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TRADE DISPUTE

# Indonesia rejects US claim for sanctions

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

The government is weighing up its options following the United States attempt to impose annual sanctions of up to US\$350 million on Indonesia over a trade dispute, a move which came as a surprise as the US had previously agreed not to proceed with the matter for a determined period of time.

The US has filed a request with the World Trade Organization (WTO) to allow it to impose sanctions on Indonesia over a trade dispute that allegedly cost US businesses up to \$350 million in 2017.

Trade Ministry Foreign Trade Director General Oke Nurwan said that in accordance with the WTO's deadline the government had adjusted several Trade Ministry and Agriculture Ministry regulations that imposed import restrictions on US horticultural and animal products.

"There is also a 19-month period for us to adjust other regulations related to the disputed aspects, until June 2019," Oke said on the sidelines of an event in Jakarta on Wednesday.

He added that the period, which started from the time of the ruling on Nov. 22, 2017, was extended by the WTO especially to give the government time to change the disputed laws.

The organization gave Indonesia an eight-month period to ad-

just regulations, and the changes had been made accordingly by the time of the determined deadline on July 22 this year.

The US move to impose sanctions came as a surprise as that country, along with New Zealand, which also filed a similar complaint against Indonesia, had stated last month that it would respect the statutory limit allowed by the WTO before proceeding with the case.

A WTO report published on its official website stated that the US and New Zealand agreed not to initiate further proceedings until next June.

Oke said the government thus still had time to convince the US that Indonesia had made adjustments, although he acknowledged that it had not had the chance to notify the WTO about the revocation of the disputed regulations.

"Nevertheless, the US, having won its case, does not want to lose the chance to claim damages," he said. "Maybe if they did not [threaten sanctions] right now, Indonesia might not go along and they would lose the opportunity [to ensure Indonesia's compliance]."

In an official statement issued by the Trade Ministry on Wednesday, International Trade Negotiations Director General Iman Pambagyo said the US would not have officially proposed its request until its meeting with the WTO's Dispute Settlement Body (DSB) on Aug. 15.

"Even if the WTO's DSB grants

## Timeline

March 2015: The United States and New Zealand as co-complainants request the establishment of a panel to examine 18 measures imposed by Indonesia on the importation of horticultural products, animals and animal products.

May 2015: A single panel is established to consider these complaints.

December 2016: Panel report sent to WTO members recommends that the Dispute Settlement Body (DSB) request that Indonesia bring its measures into conformity with its obligations under the 1994 General Agreement on Tariffs and Trade (GATT).

February 2017: Indonesia notifies the DSB of its intention to appeal.

October 2017: Appellate Body rejects Indonesia's appeal; recommends that the DSB request that Indonesia bring its measures, which were found to be inconsistent with the GATT, into conformity with its obligations under the agreement.

November 2017: DSB adopts Appellate Body's recommendation.

December 2017: Indonesia informs the DSB that it requires a reasonable period of time to comply with the DSB's recommendations and rulings.

January 2018: Indonesia, New Zealand and the US inform the DSB that they have agreed on deadlines for arbitration to give them sufficient time to come to terms on a mutually agreed period of time.

February 2018: Indonesia reiterates that it intends to implement the DSB's recommendations and rulings.

June 2018: Indonesia, New Zealand and the US inform the DSB that they have agreed that the reasonable period of time to implement the DSB's recommendations and rulings will be eight months.

July 22, 2018. The parties inform the DSB that they have agreed that Indonesia will have more time to make the statutory changes required to comply with the DSB's recommendations and rulings. Thus, the US and New Zealand will not initiate further proceedings in respect of the measure on the sufficiency of domestic production to fulfill domestic demand until 19 months have lapsed from the date of adoption of the reports in this dispute, that is, until June 22, 2019.

Source: The World Trade Organization

the US its proposed authority [to sanction Indonesia], the WTO still needs to form a dispute settlement panel to determine the precise amount of damages," Iman said in the statement. "Clearly, the \$350 million figure as proposed by the US is a one-sided calculation that remains up for debate."

He went on to say that Indonesia would consult with the US government to elaborate the steps it had taken to comply with the ruling.

"The US authorities have indicated their willingness to conduct bilateral consultations before they make their final decision on their retaliatory claim," said Iman.

