

GROWTH PROJECTION

Domestic outlook bleak as external pressures continue

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

Pressures from monetary tightening policies in advanced economies are expected to continue next year, resulting in a projected slowdown in the domestic economy, analysts have said.

State lender Bank Mandiri senior economist Andry Asmoro said pursuing economic growth would be challenging for emerging countries as global economic growth was expected to be flat as the United States Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of Japan (BOJ) are set to tighten their monetary stance next year.

According to the International Monetary Fund's (IMF) projections, the global economy will expand 3.9 percent this year and in 2019, before slowing to 3.8 percent in 2020.

"We believe that the ECB will follow the Federal Funds Rate [FFR] increase, while the probability for the BOJ [to follow] is relatively low," Andry said.

Bloomberg data revealed that the ECB may increase its policy rate to 0.15 percent next year, while the BOJ could up its key rate from -0.1 percent to 0 percent.

Monetary tightening from the two central banks will join the Fed's monetary policy, which is expected to hike its rate three times next year, Andry said.

He added that the Fed's tightening stance could drive up the yield of the US' 10-year Treasury bonds, which could go as high as 3.5 percent next year as portfolio investors flock to advanced markets in search of better returns.

From the domestic side, the tightening policy undertaken by Bank Indonesia (BI) to stabilize the rupiah may put the brakes on domestic economic recovery next year. The economy is expected to expand by 5.1 percent, said Bank Mandiri chief economist Anton Gunawan.

He said BI had room for one more hike by the end of this year, as it seeks to stabilize the rupiah from volatilities triggered by recent capital outflows in the country's financial markets.

The central bank has raised its key rate by 125 basis points (bps) to bring it to 5.5 percent as of July. The move aimed to stabilize the rupiah, which has been suffering against a stronger US dollar, as well as to maintain the competitiveness of the domestic financial market in a bid to attract foreign capital inflows.

The rupiah was being traded at Rp 14,655 on Thursday, weaker than Rp 14,643 seen a day earlier, according to Jakarta Interbank Spot Dollar Rate (JISDOR).

Anton added that inflation could pick up next year as the government may have to swallow the bitter pill of raising fuel prices after the April elections as a result of mounting pressures from producers that saw their costs increase from the upward movement of the global oil price.

"Whether you want it or not, after the elections and Idul Fitri holiday season next year, the government needs to adjust fuel prices gradually, as the global oil price has risen swiftly since mid-2017," Anton said.

He projected inflation to rise to 4.5 percent next year, in the up-

per range of the government's inflation target of between 2.5 percent and 4.5 percent for 2018 and 2019, respectively. Inflation stood at 3.18 percent year-on-year (yoy) as of July, data from Statistics Indonesia (BPS) revealed.

Higher inflation would prompt the central bank to continue its tightening path next year as Anton projected BI's policy rate could reach 6.5 percent to maintain a competitive interest rate differential between BI's policy rate with the FFR.

Despite the challenges, Anton said Indonesia was well-equipped to handle the pressures as the government has shown a strong commitment to bolster domestic economic stability.

The government expanded its 20 percent blended biodiesel (B20) policy to the non-Public Service Obligation (PSO) sector on Saturday, as part of efforts to reduce fuel imports and therefore improve the trade balance. It has also planned to curb imports by temporarily halting projects of state-owned enterprises Pertamina and PLN that have yet to reach the financial closing stage.

Anton urged the government to not only focus on improving the trade balance to narrow the current account deficit, but also on providing incentives for portfolio investors to prevent capital outflows in an overall strategy to improve the balance of payments.

"We hope the government can also give incentives to foreign investors, both from foreign direct investment [FDI] or portfolio investors to reduce capital outflows and to invest [their funds] in the domestic market," Anton said.

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JPost

Rupiah falls due to global factors: Govt

JAKARTA: Coordinating Economic Minister Darmin Nasution has said the rupiah's weakening to Rp 14,700 per United States dollar on Friday was purely because of external factors, particularly the plunge of the Argentinian currency.

He said the Argentinian crisis had weakened nearly all currencies in Southeast Asia and other developing countries.

"[The currencies] in Malaysia and Thailand have also been weakening," said Darmin as reported by *kontan.co.id*.

He expressed hope that Argentina would recover soon, as the International Monetary Fund (IMF) had provided the country US\$50 billion.

The minister said the impact of the Argentinian crisis was less severe on the rupiah than the impact of the Turkish crisis, because Indonesian relations with the South American country was not as close as relations with Turkey.

Darmin said the rupiah's exchange rate would still be under pressure from the normalization of American monetary policy, which is expected to increase its reference rate by 1.5 percent up to 2019.

"Of course, we have to prepare anticipatory measures because we will be affected - our exchange rate, our interest rate. Maybe we will also be affected by imported inflation," he said.

Darmin, however, stressed all pressure on the rupiah was external. "There is no internal pressure," he added. — *Kontan*

BI urged to keep healthy reserves

^ Sep. 1, 2018
J. Post.

