, then I don't think the US or the dollar will be the only king."

In Indonesia, Warjiyo has moved decisively to support the rupiah, holding an out-of-cycle meeting last week in which he increased the benchmark rate by 25

basis points to 4.75 percent.

By pre-empting the uncertainty in financial markets, the central bank has been able to stabilize the currency, Warjiyo said on Wednesday, adding that more rate hikes are possible if financial and economic conditions warrant it.

"Yes, there is a possibility of a rate hike," Warjiyo said. "Of course, the magnitude and timing will be measured and will depend on our calibration of new information that will be coming."

Indonesia has been one of the hardest hit economies in Asia amid a global selloff, with investors dumping almost US\$1.9 billion of government bonds since the end of March. The central bank has also been leaning heavily on its stash of foreign reserves, draining more than \$7 billion since the end of January as it intervened to help

stabilize the rupiah.

BI will continue to intervene in markets if conditions warrant it, Warjiyo said. "We will stand ready if there is pressure in the market, like the one that we are seeing since early February," he said.

The rupiah has gained about 2 percent against the dollar since the governor took office on May 24, among the best performers in Asia. It rose 0.2 percent to 13,857 against the dollar on Wednesday, the highest closing level since April 19, trimming losses this year to 2.1 percent.

While the currency, bonds and stock markets will remain closed from June 11 through to June 19, the central bank will closely monitor global market reaction to the Fed meeting outcome next week and will take steps to restore confidence, Warjiyo said.

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AIRLINE

National carrier Garuda braces for possible strike

Farida Susanty

THE JAKARTA POST/JAKARTA

National flag carrier Garuda Indonesia is scrambling to deal with a strike that is set to hit the airline ahead of Idul Fitri, just as millions of Indonesians are taking part in the annual *mudik* (exodus) following the Ramadhan month.

Garuda employees have been complaining since last year about alleged mismanagement marring the company.

They finally delivered their ultimatum on May 2, saying the government had 30 days to fulfill their demands or be faced with a strike.

Contradicting a previous statement issued by the airline, Garuda Workers Union (Sekarga) chairman Ahmad Irfan said the group, along with the Garuda Pilots Association (APG), never agreed to forego a strike.

"It is not true that we agreed to not go on strike; it is not true that we have signed an agreement with the management [to not go

on strike]," he told *The Jakarta Post* on Thursday, adding that Garuda's next deadline would be around June 19.

Ahmad further explained that Sekarga never threatened to go on strike during Idul Fitri, but because the government had failed to provide a solution, employees then threatened to stop working during the exodus.

But the situation hinges on the government's next move, he said.

The APG also emphasized that it had never planned for a complete stoppage on Idul Fitri out of concern for the passengers. It would give the airline a seven-day notice before going on strike, the association said in a statement.

They also acknowledged that the latest mediation between Garuda management and workers, supervised by the Office of the Coordinating Maritime Affairs Minister, had established a working group consisting of representatives from related ministries and the Presidential Office (KSP).

Ahmad said the employees' main concerns were industrial and management-related; they did not involve wages.

In January, Sekarga highlighted what it believed to be a "high number of directors" on Garuda's management board, with nine directors leading the airline.

It argued that several positions were unnecessary, such as that of production director, as the airline already had an operational director and technical director.

The company should have six directors at most, the union said.

To address the complaints, Garuda held a shareholders meeting in which the production director position was eliminated.

However, the workers associations still highlighted the airline's poor performance, including alleged mismanagement that led to flight delays and Garuda's share price dropping to below its value during the company's initial public offering (IPO), which was Rp 750 (5 US cents) apiece.

Commenting on the matter, Garuda Indonesia president director Pahala Mansury said the working group would offer a real solution to ongoing problems.

He added that based on their latest statement, the pilots agreed not to go on strike during the Idul Fitri holiday.

"We hope and suggest that a strike is not a solution to improving the company's performance," he said, pointing out that the airline had indeed made some improvements.

Garuda Indonesia posted US\$64.3 million in losses in the first quarter of 2018, a 36.5 percent decrease from losses it suffered in the same period last year at \$101.2 million. Similarly, Transportation Minister Budi Karya Sumadi said he was certain Garuda's pilots would not go on strike during the Idul Fitri break.

"As for the future, there is still an ongoing discussion between the pilots and stakeholders that oversee Garuda," he said.