Meanwhile, lecturer at the In-

ternational Relations Department of Gadjah Mada University and expert on world trade Poppy S. Winanti said Indonesia had the right to protest if the US imposed sanctions before the WTO's compliance deadline.

"Even if the WTO's ruling is legally binding, experience shows that further negotiations between the disputing parties are still possible and might lead to them agreeing not to follow up the ruling," Poppy told *The Jakarta Post* by text message on Wednesday, citing an example of Indonesia's previous dispute with the US on the latter's restriction on Indonesian clove cigarettes.

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# VP slot still up for grabs

Marguerite Afra Sapiie and  
Margareth S. Aritonang

HE JAKARTA POST / JAKARTA

President Joko "Jokowi" Widodo signaled on Wednesday that the matter of who will be his vice-presidential candidate remained open two days before the closing of the registration period for the 2019 presidential election.

Despite the looming deadline, the President has given few clues as to who he will choose as his running mate, responding with a joke when ambushed by reporters and asked about the circulating speculation that his vice-presidential candidate is someone with the initial "M".

"[You mean] Pak Ma'ruf Amin]? [Vice President] Muhammad Jusuf Kalla also has the initial M. Mbak Puan [Maharani] and Mas Airlangga [Hartanto] also have the initial M," Jokowi told the curious reporters.

All joking aside, many of Jokowi's potential running mates happen to have the initial "M".

Ma'ruf, the chairman of the Indonesian Ulema Council (MUI), is among 10 names floated as Jokowi's potential running mate. Other names with the initial M

Jokowi yet to announce  
his VP candidate

Gerindra-Democratic  
Party coalition may  
collapse

include former Constitutional Court chief justice Mahfud MD, United Development Party (PPP) chairman Muhammad Romahurmuziy and National Awakening Party (PKB) chairman Muhaimin Iskandar.

Speculation was rife that Jokowi may decide on Mahfud, following Romahurmuziy's Twitter post in which he said the figure had the widest experience in every branch of government and represented the color of religiosity of the largest Islamic organization in Indonesia.

Before serving at the Constitutional Court, Mahfud held two ministerial posts and also sat as a member of the House of Representatives. He is also associated with Nahdlatul Ulama (NU), although he is not an executive member.

Kalla, who has served twice as vice president, remains one of the strongest candidates for Jokowi's

running mate. However, his eligibility to run for a third time is still awaiting the Constitutional Court's ruling on a judicial review request challenging a provision in the 2017 Election Law that bans anyone from running for president or vice president for a third time.

Indonesian Democratic Party of Struggle (PDI-P) secretary-general Hasto Kristiyanto said Jokowi was seeking a running mate who could complement him. "Just wait a few days," he said.

Rival candidate Prabowo Subianto is also facing the same conundrum, and his aides have fed reporters a useless clue by saying that his running mate has the initial "A". The fact is that the most likely vice-presidential candidates for Prabowo have that initial: Agus Harimurti, the oldest son of Democratic Party chairman and former president Susilo Bambang Yudhoyono, celebrity preacher Abdul Somad Batubara and Jakarta Governor Anies Baswedan.

Prabowo was initially seen to be leaning toward Agus as his running mate since the Democrats joined his coalition, but picking Agus could cost him the support of the Prosperous Justice Party

(PKS) and the National Mandate Party (PAN), which have also proposed their own party members.

But on Wednesday night, rumors were circulating that the Gerindra-Democratic Party coalition was on the brink of collapse after Democratic Party politician Andi Arief posted a tweet calling Prabowo a "jenderal kardus" (cardboard general) and accusing him of "valuing money more than struggle".

Gerindra previously floated the idea of pairing Prabowo with Jakarta Deputy Governor Sandiaga Uno. Andi claimed in his tweets that Prabowo had picked Sandiaga because the young businessman was able to pay PAN and the PKS to continue supporting Prabowo.

"Prabowo turns out to be a cardboard general. Tonight we reject his visit to Kuningan. His intention to explain [the issue] through a letter is no longer needed. Prabowo values money more than struggle. Cardboard general."

Gerindra secretary-general Ahmad Muzani denied Andi's claim that Prabowo had decided to pick Sandiaga and made sure that political communication with Dem-

ocratic Party leader Yudhoyono was still on.