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

Bank Indonesia may need to ensure that foreign exchange reserves remain at a healthy level despite heavily intervening in currency and bond markets to save the rupiah from depreciating further, experts have warned.

Data from Bloomberg show the rupiah weakened to Rp 14,710 per United States dollar at the close of Friday trading, close to the level seen in the 1998 Asian financial crisis as the global market reacted negatively to sharp currency depreciation in Argentina and Turkey.

BI Governor Perry Warjiyo said on Friday that the central bank would continue intensifying its efforts to shore up the rupiah's value against the US dollar through its "dual intervention policy", in which it intervenes in both the foreign exchange market and secondary market of sovereign bonds.

The central bank had bought sovereign bonds totaling Rp 3 trillion (US\$202.8 million) as of Friday morning, most of which were bought from foreign investors who sold the assets, Perry said.

Perry said BI was set to take in more than \$400 million through a foreign exchange swap auction on Friday to bolster foreign exchange liquidity in the domestic currency market.

However, BI's heavy intervention might put the country's foreign exchange reserves at risk as the amount has continued to decline over the past few months since the rupiah started sliding down to below its psychological barrier of Rp 14,000, from the previous range of Rp 13,400 to Rp 13,500 per US dollar.

Foreign exchange reserves stood at \$118.3 billion in July, lower than \$119.8 billion seen a month earlier, and considerably below the \$126 billion seen in the first quarter.

Bahana Sekuritas chief economist Satria Sambijantoro said a lack of US dollar supply in the domestic financial market had been causing the recent steep fall in the rupiah's value as local commodity exporters were unwilling to exchange their dollars over fears of further depreciation. At the same time, importers also purchased more dollars than they actually needed.

"This dollar supply-demand mismatch is a common occurrence in a country with a widening trade and current account deficit," he wrote in a research note on Friday.

While expecting BI to continue carrying out its job as the anchor that will stabilize the rupiah, Satria suggested that, going forward, the central bank allow the rupiah to trade more in line with its fundamentals, while being ex-

Rupiah close to level seen in 1998 Asian financial crisis

Foreign exchange reserves decline as BI continues intervention

tra careful in using foreign exchange reserves.

The reason, Satria said, was because a rigid policy approach of coercing businesses to exchange their dollars at all costs — as the government had been doing recently with big exporters — might not be effective.

"[...] They [businesses] will only be willing to exchange their dollars when they see the rupiah as already undervalued and that there is room for currency strengthening — or at least currency stabilization in the short-term," he said.

Piter Abdullah, research director at the Center of Reform on Economics (CORE) Indonesia, concurred with Satria, saying there was no need for the rupiah to reach its fundamental value quickly — which could occur when BI spent a lot of reserves on market intervention — as BI would only need to focus on reducing volatility instead.

The need for BI to maintain a healthy level of foreign exchange reserves might still be relevant for many months ahead as experts projected there would be ongoing volatility at least until the end of the year.

It was because the US Federal Reserve still had two additional rate hikes planned in its policy rate trajectory before 2018 ended, said Eric Sugandi, an economic observer at the Asian Development Bank (ADB) Institute.

As the Fed rate remained on an upward trend, Piter of CORE Indonesia projected that BI might follow suit in its upcoming policy meeting on Sept. 26 and 27, by raising its benchmark policy rate — the seven-day reverse repo rate — by 25 basis points (bps) to 5.75 percent.

BI has raised its key rate by a total of 125 bps since May, with the latest 25-bps hike in August to the current 5.5 percent.

However, Perry of BI remained confident that Indonesia's economic fundamentals were better than other emerging markets, while lauding the government's strong commitment to narrowing the current account deficit.

Perry cited the government's continuous measures to attract more tourists to the archipelago as an example of efforts that might help boost foreign exchange supplies to the domestic market.

"We continue to monitor the impact [from external factors] and [we] believe that our economic resilience is strong," said Perry.

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J. P. 51

STRATEGIC PARTNERSHIP

Oz says RI will benefit from upgraded ties

Marguerite Afra Sapiie

THE JAKARTA POST/BOGOR, WEST JAVA

Jakarta and Canberra have concluded talks on the long-overdue comprehensive strategic partnership agreement, which will upgrade the two countries' economic ties and that Australian Prime Minister Scott Morrison says will bring benefits for Indonesian citizens.

In his first overseas trip since being inaugurated last week, Morrison met with President Joko "Jokowi" Widodo at Bogor Palace on Friday afternoon, where they welcomed the conclusion of negotiations over the Indonesia-Australia Comprehensive Economy Partnership Agreement (IA-CEPA), which is set to be signed in November.

"We've committed today to take another big step to ensure that Australia and Indonesia do the heavy lifting that is needed to realize the real economic opportunity that exists," Morrison said in a speech after the meeting.

While asserting Indonesia's significance as a "partner of

choice" for Australia, Morrison also mentioned his visit to a local school earlier in the morning, which he said reminded him of the two countries' efforts to upgrade cooperation.

