

RI on US trade radar

Rachmadea Aisyah, Marchio Gorbiano and Dian Septiari
THE JAKARTA POST/JAKARTA

Indonesia may no longer be able to remain a spectator of the ever-escalating global trade war with the country now on the radar of the United States government, which under the administration of President Donald Trump is seeking to reduce its deficits with its trade partners.

The Indonesian government has been anticipating the domino effect that could result from a trade war between the US and China, which finally began this week.

However, the government may have been cautious about entering into a trade spat with the US as it was revealed recently that Trump in April pointed to Indonesia as having a trade surplus with the US.

The Office of the US Trade Representative (USTR) announced in April it would launch a review into Indonesia's Generalized System of Preferences (GSP), a program that offers exemptions from trade bar-

US launches review of RI's trade barrier exemption program

RI may retaliate if US continues pressure

riers, along with the trade policies of India and Kazakhstan.

"Indonesia has implemented a wide array of trade and investment barriers that create serious negative effects on US commerce," the USTR wrote in a statement posted on its website.

The USTR pointed out that the review would be based on concerns related to Indonesia's GSP criteria for market access, services and investment.

Commenting on the matter, President Joko "Jokowi" Widodo said on the sidelines of the Indonesia Livestock Expo in Jakarta on Friday that he would hold a meeting on Monday to discuss the possibilities of a trade war.

Separately, Foreign Minister Retno L.P. Marsudi said that while Indonesia had a trade sur-

plus with the US, other factors needed to be taken into account, such as services and investment.

"If we include them [services and investment], we want it to be a win-win," she said on the sidelines of a Joint Commission Meeting with her Thai counterpart in Yogyakarta on Friday.

Retno, however, expressed skepticism about the possibility of a trade war with the US, stressing that relations between both countries remained warm.

"As of my latest meeting with the US secretary of state in Washington on June 6, they are still committed to implementing strategic partnerships between Indonesia and the US," she said.

According to US Census Bureau data, US apparel and accessories imports from Indonesia reached US\$4.69 billion in 2016, 4.91 percent lower year-on-year (yoy) than the \$4.94 billion recorded in 2015. The category is the top Indonesian export to the US.

Indonesia's second most-shipped commodity to the US is

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food and kindred products, totaling \$1.78 billion in 2016, an increase of 7.99 percent yoy compared to \$1.65 billion in 2015.

On the other hand, Indonesia imported \$1.78 billion worth of agricultural products from the US in 2016, up 31.63 percent yoy compared to \$1.35 billion in 2015. This is followed by food and kindred products at \$773.59 billion in 2016, 5.32 percent higher yoy than \$734.51 billion in 2015.

Trade Minister Enggartiaso Lukita said on Thursday that Indonesia would prepare a retaliatory policy if the US moved forward with its plan to impose tariffs on 124 products imported from Indonesia, saying that the country's ambassador to the US "had pursued a [soft] approach".

"I have communicated with the US because, basically, we do not want a trade war as it will cause losses for all parties. We'd prefer collaboration," Enggartiaso said as quoted by *kompas.com*, adding that retaliation was still possible should the US pressure continue and that

it could resemble that occurring between the US and China.

When contacted by *The Jakarta Post* on Friday, the Trade Ministry's International Trade Negotiations Director General Iman Pambagyo declined to comment on the matter given the "sketchy information" coming from the US.

Meanwhile, Shinta Kamdani, the Indonesian Employers Association's (Apindo) head of international relations and investment, said on Thursday that local businesspeople were aware that hundreds of commodities were currently under the US GSP review, including cotton, plywood and agricultural products.

Shinta said that, in the coming months, Indonesia's trade representatives would attend hearings in the US that would be witnessed by supporting and opposing panels, adding that the soonest would take place later this July.

"We will lose our key [to having a trade surplus] if we have to cease our GSPs because we will face higher tariffs," she said.

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Government in talks over possible spat with US

Anton Hermansyah
THE JAKARTA POST/JAKARTA

Economic officials sacrificed their free time on Sunday to hold a meeting after Indonesia entered the radar of the United States government, which is seeking to reduce its trade deficits with its trade partners.

The meeting on Sunday was led by Coordinating Economic Minister Darmin Nasution at his office, where his colleagues, including Trade Minister Enggartiasto Lukita and Foreign Minister Retno Marsudi, were also present.

Other top officials in attendance were Investment Coordinating Board (BKPM) head Thomas Lembong, Coordinating Maritime Affairs Minister Luhut Pandjaitan, Energy and Mineral Resources Minister Ignasius Jonan and State-Owned Enterprises Minister Rini Soemarno.

The last three names are currently negotiating with US-based Freeport-McMoran regarding a share divestment of its Indonesian subsidiary PT Freeport Indonesia to state-owned Indonesia Asahan Aluminium (Inalum).