LEGISLATION

Criminal Code revision 'threatens' KPK

Charishar Kahfi and
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THE JAKARTA POST/JAKARTA

The Corruption Eradication Commission (KPK) seems to be constantly under threat.

For years it has faced numerous proposals by lawmakers to curtail its powers through a revision of the 2002 KPK Law. Last year, it was the subject of an inquiry by a House of Representatives special committee that critics said was set up with the intention of undermining or even disbanding the anti-graft body.

Now, KPK officials believe the agency faces a new threat: a revision to the Criminal Code (KUHP), which is set to be passed in August this year.

The KPK said a section of the bill regulating special and extraordinary crimes, including corruption, drug-related crimes and human rights violation, could end up curtailing its powers.

The provisions could create confusion, as corruption was classed as a special crime and was regulated under a special law, KPK deputy chairman Laode Muhammad Syarif said.

"By putting it into the KUHP, corruption could become classed as an ordinary crime rather than a special crime, as stipulated in earlier legislation. This could raise questions and create confusion within our institution," Laode said during a discussion on Wednesday.

He claimed that a number of articles in the 2001 Corruption Law — including articles on bribery and misuse of authority often used by the anti-graft body to charge graft suspects — were included in the KUHP bill. The bill, he argued, could render the prevailing law irrelevant.

Apart from such legal uncer-



JP/Dhoni Setiawan

Unwavering support: Corruption Eradication Commission (KPK) chairman Agus Rahardjo (left) accepts a token of support from a coalition of civil society groups that initiated a petition against the inclusion of articles on corruption in the Criminal Code (KUHP) bill on Tuesday.

tainty, he said, the articles on corruption in the KUHP bill also carried lighter punishments.

For example, the punishment for illicit enrichment as stipulated in Article 687 of the bill carries a minimum two and maximum 20-year prison sentence as well as a Rp 10 million (US\$721) to Rp 2 billion fine.

In comparison, the very same crime stipulated in Article 2 of the Corruption Law carries a sentence of four to 20 years' imprisonment as well as Rp 200 million to Rp 1 billion in fines.

"In addition to the concern that investigators and prosecutors could become confused about which articles to choose in charging suspects, it could also lead to new interpretations that could benefit corruption suspects," Laode said.

This concern was echoed by

the National Commission on Human Rights (Komnas HAM) and the National Narcotics Agency (BNN).

"Drug-related crimes are complex, as we also deal with international syndicates and put the perpetrators, especially drug users, in rehabilitation centers rather than just prison. We need a special regulation for this crime so it can be revised quickly should there be any developments in the crime," BNN chief Insp. Gen. Heru Winarko said.

The three agencies claimed to have sent a letter to the government and the House voicing their objections to the provisions. The KPK also sent a letter to President Joko "Jokowi" Widodo regarding the matter.

Opposition to the bill's provisions has garnered support from various parties, including former

KPK commissioners and activists, as well as some 62,500 netizens who signed an online petition rejecting the articles seen to weaken the powers of the anti-graft body.

"We suggested that articles about corruption be included in the KUHP bill as a bridge to the Corruption Law, which is still valid. We also hope the government will be on the KPK's side," former KPK commissioner M. Jassin said on Tuesday.

The government team tasked with formulating the KUHP bill said the KPK's authority would not be damaged by the bill, as the articles included in the KUHP were not designed to extenuate punishments for graft perpetrators.

"Laws that regulate corruption crimes are exempted from the Criminal Code; hence these laws are categorized as *lex specialis* [special laws]. It means articles [related to corruption investigations] in the 2001 Corruption Law will not be repealed," said Eddy Nurbaningsih, who heads the team.

She added that the KPK still had the authority to conduct investigations into graft cases, as stipulated in both the existing Corruption Law and the KUHP bill.

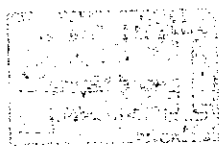
Coordinating Political, Legal and Security Affairs Minister Wiranto held a meeting on Thursday to discuss the polemics. It involved KPK commissioners, Law and Human Rights Minister Yasonna Laoly as well as government officials and the House's team tasked with formulating the criminal code bill.

Speaking after the meeting, Laoly said relevant stakeholders would hold a meeting after the Idul Fitri holiday to further discuss the issue and settle their differences.