"The beneficiaries of all of this [partnership] are the [Indonesian] children that sat in that school this morning and the children sitting in school in Australia today," he said, adding that bringing the people of both countries closer together was a vision shared by both countries.

The IA-CEPA, which is generally referred to as a free trade agreement, includes "win-win solutions" that will eliminate tariffs on goods and services, which officials said would increase trade volume.

Talks over the IA-CEPA started in 2010, but were then put on hold until 2016, when the two governments restarted negotiations.

During a visit to Sydney in March, Jokowi and then-Australian prime minister Malcolm Turnbull agreed to conclude talks by the end of this year.

The IA-CEPA also relaxed

rules on investment in various sectors, including the education and health sectors, making it possible for Australian universities to set up campuses in Indonesia and for investors to build hospitals with up to 67 percent foreign ownership, Trade Minister Enggartiaso Lukita said.

"The [IA-CEPA] is not merely about trade, it is about an economic partnership on a wider scope, which is very great," he said.

The agreement will see Australia relax tariffs on a number of commodities shipped from Indonesia, including cars. In return, Indonesia would relax import tariffs on Australian beef and cattle, Coordinating Maritime Affairs Minister Luhut Pandjaitan said.

"Indonesia and Australia will enjoy 0 percent import tariffs for many goods. I think this can significantly increase our exports," he said.

Australia is one of Indonesia's most important trading partners, with Australia enjoying a surplus, according to Trade Ministry data.

The data shows that a slight de-

cline of 4.11 percent occurred in trade transactions from 2013 to 2017. In the first half of this year, trade between the two countries reached US\$4.06 billion, with Indonesia suffering a deficit of \$1.37 billion, a figure expected to increase by 18 percent to \$1.67 billion for the full year of 2018.

In his speech, Jokowi asserted that Australia was one of Indonesia's strategic partners in the region, adding that he was honored that Jakarta was Morrison's first port of call after becoming his country's leader, as it reflected the new prime minister's commitment to improving ties with Indonesia.

"We have emphasized the importance of economic openness and efforts to strengthen economic relations that are mutually beneficial [...] we are also committed to continuing our collaboration in handling regional and global issues," Jokowi said.

During Morrison's visit, Indonesia and Australia also signed three memorandums of understanding on transportation, the creative economy and cybersecurity.

Indonesia passes Asian Games baton to China

Callistasia Anggun Wijaya, Ramadani Saputra, Gemma Holliani Cahya and Stefano Reinard Sulaiman

THE JAKARTA POST/JAKARTA



ASIAN GAMES
2018

Indonesia has officially passed the baton to Hangzhou, China, the host of the 2022 Asian Games, in a spectacular closing ceremony on Sunday that involved dozens of national and international artists.

The event was opened by a display of fireworks followed by a marching band comprising police and military cadets who performed gallantly despite the heavy rain.

Athletes, protected by raincoats, marched onto the stage while waving miniature flags to the audience.

Thousands of volunteers joined the athletes on stage, mingling with each other regardless of their backgrounds and nationalities.

The Asian Games mascots Bhin Bhin, Kaka and Atung also joined the parade.

President Joko "Jokowi" Widodo, who was in Lombok, West Nusa Tenggara, to watch the closing ceremony with victims of last month's earthquake, delivered his opening remarks through a live stream.

"The [Asian Games] ended today, but the energy of Asia will not fade away. Thank you all nations of Asia. This is the true energy of Asia, which unites us to bring goodness to the world," he said, before praising the Indonesian contingent for surpassing the

Asian Games officially closed

Hangzhou, China next host

Indonesia will bid to host Olympics

country's gold medal target.

Jokowi ended his speech by asking audience members at Gelora Bung Karno Stadium to send their thoughts and prayers to the earthquake victims in Lombok.

Vice President Jusuf Kalla also took the stage to deliver a few words, thanking all parties involved in the Games, including volunteers and journalists.

"Thank you for giving us such a beautiful competition. Thank you for giving us these thrilling moments. And thank you for giving us the strong spirit and energy of fair play. You are the heroes of Asia," he said.

Olympic Council of Asia (OCA) president Sheikh Ahmad Al-Fahad Al-Sabah expressed his appreciation of Jakarta and Palembang, South Sumatra, for successfully hosting the Games simultaneously.

"Thank you Jakarta, thank you Palembang. You made the Asian dream of 'Energy of Asia' come true," he said.

He declared the Games closed.

Jakarta Governor Anies Baswedan returned the first Asian Games torch to Al-Sabah, who then handed it to Chinese Olympic Committee chairman Gou Zhongwen and Hangzhou Mayor Xu Liyi.

South Sumatra Governor Alex Noerdin also handed over the first

Asian Games flag to Hangzhou representatives.

Indonesian Asian Games Organizing Committee (INASGOC) steering committee deputy head and Coordinating Human Development and Culture Minister Puan Maharani then returned the OCA flag for safekeeping until the 2022 Games in Hangzhou.