"We did not make any decisions during the meeting," Enggartiasto told reporters after the

Sunday's meeting held in preparation for Monday's Cabinet meeting concerning possible trade war

RI's trade surplus with US was \$9.67 billion in 2017

meeting. "It was to prepare for a Cabinet meeting at the State Palace in Bogor [West Java] tomorrow."

During his work visit to the Livestock Expo at the Jakarta Convention Center on Friday, President Joko "Jokowi" Widodo said he would hold a special meeting on Monday to discuss the potential for a trade war.

Minister Darmin said Sunday's meeting was focused on ways to anticipate future uncertainties caused by a trade war, adding that the ideas discussed would be brought up at the cabinet meeting.

On Thursday, Sofjan Wanandi, a special staff member to Vice President Jusuf Kalla, said the US had warned the government about Indonesia's trade surplus with the world's largest economy.

Trade Ministry data show trade value between Indonesia

and US reached US\$25.92 billion in 2017, an increase of 10.57 percent compared to \$23.44 billion in 2016. The average trade growth between 2013 and 2017 was 0.39 percent per year.

Indonesia has consistently recorded a trade surplus with the US. In 2017, Indonesia's trade surplus with the US was \$9.67 billion, 9.89 percent higher than the \$8.84 billion surplus recorded in 2016. From 2013 to 2017, Indonesia's surplus with the US grew at a rate of 8.47 percent per year.

Sofjan added that currently, the US was reviewing Indonesia's Generalized System of Preferences (GSP), a policy that gives favored nations exemptions from trade barriers. Such preference is usually given by developed countries to less-developed countries to boost the latter's economies.

At least 124 categories of Indonesian products under harmonized system codes, including wood and textiles, are under the US government's review.

Under the 2017 USTR guidebook, the US gives GSP status to 103 countries. In 2016, Indonesia benefited \$1.8 billion from the GSP, placing it as the fourth biggest beneficiary after India, Thailand and Brazil with \$4.7 billion,

\$3.39 billion and \$2.2 billion, respectively.

In its statement, the USTR's reasoning for its review was because Indonesia had implemented a wide array of trade barriers that had serious effects on US commerce. The barriers failed at least two criterion for a GSP beneficiary: the provision of equitable and reasonable access for US products and the reduction of barriers for trade and services.

The GSP review hearing took place on June 19 with the post-hearing statement to be submitted before July 17. Other than Indonesia, the USTR will also review the policies of India, Kazakhstan and Thailand.

Trade Ministry Foreign Trade Director General Oke Nurwan said that if the GSP status was revoked, it would have significant affects on Indonesian exports. However, he declined to disclose the exact details.

"The GSP covers at least 10 percent of our products. If it is removed, our products will become less competitive," he said.

Minister Enggartiasto said the government had conducted necessary bilateral talks with its US counterpart, adding that the next meeting was being scheduled.

Government works to arrow trade deficit

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

The government has laid the groundwork to cut the deficit in its trade balance to take some pressure off the rupiah, which continues to weaken against a strengthening US dollar, despite the central bank's moves to defend the currency.

Coordinating Economic Minister Darmin Nasution said the government would form a task force to identify steps that could be taken to improve the country's trade balance.

"We are gathering all of the information and thoughts. We will form a task force to formulate in detail what can be done in exports and imports, so that soon we can reduce our trade deficit and turn it into a surplus," he said in Jakarta on Friday.

Darmin added that measures to dampen imports would not lead to a slowdown in gross domestic product growth. He said the government would aim not to hamper capital goods imports, saying "that is why the measures should be specifically formulated".

He said the government's move came in response to ongoing global economic developments, which are marked by an escalating trade war between the United States and China, as well as the US Federal Reserve's key interest rate, which is projected to rise faster than previously expected as the US economy continues to recover.

Separately, Industry Minister Airlangga Hartarto said Indonesia's competitive advantage could be key to immediately reducing the trade deficit.

"The existing industry could immediately help [with accumu-

Government to set up task force to restore trade balance

Industry minister calls on export industries to pull their weight

lating] foreign exchange reserves [...], such as by optimizing the utilization of steel, ceramics and cement factories as well as encouraging an export-oriented automotive industry," he said.

Indonesia booked a trade deficit of US\$2.8 billion from January to May this year, Central Statistics Agency (BPS) data show. Imports rose by 24.75 percent year-on-year (yoy), while exports only grew by 9.65 percent yoy over the same period.

Darmin previously said the government would focus on addressing the deficit in the trade balance in addition to bringing in more forex to prevent further depreciation of the rupiah.

In a surprise move, Bank Indonesia (BI) raised its policy rate, the BI seven-day reverse repo rate, by 50 basis points on June 29, higher than economists' consensus projection of 25 bps. BI hinted at further hikes, saying it was leaning toward a "tightening" stance in its monetary policy.

The move, however, seemed unable to halt the rupiah's depreciation. The currency traded at Rp 14,409 against the greenback on Friday, according to the Jakarta Interbank Spot Dollar Rate (JISDOR), down from Rp 14,387 a day earlier.