"As of [Wednesday] afternoon, we have two names of [vice presidential candidates] AHY and Sandiaga Uno. We are still negotiating with the other parties," he said.

Separately, PAN held a meeting at the headquarters to discuss preparations for Thursday's national working meeting, during which the party will decide which presidential candidate they will support in the 2019 election.

Speculation was rife that PAN might consider joining Jokowi's camp, especially after PAN chairman Zulkifli Hasan visited Jokowi at the Presidential Palace on Tuesday.

The majority of PAN's provincial branch executive boards (DPW) in the country's 34 provinces, however, recommended that the party join the Gerindra-led coalition and proposed Zulkifli to be Prabowo's running mate, PAN executive Yandri Susanto said.

However, PAN secretary-general Eddy Soeparno signaled that there was still a chance the party would throw its support behind Jokowi since everything would be decided at Thursday's meeting.

# Kalla may fit bill: Analysts

Karina M. Tehusijarana  
and Margareth S. Aritonang

THE JAKARTA POST/JAKARTA

With two days until the Aug. 10 deadline for presidential candidate registration, President Joko "Jokowi" Widodo has yet to announce his choice of running mate.

Widespread rumors claim Jokowi's running mate has the initial M, but even that does not narrow the field much.

Many potential hopefuls fit the bill. But Vice President Jusuf Kalla, whose first name is actually Muhammad, is another possibility.

Kalla is currently banned by law from seeking a third term as vice president, but he has expressed his readiness to run again should the Constitutional Court grant a petition filed by the United Indonesia Party (Perindo) challenging the provision.

In picking a running mate, Jokowi is forced to juggle several considerations: someone with a strong religious background to help boost his Muslim credentials, someone with a military background to complement him as a civilian, and a technocrat with economic expertise to bolster investor confidence.

But it seems that Jokowi also has to consider selecting a running mate who can be accepted by all the parties in his coalition, many of which have proposed their own members for the vice presidential slot.

Many analysts consider Kalla to be the answer to Jokowi's apparent dilemma given his strong Islamic and business credentials: he has good relations with Islamic organizations Nahdlatul Ulama (NU) and Muhammadiyah, and was a successful businessman before jumping into politics.

Despite being a member of the Golkar Party, Kalla's seniority makes him a more or less neutral choice from a party point of view. He is also known to have a good relationship with Indonesian Democratic Party of Struggle (PDI-P) chairwoman Megawati Soekarnoputri.

Having served as vice president for two terms already, Kalla also has a significant electability advantage over other potential candidates, with recent polls putting him at around 13 to 15 percent,

Jokowi needs figure with extensive experience

Strong Islamic, business credentials important factors

Court yet to announce ruling on VP eligibility

while others languish in the single digits.

"If the court were to accept the petition tonight, I think Kalla would be the best choice for Jokowi," political expert Emrus Sihombing said on Wednesday.

Paramadina University political observer Hendri Satrio, on the other hand, said that while in 2014 Jokowi needed a figure with Kalla's extensive experience, the President's nearly five years in office makes that a less crucial factor.

As the registration deadline draws near, the court has yet to schedule a date for its ruling on Perindo's petition, despite there being a precedent for the court issuing a ruling in a very short time ahead of elections.

Some analysts have also said that the disputed provision could be interpreted differently, as Kalla, a former Golkar chairman, did not serve the two terms consecutively.

Kalla's legal downside, however, has ignited speculation that Jokowi will go for another, likely non-party candidate, who also has the initial M, such as former Constitutional Court chief justice Mahfud MD.

Mahfud is also closely affiliated with NU and served in the cabinet of NU icon and former president Abdurrahman "Gus Dur" Wahid.

"Mahfud's intellectual capacity is not in question and he has a pluralist as well as religious image," Emrus said. "But he does not have any party backing and his electability is quite low."

Indonesian Ulema Council (MUI) chairman Ma'ruf Amin is another possible choice given his position as NU's supreme leader. Yet, he has the same drawbacks as Mahfud.

Former general Moeldoko, who is now the presidential chief of staff, on the other hand, could help project an image of firmness that some consider Jokowi to lack, but he has even less electoral pull than the other names floated.