The passing of the Asian Games baton was made official by the raising of China's flag, which was followed by a performance of Chinese dancers and singer Jackson Yi of popular group TFboys.

Jack Ma, billionaire co-founder of Chinese e-commerce giant Alibaba, made a special appearance during the show to invite the audience to Hangzhou, the city where he was born.

"Hangzhou is a beautiful city. I will wait for you in Hangzhou in 2022," Ma said.

Jokowi said on Saturday that Indonesia would bid to host the 2032 Summer Olympics.

"Indonesia plans to immediately register itself as a candidate for hosting the 2032 Olympics [...]. With our experience from hosting the 18th Asian Games, I believe Indonesia will be able to host a larger-scale event," he said after meeting International Olympic Committee (IOC) president Thomas Bach and Al-Sabah at Bogor Palace.

Local and international singers and bands closed the night with rousing performances.

Warming up the crowd were local talents Isyana Sarasvati, Gigi Denada, Afgan, RAN, Dira Sugandi and Jflow.

Indian singer Siddharth Slathia and Korean boybands iKON and Super Junior later took the stage

and turned the evening into a spectacular international concert, prompting thunderous cheers and applause from the audience.

Co-host Palembang staged a separate closing event by featuring traditional dances and performances from national singers and visiting bands to entertain thousands of guests — even though more than 3,000 athletes and officials had already left the country.

Two big screens were installed in front of Gelora Sriwijaya Stadium to give residents a view of the closing ceremony in Jakarta.

Indonesia ranks fourth on the medals table after South Korea, winning 31 golds and 98 medals in total, handily surpassing its record of 11 gold medals earned in the 1962 Asian Games, which also took place in Jakarta.

Powerhouse China topped the medal ranking, securing 132 gold medals and 289 medals in total. Japan trailed in a distant second with 75 gold medals from a total of 205 medals it collected.


Eighteen-year-old Japanese swimmer Rikako Ikee of Japan was named the 2018 Asian Games Most Valuable Player (MVP) after scooping up six gold medals from the pool, becoming the first woman ever to win the title.


Ikee broke the Games records in four individual categories (women's 50 meter freestyle, 100 m freestyle, 50 m butterfly and 100 m butterfly) and helped her team raise the bar in the women's 4 x 100 m freestyle relay.

— SAFRIN LA BATU CONTRIBUTES TO THE STORY FROM PALEMBANG

Sep. 3, 2018.











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 **Pusat Prestasi Olahraga Palembang 2018**

MEDAL TALLY

OFFICIAL PARTNER

Rank	Country	Gold	Silver	Bronze	Total
1.	 China	132	92	65	289
2.	 Japan	75	56	74	205
3.	 South Korea	49	58	70	177
4.	 Indonesia	31	24	43	98
5.	 Uzbekistan	21	24	25	70
6.	 Iran	20	20	22	62
7.	 Chinese Taipei	17	19	31	67
8.	 India	15	24	30	69
9.	 Kazakhstan	15	17	44	76
10.	 North Korea	12	12	13	37

Asian Games: Badly needed confidence booster for our nation

Sep. 3, 2018
J. Post

The social media statuses of many Indonesians say it all. Some posted the hashtag "Proud to be Indonesian". Others changed their status every time an Indonesian athlete clinched a gold medal. That means 31 updates in the last two weeks.

Coming fourth in the just-concluded 2018 Asian Games defied even the most ambitious predictions before the region's biggest sporting gala began.

Indonesia had aimed for 16 golds to put it in the top 10 in the medal tally. When the Games closed on Sunday, the host country came away with 31 golds, 24 silvers and 43 bronzes, ranking behind Asia's three sporting giants — China, Japan and South Korea.

The drum started beating after the spectacular opening ceremony at Jakarta's Gelora Bung Karno Stadium on Aug. 18. Rather than relying on laser beams and fireworks, it turned to the creativity

of young talents to put on a great show of songs and dances, with more than 5,000 performers, to wow the crowd and those watching on TV at home.

Many people could not believe that Indonesia could pull off something like this. They obviously underestimated their own artists.

Another reason to be proud is that the Games, held in Jakarta and the South Sumatra city of Palembang, went almost without a hitch, in terms of security and comfort for athletes and spectators. Jakarta even took care of its notorious traffic and pollution.

That tickets to most events were sold out further attested to the success.

The Rp 6.6 trillion (US\$447 million) price tag to host the Games was money well spent, considering the impact it has had on the nation's psyche. It boosted the nation's confidence like never seen before.

But it's also a reflection of the

COMMENTARY



Endy M. Bayuni

THE JAKARTA POST
JAKARTA

low self-esteem of a nation that has not seen any major international achievements to speak of in recent years, certainly not in sports.

Indonesia, the fourth-largest country in the world, with 265 million people, is not known for its sporting prowess, not internationally, not Asia-wide, not even in Southeast Asia.