As BI continues to intervene in the bond and financial markets as part of its dual intervention policy, the country's foreign exchange

reserves have gradually declined somewhat from a record high \$131.98 billion in January.

The foreign exchange reserves totaled at \$119.8 billion in June as BI used some to defend the currency as well as to pay off external government debt, BI data revealed.

BI said in a statement on Friday that the foreign exchange level was considered safe, as it was equal to financing 7.2 months of imports or 6.9 months of imports and external government debt, above the international adequacy standard of 3 months of imports.

Samuel Asset Management economist Lana Soelistianingsih said the government's move to limit imports may have little impact on GDP growth if it is limited to consumer goods, as imported capital goods and raw materials were too important for the economy to be dropped.

"If imported consumer goods are reduced, economic growth could go up, as imports are a deducting factor in calculating GDP growth," she said.

However, she acknowledged that such a move would be hard to implement, as trade tensions between the US and China continued to escalate and the Indonesian market could find itself flooded with goods from China.

Bank Central Asia (BCA) chief economist David Sumual said the government should work to ensure it would not limit consumer goods imports that had no substitute in the domestic market, arguing that such a move could fuel illegal imports. He projected Indonesia could overturn its deficit into a surplus this year if the policy to halt imported goods was implemented.

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2019 ELECTION

Anies could be tough contender for Jokowi: Analysts

Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

Opposition parties have yet to decide who the challenger of President Joko "Jokowi" Widodo will be in the upcoming election, but analysts said the incumbent should prepare for the possibility of squaring off against Anies Baswedan, his former minister who now leads the nation's capital city.

The likelihood of Anies being nominated as a presidential candidate by the opposition parties has increased in recent days, with the Jakarta governor seen as the candidate with the biggest potential to beat Jokowi.

The Prosperous Justice Party (PKS), the National Mandate Party (PAN) and the Democratic Party have floated the idea of fielding Anies instead of Prabowo Subianto given Anies' rising popularity among Muslim voters. "Anies is now very popular, not because of his performance as the Jakarta governor, but because he can be a symbol for Muslim groups," Para Syndicate political observer Ari Nurcahyo said on Friday.

"If Anies runs for president, [his candidacy] should be the main factor for Jokowi in choosing his running mate. Jokowi should pick a figure who can also represent

Muslim groups," Ari said.

Recent polls have shown that Anies is among the top-five presidential candidates in terms of electability. Even though his electability is far below that of Jokowi or Prabowo, analysts believe his nomination would change the equation.

Anies won the gubernatorial election in Jakarta last year despite entering the race at the last minute and having an electability rate way below that of then-incumbent candidate Basuki "Ahok" Tjahaja Purnama, a Jokowi ally.

Analysts have argued that Anies benefited from, if not successfully exploited, sectarian issues to defeat Ahok, a Christian of Chinese descent.

The opposition camp could replicate the strategy it used in the Jakarta election to bring votes for Anies, according to Indonesian Institute of Sciences (LIPI) senior political analyst Syamsuddin Harris. "Anies' [personality] could be used to mobilize issues, particularly sectarian issues," he said.

Jokowi has yet to decide who his running mate will be, though a number of names have been circulating. They include National Awakening Party (PKB) chairman Muhaimin Iskandar, former Constitutional Court chief justice Mahfud MD and Indonesian

Ulema Council (MUI) chairman Ma'ruf Amin.

The three candidates are either affiliated or associated with the Nahdlatul Ulama (NU), the nation's largest Islamic group.

The Golkar Party, the second-largest party supporting Jokowi's reelection, played down the threat posed by Anies, saying there was no guarantee that the Jakarta governor would run in the election.

"If Gerindra endorses Anies [as president], then what will happen to Prabowo? We know that Prabowo has declared to run," Golkar executive Ace Hasan Syadzily said.

With the PKS and the PAN wavering in their support for Prabowo, Gerindra is now seeking to seal a coalition deal with the Democratic Party by offering a vice-presidential candidate seat to Agus Harimurti, the political heir of Democratic Party leader and former president Susilo Bambang Yudhoyono (SBY).

"The party will discuss [the proposal] internally," Democratic Party deputy secretary-general Andi Arief said in a statement.

"We hope there will be a major meeting between SBY and Prabowo soon, after we have reached an agreement on the [structure] of our coalition and whether Agus will be the vice-presidential candidate, like Prabowo said."

Pressure on Jokowi to pick VP candidate

Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

With the Aug. 10 deadline for the registration of presidential candidates fast approaching, President Joko "Jokowi" Widodo is now under pressure to announce his running mate for the 2019 race.

There is also a sense of urgency for Jokowi to make his choice public, especially after moves by political parties in the opposition camp to pair Jakarta Governor Anies Baswedan and Agus Harimurti Yudhoyono, the political scion of Jokowi's predecessor, Susilo Bambang Yudhoyono.