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## Indonesia issues new tax rules

**JAKARTA:** Indonesia's president has issued new tax regulations aimed at providing clarity for mining companies shifting their current contracts to special mining permits, in a move that could help cement a US\$3.9 billion deal with Freeport McMoran Inc.

Freeport last month signed a heads of agreement to sell to the Indonesian government a majority stake in its local unit PT Freeport Indonesia, which operates the world's second-biggest copper mine Grasberg.

Indonesia is seeking to gain more control over its mineral wealth, but the Arizona-based company has said it wants some guarantee on fiscal terms before signing off on the complex sale.

The new rules set a corporate tax rate of 25 percent, in line with the country's current rate. Miners will also pay a 4 percent levy on net profit to central government and a 6 percent levy to local government.

These rates, along with other obligations including royalties and land taxes, will not change during the duration of the permit.

The regulation, made public on Wednesday, took effect from Aug. 2 and was intended to "provide legal certainty" for holders of special mining permits, the president's office said in a statement.

Under its current contract signed in 1991, Freeport Indonesia pays corporate tax at 35 percent, but no levies to central or local authorities.

Freeport Indonesia spokesman Riza Pratama said the company would review the new regulations. — *Reuters*

# Govt hurries to stop 'ojek' protest

Farida Susanty and  
Marchio Irfan Gorbiano  
THE JAKARTA POST/JAKARTA

The government is scrambling to avoid a protest by *ojek* (motorcycle taxi) drivers during the upcoming Asian Games, offering to be a mediator between the drivers and ride-hailing firms.

Transportation Minister Budi Karya Sumadi said the government was concerned about the drivers' threat to protest if their demand was not met, adding that it was willing to be an intermediary between the two parties.

"We are willing to be the mediator [between the two parties]," Budi said recently in Jakarta, adding that the ministry had communicated intensively with the drivers to persuade them to halt the protest.

Pressure group Two-Wheeled Action Movement Presidium (GARDA) stated that it would protest when the Games started on Aug. 18 if ride-hailing firms refused to increase the fare to Rp 3,000 (31 US cents) per kilometer from the current Rp 1,600.

Budi said the drivers' demand would make *ojek* less competitive compared to other modes of transportation, as the proposed hike was equal to taxi fares.

Ride-hailing firm Grab Indonesia, which is listed as a Games sponsor, reiterated that it would not meet the drivers' demand.

Its managing director, Ridzki Kramadibrata, said the company had made an effort to increase its drivers' earnings by diversifying services and increasing the minimum fare for short trips, among others.

"In the last three months, the earnings [of the drivers] have increased by 12 percent per month because of the additional services," he added, saying Grab's additional services aside from *ojek* included courier service GrabExpress and food delivery service GrabFood.

He said the minimum overall fare for drivers had also been increased to Rp 7,000 for short trips from Rp 5,000, which increased the average fare from Rp

Ministry communicating with drivers, offers to mediate

Drivers demand that firms increase base fare

1,600/km to Rp 2,300/km for each trip.

Ridzki said a drastic increase in fare would backfire and become a threat for the drivers instead.

"The public will compare [the fare] with other modes of transportation.

"If they switch [to other modes of transportation], there will not be any earnings [for the *ojek* drivers]," he added.

Grab also claimed that most of its *ojek* driver partners have agreed not to go on strike during the Games.

GrabBike driver partner 30-year-old Rahmat Hidayat said he brought home Rp 500,000 each day from the trips he made and from bonuses.

"If there are less orders [due to higher fares], I wouldn't be too happy," he said, adding that the current fare had also led to complaints from passengers.

Go-Jek vice president of corporate communications Michael Reza Say was not immediately available for comment on the matter.

Go-Jek founder and CEO Nadiem Makariem previously said the average monthly earnings for Go-Jek drivers could reach up to Rp 4.3 million, slightly above Jakarta's minimum wage of Rp 3.6 million.

GARDA and Online Service and Transport Drivers Union (PPTJDI) chairman Igun Wicaksono said Grab only calculated its average fare and not its base fare, as its base fare remained around Rp 1,200/km.

The Transportation Ministry's director on transportation and multi-mode, Ahmad Yani, said the government would continue communicating with driver unions, although it could not guarantee that the drivers would halt the protest.