In the 2016 Olympics in Rio de Janeiro, Indonesia ranked 46th with one gold. It came 17th in the 2014 Asian Games in Incheon, South Korea, with four golds. In the last two Southeast Asian

(SEA) Games in 2015 and 2017, it consistently came fifth out of 11 participating countries, behind Thailand, Malaysia, Singapore and Vietnam.

In the last two decades, Indonesia has enjoyed such accolades as the third-largest democracy, a democracy in the nation with the largest Muslim population in the world and an emerging market economy. It ranks as the 16th largest world economy, and at its current trajectory, it will be in the top 10 by 2025 and top five by 2040.

A rising Asian power in terms of its political and economic clout, Indonesia is not yet a sporting giant.

Going forward, Indonesia needs to capitalize on its 2018 Asian Games success.

Two major international events later this year will be occasions once again to show that Indonesia can serve as a good host. They are the World Bank-International Monetary Fund Annu-

al Meeting and the World Ocean Conference, both in October in Bali. On much smaller scales compared to the Asian Games, holding these two gatherings should be a walk in the park.

But it is in its sports that Indonesia should not rest on its laurels. We need to take a closer and more honest look at how we pulled it off.

Indonesia maxed out its privilege as hosting nation by including sports in which it felt it had a chance of winning golds. Pencak silat bagged 14 golds, sports climbing three, paragliding and mountain biking downhill two each and jetski one.

This is not to take the glory away from medals gathered in other sports, such as badminton (two) and one each in tennis, weightlifting, rowing, sepak takraw, taekwondo, karate and wushu.

It is, however, a warning that Indonesia is still lacking in the main Olympic sports like track

and field and water sports. In soccer, perhaps the most popular sport, it was eliminated in the second round.

For what it's worth, the Asian Games have galvanized the nation's love of sports and craving for the glory of seeing the red-and-white flag raised to the tune of "Indonesia Raya".

Now it is up to the various sport federations to capitalize on this national mood.

They have their work cut out to prove that this was not a fluke, or that it has come by virtue of our hosting it. Time is short. Next year, we have the SEA Games in Manila, and then the Tokyo Olympics in 2020 and the next Asian Games in Huangzhou, China, in 2022.

Winning 31 gold medals in the Asian Games may have been a good shot in the arm to enhance national confidence. Let's hope this is not simply an anabolic steroid injection that will soon wear off.

Govt to monitor biodiesel expansion

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

The government and stakeholders have vowed to ensure a smooth implementation of an extended 20 percent blended biodiesel (B20) policy in the public and private services sector, which started on Saturday, in a move to save billions of rupiah in oil and gas imports annually.

Coordinating Economic Minister Darmin Nasution said the Energy and Mineral Resources Ministry and Finance Ministry's Indonesian Palm Oil Estate Fund (BPDP-KS) had been assigned to supervise technicalities in the distribution of B20.

Darmin said B20 would replace regular Solar diesel fuel, a product of state energy giant Pertamina, but it would be sold at the exact same price of Rp 5,150 (34 US cents) per liter.

The figure is significantly lower than the assigned price of Rp 7,294 per liter set by the Energy and Mineral Resources Ministry as of August.

"We have talked about this with all parties, so it is safe to say that we are ready to move forward with B20," Darmin said during the launch in Jakarta over the weekend.

A recently issued Presidential Regulation (Perpres) No. 66/2018 serves as a legal basis to expand the use of B20 to the non-public service obligation (PSO) sector, which includes heavy machinery used by firms in the private sector and various forms of transportation, such as trains and ships.

It was followed by Ministerial Regulation No. 41/2018 on the provision and utilization of the biodiesel category of biofuel,

B20 to replace Solar diesel fuel

Pertamina, private biofuel producers mandated to distribute B20 nationwide

Indonesia could save US\$2.3 billion

signed by Energy and Mineral Resources Minister Ignasius Jonan on Aug. 24.

Jonan has assigned Pertamina and petroleum and chemicals company AKR Corporindo to distribute 1.95 million kiloliters of mandatory B20 fuel and 940,470 kl of non-mandatory B20 fuel from September to December, in addition to appointing 19 domestic palm oil producers to provide the supply.

Pertamina's newly inaugurated president director, Nicke Widyawati, said 52 out of 112 fuel terminals Pertamina operated had yet to receive B20 to sell on the first day of the policy. However, she ensured that they would receive stocks as soon as possible.

As a form of legal enforcement, the ministerial regulation stipulates that distributors who do not use B20 or fail to distribute the fuel under the government's deadline will be charged with fines of Rp 6,000 per liter.

Rida Mulyana, the Energy and Mineral Resources' director general for new and renewable energy, said that all existing fuel importers and distributors would have to provide evidence that their products were classified as B20 diesel fuel in order to operate in the country.

"If they do not have proof of B20 [in their products], we will not is-

sue them a permit," Rida said, adding that the ministry's independent surveyors would audit the operators to ensure compliance.