Numerous reports say Jokowi has a list of at least 10 individuals to pick from and that he would make the announcement later this month. Over the weekend, he said he had made up his mind about one candidate. "[I] already have [one name]. [We] just need to announce it. I will make the announcement in due time. Just wait and be patient."

Jokowi is expected to pick a running mate who has strong ties to Muslim groups and among those tipped to be his vice presidential pick include United Development Party (PPP) chairman Muhammad Romahurmuziy and National Awakening Party (PKB) leader Muhaimin Iskandar.

Both parties have ties to the Nahdlatul Ulama (NU), the country's largest Muslim organization.

By picking either Romahurmuziy or Muhaimin, Jokowi will not only gain support from Muslim voters, but also a younger electorate. In a recent television interview, Jokowi said Romahurmuziy was a suitable candidate for vice president.

Analysts, however, doubt that Romahurmuziy, who comes from a prominent NU family in Yogyakarta, can help Jokowi boost his electability as indicated by numerous public opinion polls, which placed him outside of the top 10 candidates for the vice presidential slot.

Many have also cast doubt on whether the PPP, which only has 39 seats in the House of Representatives, can help deliver a significant number of votes for Jokowi in the race. Muhaimin's PKB controls 47 seats in the House.

"For now, Muhaimin and Romahurmuziy appear to be the ideal candidates to be Jokowi's running mate, as they meet the criteria set by Jokowi -- a representation of Muslim groups. That's an important factor that could be used to ease sectarian tension [against

Deadline looms for Jokowi to name running mate

President has list of potential candidates

Jokowi]," said political analyst Ari Nurcahyo of the Jakarta-based think tank Para Syndicate.

Another figure favoured for the vice presidential slot is former Indonesian Military (TNI) chief Moeldoko who in January this year was appointed as the Presidential Chief of Staff (KSP) in a minor Cabinet reshuffle.

Recently, the retired general announced that he would resign as deputy chairman of the Hanura Party's advisory board, a position he held since December 2016.

"Moeldoko can help Jokowi deal with [possible] sectarian tensions, because he has expertise in dealing with security issues, although he can't represent Muslim groups," Ari said.

Another favorite for the slot is Golkar Party chairman Airlangga Hartarto, although many consider him to be incapable of helping Jokowi quell possible sectarian tensions during the election.

Political expert Syamsuddin Haris of the Indonesian Institute of Sciences said Jokowi would face a conundrum if he picked a running mate from political parties, given their competing interests. "If Jokowi picks one party chairman, then the other political parties could be disappointed and they could just leave him."

To complicate things more for Jokowi, his own party, the Indonesian Democratic Party of Struggle (PDI-P), has attempted to make its voice heard about the selection of a candidate.

"It's not impossible for Jokowi to choose a non-partisan figure," PDI-P executive member Andreas Hugo Pareira said.

Many within PDI-P circles have floated the idea of proposing Coordinating Human Development and Culture Minister Puan Maharani as Jokowi's running mate. Other non-partisan figures considered include Indonesian Ulema Council (MUI) chairman Ma'ruf Amin, 75, former Constitutional Court chief justice Mahfud MD and West Nusa Tenggara (NTB) Governor Muhammad Zainul Majdi, widely known as Tuan Guru Bajang (TGB).

Analysts said support from TGB could significantly boost Jokowi's electability, particularly among Muslim voters in NTB, a Prabowo Subianto stronghold.

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Jokowi permits ministers to contest election

JAKARTA: President Joko "Jokowi" Widodo gave permission on Friday to his Cabinet ministers to run in the 2019 legislative election, saying they could take a leave of absence from their duties during the campaign period.

Jokowi said he was fully aware that a number of ministers in his administration were politicians who had received mandates from their respective political parties.

"I suppose it is understandable if the ministers are assigned by their parties to run as legislative candidates," the President said.

"No one has conveyed their intention [to run in the election] to me," he added.

When asked about whether ministers intending to run for legislative seats must resign from their positions, Jokowi said: "They can take a leave of absence during the campaign period."

The General Elections Commission (KPU) has opened registration for legislative candidates from July 4 to 17, with the verification period to take place from July 5 to 18. The results of the verification process will be announced from July 19 to 21.

According to media reports, Coordinating Human Development and Culture Minister Puan Maharani, a politician of the ruling Indonesian Democratic Party of Struggle (PDI-P), has said she was considering contesting next year's legislative election.

Manpower Minister Muhammad Hanif Dhakiri, a National Awakening Party (PKB) politician, is also said to have ambitions to run in the election. — *JP*

BUREAUCRACY

Businesses wary about new integrated licensing system

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

Businesspeople are questioning the government's rush decision on the launch of the Online Single Submission (OSS) system, as the new platform for business licensing is deemed to create more uncertainties because of ongoing legal and technical issues.

The government on June 21 issued Government Regulation No. 24/2018 on the OSS, which is a new IT system that will integrate various business permits into a single web-based application.