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# RI wants response on Indo-Pacific

Dian Septiari

THE JAKARTA POST/JAKARTA

Indonesia is pushing ASEAN to respond to the discussion of Indo-Pacific cooperation, saying it is time for the regional group to take a stance in order to be relevant and stay in the center of strategic developments.

Speaking on the 51<sup>st</sup> anniversary of ASEAN on Wednesday, Foreign Minister Retno Marsudi said all ASEAN partners supported ASEAN centrality in developing Indo-Pacific cooperation and it should not be taken for granted.

"We are often criticized for being too slow, too distant and failing to respond to fast-changing regional and global events," she said. "Like it or not, ASEAN must always be in the center of the strategic shift, including the discussion of Indo-Pacific cooperation."

Retno added that ASEAN unity and active contributions were key to maintaining its centrality.

Indonesia has been at the forefront of ASEAN-led Indo-Pacific cooperation by distributing an eight-page concept paper for Indo-Pacific strategy during the ASEAN Ministerial Meeting and a larger meeting with its partners last week.

In the concept paper, Indonesia expects ASEAN to have roles in a number of fields through its existing instruments.

For example, in terms of connectivity, ASEAN already has a Masterplan on ASEAN Connectivity, which could be the basis for a Masterplan on Indo-Pacific Connectivity.

ASEAN is also expected to be the fulcrum of norm-setting in the region, which has been in practice through the ASEAN Treaty of Amity and Cooperation, signed by 37 countries including Iran and Argentina as the newest signatories. ASEAN also has the Zone of Peace, Freedom and Neutrality and the Southeast Asian Nuclear-Weapon-Free Zone Treaty.

Retno said Indonesia wanted to focus on economic and security cooperation.

Indonesian officials said the



Antara/Sigid Kurniawan

**Strong bond:** Acknowledging the audience during the commemoration of ASEAN's 51<sup>st</sup> anniversary at the ASEAN Secretariate building in Jakarta on Wednesday are (from left) Agrarian and Spatial Planning Minister Sofyan Djalil, Foreign Minister Retno LP Marsudi, ASEAN secretary-general Dato Lim Jock Hoi and chairman of the ASEAN Institute for Peace and Reconciliation Governing Council Tan Hun Seng.

**Indonesia pushes ASEAN to respond to discussion on cooperation**

**ASEAN's instruments can be basis for Indo-Pacific, says concept paper**

existing East Asia Summit (EAS) was the most appropriate platform to discuss the concept of an Indo-Pacific region.

Indonesia's proposal received mixed responses from EAS countries, some of whom were not sure whether the EAS, whose members include major powers like the United States, China and Russia, is the right platform.

ASEAN Secretary-General Lim Jock Hoi said ASEAN centrality was critical not only in the Indo-Pacific, it was also "an avenue for all the major powers to sit down and talk candidly and openly about the issues of mutual concern and benefit".

Asked whether the EAS was the right platform, Lim said whatever the platform was, it should focus on ASEAN-led mechanisms.

"This is still an ongoing pro-

cess, we're still discussing it and the input from all ASEAN members should be sought," he added.

Officials from ASEAN countries will gather in Jakarta in September for a meeting that will bring together government representatives and experts in their personal capacities to talk about the Indo-Pacific concept. A similar meeting was held in March.

The European Union Ambassador to ASEAN Francisco Fontan Fardo said Indo-Pacific cooperation was important from an EU perspective.

"Our only concern is that ASEAN has to be the center, meaning that everything that has been achieved after 51 years together is in no way damaged by parallel or different initiatives," he added.

The Indo-Pacific concept gained ground when US President Donald Trump used the term in his Asian tour in 2017, but the notion dates back to an EAS meeting in 2002. Other countries have also set their sights on the region, such as Japan's Free and Open Indo-Pacific, India's Act East policy and China's Belt Road Initiative framework.

# Komnas HAM rejects official bid

## on rights abuse solutions

### The Jakarta Post

JAKARTA

The government's recent plan to resolve past gross human rights abuses out of court has been met with repudiation from the National Commission on Human Rights (Komnas HAM) and rights campaigners.

The idea was recently floated by Coordinating Political, Legal and Security Affairs Minister Wiranto, who said the government was considering establishing an interdepartmental task force to break the long-standing impasse.