With the B20 expansion, Darmin said Indonesia could save \$2 billion to \$2.3 billion in fuel imports until the end of this year.

By reducing fuel imports and replacing its supply with biodiesel, the government aims to narrow the current account deficit, which had widened to \$8 billion in the second quarter from \$5.7 billion in the first quarter.

A deficit in the current account means the country is spending beyond its means, adding to currency vulnerabilities as it needs foreign capital to fulfill demand in the domestic foreign exchange market.

Separately, Indonesian Biofuel Producers Association (Aprobi) chairman Paulus Tjakrawan said the government had helped B20 producers meet with institutions related to the distribution of the fuel nationwide, such as the Customs and Excise Directorate General, and state-owned port operator Pelindo.

Paulus said there were currently 22 biodiesel manufacturers in Indonesia with more than 11.8 million kl installed production capacity per year ready to support the new policy.

"There were a few differences of opinion from stakeholders who will be this policy's end users. But thankfully, the association and the government have been able to straighten things out," Paulus said in a press conference.

He added that the B20 expansion policy would help ensure a stable output among producers and allow them to enjoy possible stability in sales and crude palm oil (CPO) prices in the future.

Subsidy key to renewable energy

The Jakarta Post

JAKARTA

Global renewable energy development has seen an upward trend in recent years, thanks to alternative funding and investment avenues offered by international financiers in the sector.

The development of geothermal power plants is one of the government's top priorities in increasing the renewable energy share in the country's power generation to 23 percent by 2025 from 13 percent at present.

However, renewable energy development in Indonesia could screech to a halt due to its costly nature, which has been exacerbated by the lack of a special government subsidy crucial to ensuring financial sustainability.

State electricity company PLN executive vice president for corporate planning Doddy Pangaribuan said on Friday many investors, who initially saw potential in geothermal investment, decided to withdraw due to the high financial risks in investing in a geothermal energy project.

"There are at least two reasons why green investment is unattractive to most investors. First, the latest technology for renewable energy is still relatively expensive and the second one is due to geographical challenges where most of the geothermal source is mostly located in a remote area," Doddy said on the sidelines of a renewable energy conference in Jakarta.

Geothermal power plant one of top priorities in renewable energy

Many investors back out due to high risks

Subsidy expected to reduce financial risks

In addition, the price of electricity of between 7 and 16 US cents per kilowatt hour is still too low.

As a result, many investors chose to back out from the offer after learning about the financial clause for geothermal energy development, according to Doddy.

He called on the government to provide a special subsidy for renewable energy in an effort to alleviate financial risks and to accelerate growth in the sector.

"We would greatly appreciate the subsidy because we don't want to charge our customers as a result of the expensive geothermal energy production," Doddy said, citing an example in India where the central government subsidized land allocated to solar panel development.

Indonesia is estimated to control about 40 percent of the world's total geothermal reserves, but it is only able to produce 1,948 megawatts (MW) from geothermal power plants, or about 10 percent of the potential.

The chairman of the Indonesian Geothermal Association (API), Prijandaru Effendi, previ-

ously said PLN should guarantee it would buy all the electricity produced from geothermal power plants so that investors would not have any doubt in their investment.

"At present, there is no binding agreement until the [geothermal] exploration is completed," Prijandaru added.

Meanwhile, the Finance Ministry is cooperating with the Green Climate Fund (GCF), which is part of the United Nations Framework Convention on Climate Change (UNFCCC), and the Global Green Growth Institute (GGGI) to finance renewable energy projects.

The ministry has so far received \$850,000 in grants from its annual \$1 million quota for technical assistance.

To date, there are four renewable energy projects in Indonesia, which are currently awaiting approval from the GCF.

The projects include climate-resilient coast communities and ecosystems by the International Union for Conservation of Nature (IUCN); geothermal resource risk mitigation by the World Bank; ecofriendly tourism at Lake Toba, North Sumatra, and rapid transit bus development in Semarang, Central Java, by state-owned infrastructure financing company PT Sarana Multi Infrastruktur.

As of May this year, the CGF approved 74 projects worldwide worth \$12.1 billion with an anticipated equivalence of 1.3 billion tons of CO₂ avoided. (rfa)

Jokowi gets new allies, but may lose Golkar big guns

Nurul Fitri Ramadhani and
Karina M. Tehusijarana

THE JAKARTA POST/JAKARTA

The adage goes that in politics there are no eternal allies and there are no eternal friends — and the latest political development in the lead up to the 2019 presidential election has shown that the dictum is never too old:

In a surprise turn of events, President Joko “Jokowi” Widodo recently got a major ally to support his re-election bid: former West Java deputy governor and former actor Deddy Mizwar.

Deddy is the second influential Democratic Party politician to break the party line by supporting Jokowi in the 2019 race.

In July, outgoing West Nusa Tenggara (NTB) Governor Muhammad Zainul Majdi, affectionately known as Tuan Guru Bajang (TGB), also declared support for Jokowi, boosting Jokowi’s chances in the conservative province once seen as the turf of his rival, Prabowo Subianto.