The new system is intended to cut red tape in an effort to lure more investment to the country, with the law to be implemented instantly without any transitional period.

However, the regulation is being challenged by House of Representatives Commission VI overseeing trade and investment, which is calling for the annulment of the regulation as it is not in line with Law No. 25/2007 on capital investment, which gives the Investment Coordinating Board (BKPM) the authority to handle all procedures related to

capital investment in the country.

Coordinating Economic Minister Darmin Nasution is scheduled to inaugurate the "OSS Lounge" at his office on Monday. President Joko "Jokowi" Widodo, however, said over the weekend that he would look into the issues surrounding the OSS once it had been soft-launched.

Starting last Monday, the OSS Lounge was open to businesspeople wanting to try out the new licensing system or seeking answers to any inquiries related to business licensing.

However, *The Jakarta Post* observed on Sunday that while the OSS website was online, there seemed to be no activity on it. Much of the important information was still left blank, such as on the "registration and basic permits" page, which only displayed the message "content not yet available".

At a recent forum held by the Indonesian Employers' Association (Apindo), BKPM chairman Thomas "Tom" Lembong said since the change in business licensing platform, the BKPM had not issued any investment permits.

This means businesses have

Correction

In the article "RI on US trade radar" published on July 7, we mistakenly wrote that Indonesia imported food and kindred products worth US\$773.59 billion in 2016 from the United States, 5.32 percent higher year-on-year than the \$734.51 billion in 2015. It should have been US\$773.59 million in 2016, 5.32 percent higher year-on-year than the \$734.51 million in 2015.

We apologize for the error.

— THE EDITOR

been unable to apply for permits for almost a month since the OSS regulation was issued on June 21.

After the regulation was introduced, Tom said many licenses had been issued by other ministries and regional bodies outside the jurisdiction of the OSS.

Apindo chairman Hariyadi Sukamdani questioned why the Office of the Coordinating Economic Minister was in charge of the OSS, and whether the platform would be returned to the BKPM, which is the only government body in charge of investment permits and has been involved in developing the system.

As businesspeople needed certainty on permit issuance, Hariyadi pointed out that the OSS website was offline when he accessed it recently, saying that the unpreparedness of the new sys-

tem would decrease investment coming to Indonesia.

"Who will take responsibility for the failure of investors who cannot apply for permits?" Hariyadi said during an Apindo gathering recently, adding that a halt in permit issuance could lead to decreasing investment, creating nervousness among both foreign and domestic investors.

Hariyadi said the government was being hasty in implementing the OSS, considering that the program would not give stakeholders time to adapt.

"Without any transitional period [to the OSS], I think it is going to be risky. The OSS service will bring a lot of problems," said Hariyadi. "Certainly, the President has good intentions [in accelerating the OSS], but the actual execution of it was reckless."

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ENERGY

Upstream sector to miss most of year-end target

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

The upstream side of the oil and gas sector in Indonesia may only be able to fulfill one out of four main indicators of its performance this year due to fewer activities in the industry, says a government agency.

The only main indicator that can be fulfilled is to state revenue.

It will reach 20 percent above the targeted US\$11.9 billion, data from the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) shows.

The other three indicators — oil and gas lifting, cost recovery target and investment — will miss their goals by 4 to 16 percent of the target.

Although it seems that the contribution of the oil and gas sector to state revenue is the only thing that the government can be proud of amid a gloomy outlook, the situation was only caused by an upward trend in the price of global crude.

As of Friday, the price of global benchmark Brent crude reached \$77.27 per barrel. It was far higher than June 21, 2017, when the price was \$44.82.

At a press briefing on Friday, SKKMigas projected that oil and gas lifting, the colloquial term for ready-to-sell production, was set to only reach 96 percent of its full-year target of 2 million barrels of oil equivalent per day (boepd).

"There are possibilities that the launch of new oil drillings on existing fields will not go according to plan. Hence, the production on old wells will keep declining," said SKKMigas head Amien Sunaryadi.

As for gas lifting, Amien added that the reason for its under-performance was due to commercial factors, such as a lack of buyers or transactions even though the gas supply was in place.

During the first half, oil lifting reached 771,000 barrels of oil per day (bopd) or 96 percent of the target at 800,000 bopd, while gas lifting stood at 1.15 million boepd, also 96 percent of its target at 1.2

million boepd.

The impact from cost recovery will be heightened at 12 percent of the target until year-end, or around \$1.2 billion, due to the rise of the global crude price that may add to the state budget's burden.

By the end of June, cost recovery reached \$5.2 billion or 51 percent of the targeted \$10.1 billion as stipulated in the 2018 state budget.

"In the production sharing contract (PSC), there is a clause that says when the oil price increases, the operator can charge us [the government] for added costs," he said.

Investment in the oil and gas sector is projected to only reach \$11.1 billion or 78 percent of the initial target of \$14.2 billion.

"Some [of the investments] were delayed due to several reasons, such as procurement issues," Amien said.