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Fighting the graft fighters



In yet another attempt to undermine the Corruption Eradication Commission (KPK), the political elites are tabling a draft amendment of the Criminal Code (KUHP) that will potentially weaken the country's fight against graft through putting restrictions on the commission's powers.

Deliberation of the long-overdue amendment at the House of Representatives shifted gears when KPK investigators arrested a regent and a number of local officials for allegedly accepting kickbacks related to construction projects on Monday and Wednesday.

Embezzlement of the people's money seems to be taking place almost every day and involves officials who have taken an oath to serve the public unconditionally. It is therefore a stark irony that both the lawmakers and the government insist on adding a number of clauses on corruption that go against the very aims of our reform movement declared more than 20 years ago — one of which was to stamp out corruption, collusion and nepotism.

Furthermore the amendment defies the national consensus that declares corruption an extraordinary crime, which consequently requires extraordinary measures to defeat. The draft amendment includes articles on corruption that are not in agreement with the existing 2002 Corruption Law, and will surely lack a deterrent effect.

Take the draft revision that sets the minimum prison sentence for those who are found guilty of enriching themselves or others at two years, compared with four years stipulated in the 2002 Corruption Law. Another flaw found in the draft is its failure to accommodate a principle in the Corruption Law that says that restitution of state losses does not annul a crime.

Not only will the draft amendment of the KUHP send an inconsistent message about corruption eradication, it will also create legal uncertainty — seen as the Achilles' heel of law enforcement in this country.

The KPK has expressed its concern about the weakening of the nationwide anticorruption drive if the House passes the amended law, which House Speaker Bambang Soesatyo has set for some time in August as an anniversary gift to mark the Republic's independence.

In its letters to President Joko "Jokowi" Widodo, KPK leaders have reasserted that the country has ratified the United Nations Convention against Corruption and if the amended KUHP is passed it will violate the UN convention. The convention prescribes a special antigraft body whose operations are governed under a special law, rather than a codified law like the KUHP.

The formation of a special agency to accelerate corruption eradication, such as the KPK, and cooperation among these agencies are becoming a global trend as the world deems corruption a threat to humanity. Instead of undermining the KPK through an amendment of the KUHP, policymakers should be empowering, or at the very least supporting, the commission.

The amendment seems to be another move against the KPK after numerous attempts to neuter it have failed. There is no other option for the country other than to reject the revisions.

China initiative aids power projects

Riza Roidila Mufti
THE JAKARTA POST/BEIJING

German engineering company Siemens AG announced that a deal had been signed with Chinese firms to participate in infrastructure development programs in regions across Indonesia under China's mega infrastructure project, the Belt and Road Initiative (BRI).

Siemens Indonesia signed agreements with three Chinese firms for the development of gas- and coal-fired power plants at the BRI International Summit that was held by Siemens in Beijing on Wednesday.

"The power [plant] programs will take place outside Java. We are talking about Kalimantan, Sulawesi, Papua and others," said Siemens Indonesia's head of power and gas division, Bernaud Stuckart, on Thursday.

The development programs would focus on medium- and small-sized power plants that were most-needed in small and rural regions because they were still in need of electrification and power, said Stuckart.

The three Chinese firms collaborating with Siemens are China National Chemical Engineering Group Corporation, Guangdong Yudean Group and China Gezhouba Group Corporation International Engineering.

The deal would not only focus on developing power plants, Siemens said, it would also offer educational training to people who were working on the project and vocational training to young people in the regions.

"This is a general memorandum of understanding [MoU] that shows we will cooperate with each other. The next step is to get together and work out the details, which will then be presented to the Indonesian government," Stuckart said.

The participation of Siemens and the Chinese firms in infrastructure development in the regions is crucial, especially after President Joko "Jokowi" Widodo said he would shift from infrastructure to human development.

Early this year, Jokowi announced that his administration would increase investment in human resources, meaning that the infrastructure budget might be slashed.

Yudi Prabangkara of the Office of the Coordinating Maritime Affairs Minister said the firms were still discussing the program with the government.

"The government, Siemens and the Chinese firms are still in

Siemens, Chinese firms to take part in power plant development

Firms to provide training for local people

talks about the program's realization. We are negotiating with each other," added Yudi.

He said the agreement between Siemens Indonesia and the Chinese firms was one of several infrastructure development programs under the BRI. "The final decision will be made when the presidents of China and Indonesia meet in July."