The Democratic Party has never officially supported Jokowi, and at the last minute it decided to throw its support behind Prabowo after failing to secure a coalition deal with Jokowi.

Similar to TGB, Deddy is known as an influential Muslim figure and has a huge following in his region.

Deddy is a new Democratic Party member, but his popularity may be enough to attract voters in West Java, the country’s most populous province and known as the stranglehold of the Prosperous Justice Party (PKS), one of Gerindra’s allies.

PDI-P secretary-general Hasto Kristiyanto, who is also Jokowi’s campaign team secretary, said Deddy had been appointed as a spokes-

Deddy Mizwar follows
TGB, declares support for
Jokowi

Jokowi may lose support
of top Golkar members

person for the team in West Java.

Deddy, who serves as the party’s advisory board chairman in West Java, told his party on Thursday that he would let the party decide his fate.

“The party has its mechanism to determine [my fate]. I have no authority to decide. I will accept whatever the party decides.”

The party, which has already lost its Papua chapter leader, Lukas Enembe, and its former spokesman Ruhut Sitompul, to Jokowi, asserted that the party’s support for Prabowo was final and party members who broke the party line would face consequences.

“That’s only their personal stance. And they will be ready to take all the risk,” Democrat executive Agus Hermanto said.

Andi Arief, a top Democratic Party politician, has expressed his frustration on Twitter over what he claimed was Jokowi’s Indonesian Democratic Party of Struggle’s (PDI-P) attempt to poach top Democratic Party stalwarts.

“I don’t understand why [PDI-P chairwoman] Ibu Megawati gave her blessing to [PDI-P secretary-general] Hasto [Kristiyanto], who is always trying to poach Democratic members to join Jokowi’s team,” he posted on his Twitter account on Thursday morning. “Is the PDI-P so short of quality members?”

The Jokowi camp rebuffed Arief’s claim, saying that those who defected from the Democratic Party were free to make their political choice.

“If figures like TGB and Deddy throw their support behind Jokowi, that’s because they are aware that Jokowi deserves a second term,” Ace Hasan Syadzily, a Golkar Party executive and Jokowi’s campaign team spokesman, said.

With many of its members defecting to Jokowi, it would be hard for the Democratic Party to give all out support for Prabowo.

However, Prabowo is not the only one losing allies.

Ex-Golkar Party politician Fadel Muhammad implied that he and several senior party members, including former Golkar chairman Aburizal Bakrie, would likely support Prabowo and Sandiaga, despite the fact that Golkar was the first party that declared its support for Jokowi’s reelection bid.

“Now there are different perspectives from me, Aburizal and several other senior politicians [regarding the support for presidential candidates]. We’ll see later. This is part of the political dynamic,” Fadel said recently.

Golkar is the second-largest party in the House of Representatives and has a strong basis in the regions, given its position as the country’s oldest political party. The party’s support will mean a lot for either Jokowi or Prabowo.

Not only Golkar, the NasDem Party also saw one of its members, Ferry Mursyidan Baldan, throwing support behind the rival camp and planning to join Prabowo’s campaign team.

The former agrarian and spatial planning minister claimed that it was Prabowo and Sandiaga who had asked him to join the team.

— ARYA DIPA CONTRIBUTED TO THIS ARTICLE FROM BANDUNG.

Odd-even traffic policy extended until October

Gisela Swaragita

THE JAKARTA POST/JAKARTA

The Jakarta administration has decided to prolong the implementation of the expanded odd-even license plate policy on several of Jakarta's main roads until the end of the Asian Paralympic Games, which will be held from Oct. 8 to 16.

The policy was initially intended to be enforced only until the end of the Asian Games, which will conclude this weekend.

Jakarta Governor Anies Baswedan told a press conference on Friday at City Hall that extending the policy, instead of having a five-week break in between the sporting events, would provide an opportunity to obtain more comprehensive data on the impacts of the policy.

"Moreover, it will improve traffic management and will not disrupt residents' transportation habits," he said.

The odd-even policy restricts private cars from entering certain major thoroughfares on certain dates depending on whether the date and a car's license plate number are odd or even.

During a focus group discussion at the Transportation Agency building in Central Jakarta, Sigit Wijatmoko, the deputy head of the Jakarta Transportation Agency, said that several changes would be made to the current implementation of the policy

Odd-even policy improves traffic during Asian Games

Number of Transjakarta passengers increases by 40 percent

under Gubernatorial Decree No. 77/2018.

Among other changes, the odd-even policy will no longer be enforced along Jl. Metro Pondok Indah in South Jakarta. It will also not be enforced on Jl. Benyamin Sueb in Central Jakarta, except during the Asian Paralympic Games. Moreover, the policy will not be enforced on weekends and public holidays. Sigit said the decree was in the process of being revised, with the changes to be implemented from next week after the conclusion of the Games.