A case in point is the Merakes Field in East Kalimantan where peak production is set at 391 million standard cubic feet per day (mmscfd) of gas.

According to SKKMigas, the realization of the project procurement would only start in the next half despite the agreement that its plan of development (PoD) had been signed and was already contributing to national gas reserve data.

Nevertheless, the agency was upbeat that the realized investment in Merakes Field would be seen next year as the realization of the preparation was scheduled for the second half of this year.

As performance was below expectation; the government was expected to improve the production of oil and gas amid an upward trend in the price of global crude, which was uncontrollable and a risk to the country's budget, said Komaidi Notonegoro, the executive director of Jakarta-based mining research group the ReforMiner Institute.

"This isn't simple and can't be done in the short-term. It needs long-term commitment from the government and oil and gas contractors," he added.

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Government says IDD on track, despite overdue deal

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

The government has assured that its plan to develop one of the country's largest gas projects, the Indonesia Deepwater Development (IDD), will be undisturbed by the lengthy deal with the operator, US-based firm Chevron.

Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) chairman Amien Sunaryadi said the government had reached an agreement with Chevron and at present it needed only the formal proposal.

"We have discussed the Plan of Development [PoD] and in two weeks from now Chevron will send the final revision of the proposal," he said.

Chevron and the government are currently discussing the US company's plan for the second phase of the project at the Gendalo and Gehem site located in the Makassar Strait.

The Gendalo-Gehem hub is expected to produce up to 1.12 million standard cubic feet per day (mmscfd) of gas and 47,000 barrels condensate per day (bcpd) by 2022 and 2023, respectively.

Both sides were actually slated to seal the final deal for the plan,

Govt waits for revised proposal in two weeks, SKKMigas head says

Deputy minister claims Chevron inconsistent over project cost

including the cost for the second phase, at the end of last month, which will pave the way for the operator to start the front end engineering design (FEED) phase.

However, Deputy Energy and Mineral Resources Minister Arcandra Tahar said recently it had been delayed as a result of Chevron's inconsistency over the cost of the project.

"It has been changed within 24 hours [on the day of the deadline] with a difference of billions. Not to mention that the project is using the cost recovery scheme," he said, referring to the scheme seen as disadvantageous to the state as it also has to bear the project costs.

In 2014, Chevron told the government the construction cost for the IDD project would reach US\$12.8 billion. On June 26, however, the cost was lowered to around \$6 billion.

Two days later, Arcandra disap-

pointedly told the press that the company had changed the project cost three times within 24 hours.

The changing project cost may be down to the new technology that Chevron will implement for the IDD, as Amien explained that there was a new type of infrastructure to be used in the project that had been changed recently.

"They decided to replace floating production, storage and offloading [FPSO] vessels with shallow water platforms, which could cut the cost significantly. However, the replacement was only done at the end of June," he said.

Amien assured that other than the use of new technology, there were no new changes to the plan that would push back the proposal deadline.

However, one thing that remains unclear is whether the IDD proposal submission will be in unison with the proposal of the extension of other blocks near the IDD, namely the Rapak and Ganal blocks, or whether they will be developed separately.

Previously, SKKMigas communications head Wisnu Prabawa Taher told *The Jakarta Post* that Chevron had submitted a proposal for the IDD PoD, which

includes the extension of the Makassar Strait, Rapak and Ganal blocks on June 29.

However, last week Arcandra said the government had ordered Chevron to make separate proposals for the extension of those blocks because the Makassar Strait block will expire in 2020, while the Rapak and Ganal blocks will expire in 2027 and 2028, respectively.

To date, the first phase, which is located in Bangka hub, also in the Makassar Strait, has produced 85 mmscfd of gas and 2,400 bcpd of condensate, data from the Upstream Oil and Gas Regulatory Task Force (SKKMigas) show.

By 2023, the Bangka, Gendalo and Gehem hubs are targeted to produce 1,230 mmscfd of gas and 50,750 bcpd.

Although the government has said it would not interfere in the ongoing plan, SKK Migas has said that the IDD will only give a little boost for national investment performance in the oil and gas sector.

"It will contribute little to investment until the end of this year as they are yet to realize the FEED proposal. If agreed, then a lot of money would be disbursed," he said.

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INTOLERANCE

Radical sermons widespread in government offices

Andi Muhammad Ibnu Aqil

THE JAKARTA POST/JAKARTA

The government must look at its own backyard to continue the fight against radicalism as a recent study found that dozens of mosques at government offices in Jakarta have been promoting extreme Islamic teachings.

The Association of Islamic Boarding School and Society Development (P3M) and Rumah Kebangsaan discovered that 41 of the 100 mosques in government ministry, state agency and state-owned corporation (BUMN) complexes in Jakarta have had radical teachings espoused during Friday sermons.

Of the 41 mosques that have spread radical ideas, including the creation of *khilafah* (caliphate), 21 were at state-owned company buildings, eight at state agencies and 12 at ministry buildings.