The task force would comprise the Attorney General's Office (AGO), Komnas HAM, the National Police and the Law and Human Rights Ministry. Together, they

would start with finding out why all the efforts to resolve the past atrocities have stalled and offer reconciliation as a breakthrough.

Among the major rights abuses that remained unsettled are the 1965 massacres of suspected communists, the 1982 mysterious shootings or "Petrus", the 1989 killing of suspected extremists in Lampung and the shootings of student protesters in 1998 and 1999.

But Komnas HAM said any out-of-court bids would be illegal.

Komnas HAM commissioner Amiruddin Al Rahab told a press briefing on Monday that it would not join the task force, saying any involvement in such a team would be contradictory to commission's roles as stipulated in the 2000 law on human rights court.

The law mandates the commission to investigate serious human rights abuses and submit the findings to the AGO, which will prosecute the cases.

"So far we have properly performed our duty by investigating nine cases of gross rights abuse that happened between 1965 and 2003 and submitted the findings to the AGO," Amiruddin said.

The law stipulates that once the AGO completes its investigation, it has the obligation to bring the case to an ad hoc human rights court. Although the law does not specifically forbid formation of a truth and reconciliation body, it states that such an institution must be regulated under a different law.

The problem is that currently

Indonesia has no law providing a basis for settlement of rights abuse through the truth and reconciliation process. This, commissioner Chairul Anam said, means that the government would violate the law on human rights court should it insist on going ahead with Wiranto's plan.

Besides, the government's proposal makes it sound like reconciliation is the only way to resolve abuse cases, activists say.

Amnesty International Indonesia's campaign manager Puri Kencana said the government still had other options, for example by taking alleged perpetrators to court or by following up on the recommendations made in 2009 by the House of Representatives' special committee for

missing persons.

The 2009 recommendations suggested that the government establish an ad hoc human rights court to resolve forced disappearances of 13 pro-democracy activists in 1997 and 1998, as well as rehabilitate the victims' families.

The Institute for Policy Research and Advocacy (ELSAM) is another advocate of legal solutions to past rights cases — which have become a flashpoint in Indonesian politics.

ELSAM researcher Wahyudi Jafar said by resolving the cases in court, the government would also be held accountable for victims' and their families' rehabilitation process.

He said the public should be skeptical about the interdepart-

mental task force that Wiranto proposed given that human rights issues have long been politicized for election purposes.

Presidential spokesperson Johan Budi refused to give details on the reconciliatory initiative, but said "the President [Joko "Jokowi" Widodo] has ordered the Attorney General and [Wiranto] to settle the disputes".

Resolving rights abuses is part of Nawa, Cita, the President's nine-point development program. Although Jokowi has made some efforts to resolve past abuse cases, such as organizing a national symposium in 2016, little has been done ever since. (ris)

— MARGUERITE SAPIÉ AFRA CONTRIBUTED TO THE STORY.

# Ethanol producer Madusari to build second factory with IPO funds

Ethanol and carbon dioxide (CO<sub>2</sub>) producer PT Madusari Murni Indah will mainly use the funds from its initial public offering (IPO), due in August, for the development of a second factory in Lampung.

Through its IPO, Madusari will release 495,95 million new shares, equal to 20 percent of the issued and paid up capital. The company will offer the shares in a range between Rp 500 (US cents 3.3) and Rp 600. Through this corporate action, it aims to receive between Rp 247.97 billion and Rp 297.57 billion.

"From the IPO proceeds, 94.45 percent will be used to expand

production, which is to build a second factory and buy new machinery, while the remainder will be used for the construction of a warehouse in East Java," Madusari independent director, Yonky Saputra Sim, said in a media briefing on Tuesday.

Wiwiek Sutanto, Sucor Sekuritas president director, said the offer reflected a price earning (PE) ratio of 9-11 times. Madusari will list its shares on the Indonesia Stock Exchange (IDX) on Aug. 30.

PT Madusari Murni Indah is a holding company whose subsidiaries include PT Molindo Raya Industrial specializing in producing ethanol, PT Molindo Inti Gas

engages in producing CO<sub>2</sub>, and PT Sumber Kita Indah, which is a trading and distribution company.