Sigit also read out the evaluation report from the focus group discussion, which indicated that transportation had improved during the two week Asian Games, thanks to the odd-even policy. Among other benefits, vehicle speeds on roads affected by the odd-even policy had increase 37 percent, while travel duration had decreased 23 percent.

The policy was also deemed advantageous for the entirety of Jakarta's traffic network, as average speeds on 106 priority roads where the odd-even policy was

not enforced had increased 26 percent.

"Odd-even policy violations have decreased by 10 percent and fatalities from traffic accidents have also decreased by 20 percent," he said.

Meanwhile, the number of Transjakarta bus passengers has increased by 40 percent.

Head of the Greater Jakarta Transportation Body (BPTJ), Bambang Prihartono, addressed concerns that the odd-even policy would only increase congestion and pollutant emissions on alternative roads.

"[The decrease in average speed on alternative roads] is only 2 percent, that's not very significant," he said, referring to observations made before the Games began.

Bambang said worsening congestion on alternative roads was the result of residents who refused to switch to public transportation and continued to drive their private cars, which meant they had to take long detours along unaffected roads to avoid ticketing.

"I think it's time to educate residents that public transportation is the answer for this," he said.

He also said that if residents choose to, they could buy a second car to try and have both odd and even numbered plates, however he reminded residents that license plate numbers were issued randomly, and that the use of counterfeit plates was illegal.

CORRUPTION

Golkar tested with Idrus' arrest

**Karina M. Tehusijarana
 and Kharishar Kahfi**

THE JAKARTA POST/JAKARTA

With less than a year until the 2019 legislative election, the Corruption Eradication Commission's (KPK) arrest of former Golkar Party secretary-general Idrus Marham once again casts the country's oldest political party in a negative light.

The KPK has appeared to cast its net wide toward the Golkar Party in a corruption case centered around the construction of a coal-fired steam power plant (PLTU) in Riau, with its investigators continuing to look for evidence to confirm allegations that illicit money had gone to the party's coffers.

The allegation first surfaced based on a statement from Fadli Nasution, an attorney for Eni Maulani Saragih, a Golkar lawmaker who had been named a suspect in the bribery case back in July. Fadli claimed his client had used some of the money she had accepted from businessman Johannes Budisutrisno Kotjo, who has also been named a suspect, to fund the party's extraordinary national congress (Munaslub) last December, which led to the election of current party chairman Airlangga Hartarto.

"During the congress, *Bu* Eni was the [steering] committee's treasurer. At that time, she asked *Pak* Kotjo for Rp 2 billion [US\$136,767], which was later used for operational expenses before, during and after the congress," Fadli said.

The KPK detained former social affairs minister Idrus in connection with the case on Friday after hours of questioning at the antigraft body's headquarters in South Jakarta.

The KPK suspected Idrus of playing a role in the payment of a bribe to Eni, as well as in pushing for the signing of the power purchase agreement between private firm Blackgold Natural Resources Limited, run by Johannes, and state-owned electricity firm PLN, in return for a promised gift of \$1.5 million should the project be successfully completed.

Current Golkar chairman Airlangga has denied all allegations, and KPK investigators have summoned other party figures, in-

cluding former party chairman and graft convict Setya Novanto, to corroborate his statements. KPK investigators had questioned Setya twice as a witness in the case last week.

"*Pak* SN knows details of the project, including about the illicit fees," KPK deputy chairman Laode Muhammad Syarif said on Saturday, referring to Setya by his initials.

KPK investigators have also questioned Setya's son Rheza Herwindo, who served as a commissioner for PT Skydweller Indonesia Mandiri, which is alleged to have ties with Blackgold.

Graft allegations have constantly rocked Golkar, with a succession of its chairmen being targeted by corruption probes. Setya was convicted for graft earlier this year after a drawn-out process that tarnished the party's reputation.

In 2002, then-party chairman Akbar Tandjung was sentenced to three years in prison for channeling \$4 million from state logistics agency Bulog to the Golkar coffers.

Setya's predecessor Aburizal Bakrie has also been questioned by the KPK in connection with the e-ID graft case.

Despite the legal trouble, Golkar has nevertheless consistently polled in the top three in recent party electability surveys, behind only President Joko "Jokowi" Widodo's Indonesian Democratic Party of Struggle (PDI-P) and leader of the opposition camp Gerindra Party.

Centre for Strategic and International Studies (CSIS) researcher Arya Fernandes said the fresh graft allegation would have little effect on either Golkar's internal processes or its electability.

"Golkar has shown that it has the ability to survive various crises," he told *The Jakarta Post* on Sunday. "The party has deep and extensive networks throughout the country and is not dependent on any one figure."

Donal Fariz of Indonesia Corruption Watch said the ongoing investigations into Golkar politicians showed there was only little change happening in the party.

"As one of the oldest ruling parties, Golkar politicians tend to have better access to financial resources as well as politics-business relationships, which tend to lead to corruption," Donal said.