The study was conducted from Sept. 29 to Oct. 21 last year by analyzing 274 video and 357 audio recordings taken by volunteers.

"We defined radicalism as ideas that called for fundamental changes [to the government] without concern for different groups," head researcher Agus Muhammad of P3M told reporters during a press conference at the Nahdlatul Ulama (NU) headquarters in Senen, Central Jakarta, on Sunday.

Agus said the study indicated

that the government paid little attention to the mosques in their buildings, which might have resulted in radicalized thinking among civil servants and their circles.

"Mosques [in government-owned buildings] should be free from radical thoughts and ideologies," he said.

He urged the Indonesian Mosques Council (DMI) to heed the warnings from the study and conduct in-depth research on the findings to counter radicalism in mosques.

"We also wish that NU, Muhammadiyah, and other organizations that hold moderate Islamic views will be more active in preaching at government-owned building mosques," he said, adding that otherwise hardliners would fill their absence.

However, Agus emphasized that the study only indicated that mosque-goers had been exposed to radicalism. It could not conclude whether mosque-goers had been radicalized as it only observed Friday sermons.

Rumah Kebangsaan director Erika Widyaningsih said the groups decided to share their findings following recent statements from officials denying any presence of radical teachings in mosques.

However, the groups refused to disclose the names and locations of the 100 mosques, saying they did

not want to cause a commotion.

"We are open to discussions if anyone feels that this [study] is offensive. We have the data [on the mosques] and we are ready [to reveal them at request privately]," Erika told *The Jakarta Post*.

The study results were not initially intended for public release.

However, Alissa Wahid, the eldest daughter of late president Abdurrahman "Gus Dur" Wahid and national secretariat coordinator of GUSDURian, a network of people who admire the legacy of her father, conveyed the findings during a closed door meeting with President Joko "Jokowi" Widodo at the State Palace in June.

Alissa confirmed to the *Post* that she had conveyed the study results to the President without any intention of public release.

"We thought that the findings should be handed over to the government as an unpublished report. When the opportunity arrived, I told the President," she said on Sunday.

The results were then leaked to Jakarta leaders and the media.

Jakarta Deputy Governor Sandiaga Uno said the administration would take measures to rein in radicalism following the report.

Jakarta Governor Anies Baswedan, on the other hand, disputed the results and demanded that anyone who made the claims provide evidence.

Court braces for disputes

Karina M. Tehusijarana
THE JAKARTA POST/JAKARTA

As the General Elections Commission (KPU) gears up for its announcement of the official vote tallies for the 2018 regional elections on Monday, the Constitutional Court is preparing to hear election disputes from dissatisfied candidates.

Regency and mayoral election disputes were filed from July 4 to 10, while gubernatorial election disputes were filed from July 7 to 11.

Around 62 election disputes were filed from the 101 regions that held regional elections last year. Based on that, the court estimates that around 96 to 112 cases will be filed from the 171 regions holding elections this time around, which could be a challenging task for the nine-justice bench.

But Chief Justice Anwar Usman was optimistic, saying: "All Constitutional Court personnel including the justices are ready for their assignments in relation to election disputes."

"We have also prepared more advanced and sophisticated IT equipment and systems," he said in a press conference on Thursday.

Court secretary general M. Guntur Hamzah said the online system would help with time efficiency, as petitioners would not have to hurry from their various regions to file their disputes in Ja-

Court predicted to handle complaints about over 50 percent of elections.

Recapitulations in major provinces show results similar to quick counts

karta and meet the deadline.

"After registering their dispute online, petitioners can come to the court with four copies of their petition," Guntur said.

According to the court website, nine election disputes had been filed as of Sunday, consisting of five mayoral races and four regency races.

Tegal mayoral candidate pair Habib Ali Zaenal Abidin and Tanty Prasetyaningrum were the first to formally file a dispute on Thursday.

The pair lost by only 316 votes to winning ticket Dedy Yon and Jumadi.

Habib's lawyer, Budi Yuwono Alatas said the election was marred by "structured and massive violations", including vote-buying and documentation inconsistencies.

Out of the 62 election disputes filed with the court last year, only eight were accepted, with the court ordering repeat elections in seven cases and a vote recount in one case.

The court dismissed four of the disputes, while the remaining 50 were not considered because they

failed to meet the requirements, mostly with regard to the vote margin.

Candidates can only file a dispute if the vote margin is at least 0.5 to 2 percent of all valid votes cast, depending on the population of the region, as stipulated in the 2016 Regional Elections Law.

The Constitutional Court has 45 working days to settle the complaints and has scheduled the first election dispute hearing for July 26.

Other candidates have also stated their intention to file disputes should the KPU's official announcement fail to meet their expectations.

Gerindra chairman Prabowo Subianto, for example, has said his party was ready to file a dispute if the KPU's final result on Monday did not show that Gerindra candidate Sudrajat won the West Java gubernatorial race.