Currently, the company has one factory that produces ethanol located in Lawang, Malang, East Java, with a production capacity of 80,000 kiloliters (kl) per year. The existing production capacity is already overloaded, so the company needs to build the second factory.

The second factory will be located in Lampung. After the plant has been completed, the firm's production capacity is expected to reach 130,000 kl per year.

"The factory in Lampung will need a total investment of Rp 550

billion," the company's president director, Arief Goenadibrata, said, adding that it would take about two years until the new factory was fully operational.

Yonky said that of the Rp 550 billion allocated for the new factory, about Rp 200 billion would be funded from the IPO proceeds, while the remainder would come from bank loans and internal cash.

In the meantime, the company will boost revenue by selling food-grade ethanol products.

In the first quarter of 2018, the company booked Rp 277 billion in revenue, relatively flat compared to Rp 271 billion in the same peri-

od a year before.

Revenue from ethanol contributed the most totaling 91 percent, followed by 5 percent from CO<sub>2</sub> and 3 percent from fertilizer and other products. As of the first quarter, 68 percent of the company's revenue came from the domestic market, while 32 percent was from the export market.

Madusari expects that this year's revenue will also be flat compared to last year, since the second factory has not begun operating yet. It forecasts revenue to reach Rp 1.24 trillion in 2018.

Donny Winarno, Madusari director, said the domestic ethanol industry was predicted to grow by

5 percent annually, with exports growing by double-digits.

The export destinations for ethanol include Taiwan, Vietnam, the Philippines and Singapore.

Despite uncertain global and domestic conditions, the Indonesian stock market remains attractive for IPOs. Until the first half of 2018, 31 companies had listed their shares on the bourse.

The IDX has targeted 35 companies to go public this year.

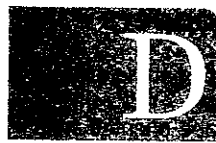
This target is most likely to be exceeded given that up to June, there were at least 16 more companies in the pipeline for an IPO.

—JP/Winny Tang



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## When RI loses WTO appeal



Dispute settlements are supposed to be the central pillar of a multilateral trading system and the Geneva-based World Trade Organization's (WTO) great contribution to the stability of the global economy, notably international trade. Without a means of settling disputes, the rules-based system would be less effective because the rules could not be enforced.

The WTO's procedure underscores the rule of law, and it makes the trading system more secure and predictable. The system is based on clearly defined rules, with timetables for completing a case. First rulings are made by a panel and endorsed (or rejected) by the WTO's full membership. Appeals based on points of law are possible and decisions by the WTO Appellate Body are supposed to be final and binding.

So when Indonesia lost an appeal ruling at the WTO last November in a dispute with the United States and New Zealand over its trade restrictions of food, horticulture and animal products, the government should have made the necessary corrective measures to remove the non-tariff barriers.

But the US filing at the WTO last week asking for the multilateral body's approval to impose US\$350 million worth of sanctions on Indonesia could mean two things. Either the government has not made the necessary corrective measures or made only cosmetic reforms that the US believes do not fully conform to the WTO's 2017 November ruling.

Since the government has issued so many restrictive trade measures to protect the agriculture sector, the Trade Ministry should look deeper into the issue. We should magnanimously acknowledge that, in an overzealous bid to help our farmers gain better earnings and to achieve self-sufficiency in basic food commodities, the government sometimes resorted to a wide variety of non-tariff measures or even punitive tariffs.

Import controls through quotas are also vulnerable to corrupt practices and to smuggling, in view of the country's porous coastal areas. Imports of such commodities as rice, horticulture, sugar and dairy products have always been sensitive issues. Import licenses for these commodities are issued by the Trade Ministry but on the basis of recommendations from the Agriculture Ministry, which in turn depends on production and consumption data — which are often not reliable.

Since imports of basic staples are restricted only to companies with special import licenses, this business usually generates very high margins. It's no wonder that the import licensing system, including the process of getting recommendations from the Agriculture Ministry, has always been a source of corruption. In fact, several senior officials and politicians in charge of import licensing have been convicted for corruption.

Such protectionist policies also often come as a huge blow to businesses that over the years have relied greatly on imported materials, such as restaurants that cater to foreign tourists. And as tourism has been one of the most promising industries to develop in the world's largest archipelagic country, we will be increasingly engaged with international communities with their need for a wide variety of food.