Siemens will focus on the technology aspect of the program, while the Chinese firms will play a role in financing, engineering, procurement and construction.

During the Belt and Road International Summit, the company also signed deals with Chinese enterprise for collaboration in other countries such as the Philippines and Mozambique.

"The BRI has the potential to change the world. It can also change world trade and the economic order. It is a long-term economic strategy that represents a 1-trillion euro investment that could potentially improve [the lives of] more than 70 percent of the world's population," said Siemens AG president and CEO Joe Kaeser.

The development of infrastructure outside Java is believed to be the key to higher economic growth in Indonesia.

"Java, in terms of area, only covers around 7 percent of Indonesia but contributes [more than 50 percent of] the gross domestic product [GDP]."

"If we would like to [improve] our economic growth, we need to reduce the disparities between Java and other regions," said National Development Planning Agency (Bappenas) undersecretary of infrastructure Wismana Adi Suryabrata.

He added that Indonesia was currently open to possible partnerships and collaboration through the BRI for infrastructure development projects outside Java, especially in North Sumatra, North Kalimantan, North Sulawesi and Bali.

Wismana said an investment of around US\$359.2 billion was required to develop the project.

"Out of the total estimation, 41.3 percent will be covered by the Indonesian government. We hope the rest will come through cooperation with the BRI, public-private partnerships and non-government infrastructure investment," he added.

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RADICALISM

Govt to snoop on students' social media accounts

The Jakarta Post
JAKARTA

The government has escalated its efforts to prevent the spread of radical and extremist ideologies following the arrest of three alumni of Riau University by the National Police's Densus 88 counterterrorism squad on the campus' grounds for suspected involvement in a terror attack plot.

The latest move has come from Research, Technology and Higher Education Minister Mohammad Nasir who said on Thursday that his side was cooperating with the Communications and Information Ministry to track students' social media accounts and profile them.

"We need to be more wary about the spread of radical ideas on social media," Nasir said as quoted by *tempo.co* on Thursday.

He also invited university administrations to participate in tracking their students' social media accounts to ensure they were not being exposed to radicalism. Nasir also plans to gather rectors from across the country to discuss radicalism on June 25.

The minister's statement was the latest move made by the government and academia in their attempts to crack down on the spread of radicalism and extremism among university students and staff.

Two weeks ago, the Bandung Institute of Technology (ITB) in West Java suspended a student organization, the Harmonious Deeds and Knowledge Bridge, for alleged involvement with the now disbanded Muslim group Hizbut Tahrir Indonesia (HTI). The ITB's vice rector for academic and student affairs, Bermawi P. Iskandar, said the suspension was the university's final warning to the organization, which has existed for five years and has 59 members and has occasionally invited HTI figures to its events.

In Malang, East Java, Brawijaya University rector Muhammad Bisri said, as quoted by Antara, that the university had been coordinating with intelligence institutions to monitor student activities and organizations. This measure was in addition to holding religion-based character development lectures.

The National Counterterrorism Agency (BNPT) has found that social media has been used to spread radical teachings. The agency also suspects that university students in Java and Sulawesi have been exposed to radical teachings, albeit to different degrees.

Separately, a survey conducted by the State Intelligence Agency (BIN) in 2017 showed that 39 percent of university students in 15 provinces across Indonesia rejected democracy and disagreed with Pancasila being the nation's ideology.

Regional coordinator of the digital rights group Southeast Asia Freedom of Expression Network (SAFE-net), Damar Juniarso, said such strategies could violate privacy and freedom of expression if conducted recklessly.

"They should be able to filter which students they want to monitor and outline the monitoring period," Damar said. He added that any monitoring needed to be based on sufficient evidence.

Similar criticism was voiced by Institute for Policy Research and Advocacy (ELSAM) researcher Lintang Blandina, who argued that such monitoring must be based on human rights and legal principles.

"The government should focus on eradicating the existing terror networks already known to the authorities, so the surveillance is directed toward individuals allegedly violating terrorism laws, not ordinary people, especially students," she said.

Nasir's statement also drew criticism from university students, who said it would violate their freedom to express their thoughts on the internet.

"Monitoring our social media is the same as putting a limitation on our freedom, and takes away a medium for people to express their ideas," said Eriana Marta Erige, a 19-year-old student at Parahyangan Catholic University in Bandung, West Java. (dpk)

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DIPLOMACY

Israel lifts ban on Indonesian pilgrims for Idul Fitri holiday

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THE JAKARTA POST/JAKARTA

After a week-long tit-for-tat with the Indonesian government, Israel has reportedly waived its travel ban on Indonesian passport holders, allowing the latter to enter that country until after the Idul Fitri holiday, slated for next Saturday.