KPU West Java's vote recapitulation on Sunday has put Bandung Mayor Ridwan Kamil narrowly in the lead with about 32 percent of the vote, while Sudrajat trails with about 28 percent.

Prabowo said he had received several reports of irregularities in the West Java election, including questionable voter lists and "undemocratic interventions" from certain groups.

"We regret those interventions and will consider our next steps," Prabowo said on Saturday after a meeting with Sudrajat, as quoted

by kompas.com. "According to our real count, we are the ones who won in West Java."

"We will not be continually trifled with because we represent the people, we have many supporters, and we understand the people's desire for change," he added.

But on Sunday, Otang Sukarian, the witness for the Sudrajat-Ahmad Syaikhul pair, told the KPU that he did not object to the recapitulation result, but raised concerns about the accuracy of the voter lists.

Gubernatorial election vote recapitulations by regional KPUs in other major provinces have so far remained similar to quick count estimates, with Ganjar Pranowo winning in Central Java, I Wayan Koster in Bali, Syamsuar in Riau and Isran Noor in East Kalimantan.

In South Sulawesi, KPU Makassar decided to hold another election, not a revote, in 2020 after its vote recapitulation showed that the Makassar mayoral election's sole candidate pair Munafri Arifuddin and Andi Rachmatika Dewi garnered 47 percent of the vote, which is insufficient to win the race.

— ARYA DIPA IN BANDUNG, SUHERDJOKO IN SEMARANG, NI KOMANG ERVIANI IN DENPASAR, N. ADRI IN BALIKPAPAN, RIZAL HARAHAP IN PEKANBARU AND ANDI HAJRAMURNI IN MAKASSAR
CONTRIBUTED TO THIS STORY.

Medco upbeat about renewable energy growth

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J. Post

Stefanno Reinard Sulaiman

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Medco Power Indonesia (MPI), a subsidiary of oil and gas giant Medco Energi International, believes renewable energy will drive its growth in the coming years on the back of the government's target to increase the share of renewable energy in the energy mix to 23 percent by 2025.

MPI president director Eka Satria said he expected to add around 700 megawatts (MW) to the company's portfolio in the next three years.

"At present we can supply around 3,000 MW and we expect to add around 700 MW in the two to three years ahead as MPI be-

lieves the potential in the industry is still good," he told the press on Thursday.

Currently, the firm is developing the 275 megawatt (MW) Riau Gas and Thermal Power Plant (PLTGU) in Riau and the 110 MW Ijen Geothermal Power Plant in East Java.

Both projects will contribute to the company's total energy capacity, which stands at 645 MW from Independent Power Producers (IPP) and 2,150 MW from operating third-party power plants.

MPI also listed two bonds on the Indonesia Stock Exchange (IDX) on Thursday, namely MPI I bonds and MPI I Sharia-compliant bonds, valued at Rp 1.2 trillion (\$83.2 million).

"Part of the bond issuance will be used to help finance the two ongoing projects, while the rest will be funded from project financing," he said, referring to the Riau and Ijen power plants.

Project financing is a loan that uses the project's cashflow for repayments, with the assets, rights and interests held as secondary collateral.

MPI finance director Susie Syams said the two projects would be financed from bonds amounting to around Rp 800 billion.

Eka Satria added that the bond issuance was also part of the firm's efforts to optimize its cash management, refinance subsidiary loans, fund capital expenditures and develop future projects.

"As a new issuing company, the interest in this bond and *sukuk wakalah* [sharia-compliant bond] reflects the public's trust in the company," he said, referring to the firm's achievement of having its *sukuk* oversubscribed during the book building period.

Susie explained further that sharia-compliant instruments were nothing new for the company, as the company's existing loans to its subsidiaries were also based on sharia principles.

"There was high demand for this *sukuk* because the number of companies that issue such instruments is limited," she said.

When asked about future projects, Eka Satria explained the company would only seek oppor-

tunities to develop clean-energy, such as gas-based, geothermal and renewable energy plants.

"For example, hydro and wind-based power plants," he said.

The company's growth will also be driven by the commencement of operations of the third unit of the Sarulla geothermal power plant last May in North Sumatra, the world's largest single-contract geothermal project.

MPI is one shareholder in the project alongside Kyushu Electric Power Co., Ltd, ITOCHU Corporation, Inpex Corporation and Ormat Technologies, Inc.

"It [the third unit] has been completed, and as for the price, we can say we will offer a competitive price as we are the cost leader

[in the industry]," he said.

Previously, Inpex, a Japan-based energy firm, said in a press statement that the third unit generated 110 MW of electricity.

Along with the first and second units, which have been operated since March and October 2017, respectively, the total output of the Sarulla power plant now amounts to 330 MW.

The power generated from all units will be sold to state electricity firm Perusahaan Listrik Negara (PLN) over a 30-year period.

The project will help the government achieve its target to boost the electrification ratio to 99 percent by 2019 from the current ratio of 97.5 percent.