The confirmation regarding the waiver first came from Andri Darmawan, the owner of Christian travel company Galilea Tour in North Jakarta, who told *The Jakarta Post* on Thursday that the Israeli authorities were permitting Indonesians to visit the country once again.

The businessman said he had received the information from GEMM Travel, an Israel-based Christian travel company, which released an official letter stating that the Israeli Foreign Affairs Ministry had permitted all Indonesian travel groups to enter Israel until June 26.

Indonesia Pilgrimage Travel Agents Association (IPTAA) vice president Maurizion Arifin Koeswara later confirmed the news.

"Today [Thursday], at around 3 p.m., we received the same good news that negotiations were successful and we [Indonesians] can enter [the country] until June 26. We received the information

from our agents in Israel," Arifin told the *Post*.

The visa brouhaha began on June 1 when the Law and Human Rights Ministry confirmed that Indonesian immigration authorities had denied visas to 53 Israeli nationals who intended to enter Indonesia. Minister Yasonna Laoly, however, declined to elaborate on the reason for the denial.

The Israeli authorities then apparently retaliated by barring Indonesians from entering the country starting June 9.

Indonesia and Israel have no diplomatic relations. Indonesians, however, have been able to visit Israel on pilgrimage, while Israelis can also visit Indonesia on what is referred to as a "calling visa" or "limited-stay visa".

"I'm glad if we're allowed to enter [Israel] until June 26 because the Lebaran [Idul Fitri] tour groups, who've already booked hotels and flights, can go [to Jerusalem]," Arifin went on to say. He previously said about 2,700 Indonesian pilgrims had planned to visit Israel during the extended Idul Fitri holiday.

While Indonesia was presumably attempting to show solidarity with Palestinians through the visa cancellation, the tit-for-tat between two countries has reportedly hurt the travel business in many countries, especially in Palestine.

According to Israeli Tourism

Ministry data, around 36,300 Indonesians visited the country last year — a 24 percent increase on the previous year's figure. Indonesian tourists are also among the biggest spenders on average during their stay in Israel, spending around US\$310 a day excluding airfares.

Mirjam Lücking, a Jerusalem-based anthropologist doing research on Holy Land tours and Al Aqsa pilgrimages, said the cancellation of visa agreements would affect tourist and hospitality businesses owned by both Israelis and Palestinians.

"The repercussions of this 'visa crisis' would be severe for East-Jerusalemite Palestinian travel agencies, shopkeepers in Palestinian cities like Jericho, Hebron and Bethlehem, hotels in Bethlehem, [as well as] Palestinian bus companies and local tour guides," she wrote in her research report made available to the *Post*.

Many Christians and Muslims in Indonesia had expressed their disappointment at Israel's decision to ban Indonesian visitors from entering Israel, because it might hinder visitors from conducting pilgrimages to holy sites across the country.

Meanwhile, members of the small community of Indonesian Jews remain untroubled because of the lack of religious obligations to visit Israel during this time. (nor)

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J. Posif

Chevron wants to extend Rokan contract

JAKARTA: Coordinating Maritime Affairs Minister Luhut Pandjaitan says PT Chevron Pacific Indonesia (CPI), the local unit of the United States-based oil and gas giant Chevron Corp., has expressed interest in continuing its operation of the Rokan block in Riau, one of the most productive oil blocks in the country.

"They [company officials] told me that the block [Rokan] is good. [...] They explained that their new technology will boost oil reserves in the block by up to 1 billion barrels," he said.

Luhut's statement was made after meeting with Chevron IndoAsia business unit managing director Chuck Taylor and CPI senior vice president for policy, government and public affairs Yanto Sianipar at Luhut's office in Jakarta recently.

The minister said the oil firm also wanted to cut costs for Indonesia Deepwater Development (IDD) by up to 50 percent.

The auction of Rokan will begin in July as Chevron's contract is slated to end in 2021. The new contractor must agree to the gross-split scheme.

Meanwhile, Yanto said he met with Luhut to update the government on Chevron's achievements. When asked about the possibility of a contract extension, he only said "we always try to be punctual in every project". — JP