

Trade war must not become 'Infinity War': Jokowi

Dian Septiari

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo made a blockbuster reference when speaking at the World Economic Forum (WEF) on ASEAN in Hanoi on Wednesday, comparing the state of the world economy to Marvel's *Infinity War*.

He also compared the intensity of the ongoing trade war between the world's major powers to the Great Depression of the 1930s.

"But rest assured that I and my fellow Avengers stand ready to prevent Thanos from wiping out half the world's population," Jokowi said in a speech that was live streamed on the forum's website.

The President explained how Thanos, the main villain of the 2018 movie, wanted to wipe out half the world's population so that the surviving half could enjoy better access to resources.

"But there's a fundamental mistake in his underlying assumption. Thanos believed the planet's resources are limited, are finite. The reality is that the resources available for humanity are not finite, but infinite. Our resources are not limited, but unlimited," he said.

Jokowi said technological progress had created greater efficiency, resulting in the possibility to use resources more sustainably.

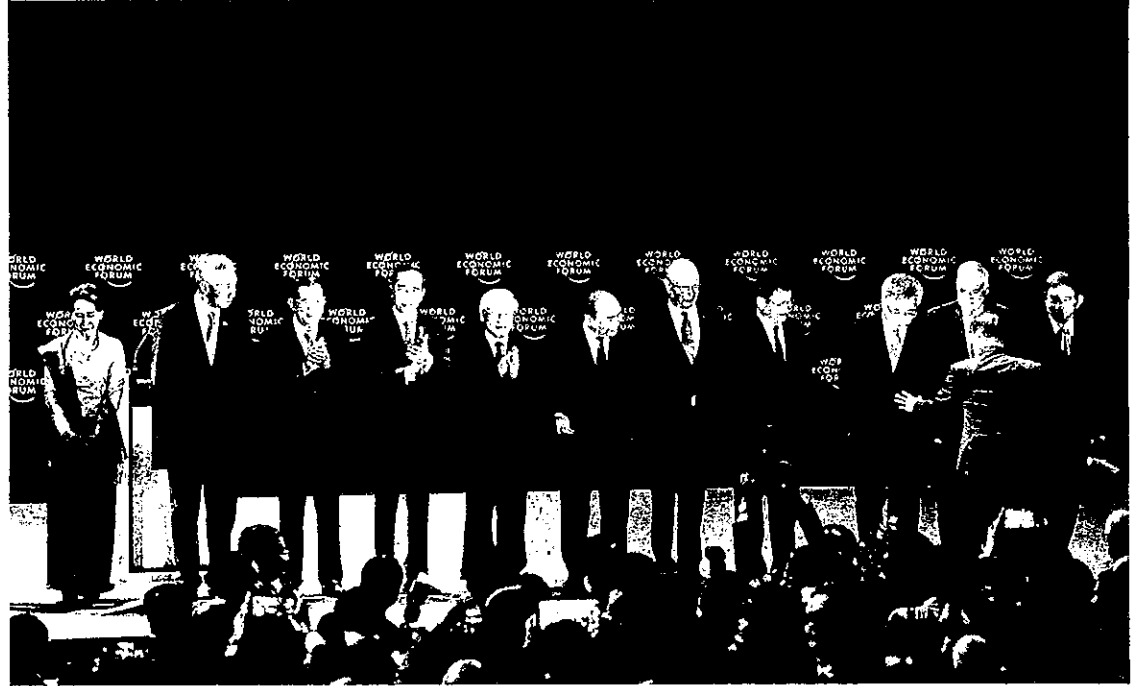
"As an economy grows it is driven increasingly not by natural resources but by human talent, which is unlimited," he said, adding that Indonesia's human talent, especially among the country's youth, had been driving a transformation toward e-commerce and the digital economy boom.

Jokowi said Indonesia had four unicorns — startups with valuations of over US\$1 billion.

One of the unicorns is app-based services company Go-Jek, which launched in the Vietnamese capital of Hanoi under the brand Go-Viet, on Wednesday.

ASEAN and Indonesia would be at the forefront of the fourth industrial revolution, Jokowi said, "But first, we must prevent the trade wars from becoming the infinity war," Jokowi said.

He continued the comparison by saying that Thanos as the vil-



AFP/Nhac Nguyen

Take your position: (Left to right) Myanmar State Counsellor Aung San Suu Kyi, Singaporean Prime Minister Lee Hsien Loong, Cambodia's Prime Minister Hun Sen, Indonesia's President Joko "Jokowi" Widodo, Vietnam's Communist Party secretary-general Nguyen Phu Trong, Vietnam's Prime Minister Nguyen Xuan Phuc, founder and executive chairman of the World Economic Forum (WEF) Klaus Schwab, Laos Prime Minister Thongloun Sisoulith, Chinese Vice Premier Hu Chunhua, Sri Lankan Prime Minister Ranil Wickremesinghe and Thailand's Deputy Prime Minister Prajin Juntong pose for a group photo at the opening ceremony of the WEF on ASEAN at the National Convention Center in Hanoi on Wednesday.

During WEF address, Jokowi says economic growth now driven by infinite resource of human talent

Jokowi holds bilateral meetings with Vietnamese officials since Tuesday

lain of the movie symbolized "the misguided belief that in order to succeed others must surrender".

Beginning earlier this year, the ongoing trade war has seen China and the United States impose sanctions and tariffs against each other, while the US has also imposed tariffs against Canada and the European Union.

US President Donald Trump said he wanted to reduce the US' trade deficit with China, while also claiming that tariffs were a means to protect national security and the intellectual property of US businesses.

In addition to attending the forum, Jokowi and his entourage have also held bilateral meetings with Vietnamese officials, starting from Tuesday.

Among the issues discussed between Jokowi and his Vietnamese counterpart Tran Dai Quang on Tuesday was how to achieve \$10 billion in annual bilateral trade by 2020, Foreign Minister Retno LP Marsudi said in a media statement on Wednesday.

The minister added that the value of bilateral trade reached almost \$7 billion in 2017.

Retno said that Indonesia was also pushing for fair trade with Vietnam and the elimination of trade barriers that could affect Indonesia's exports to the country.

In addition, the two countries signed a memorandum of understanding (MoU) on the eradication of illegal, unreported and unregulated (IUU) fishing.

Retno said the MoU signing was carried out in parallel with efforts to resolve the exclusive eco-

nomie zone (EEZ) boundaries of the two countries located to the north of the Natuna Islands in Riau Islands province.

"For the time being, while we keep negotiating the EEZ, we have agreed to fight IUU fishing. Therefore, yesterday [Tuesday], we signed an MoU on IUU fishing," Retno said in the press statement.

The minister said the agreement was urgently needed to manage marine areas and reduce related maritime incidents.

Vietnamese boats have been among the foreign vessels impounded by Indonesian authorities for conducting illegal fishing.

The MoU signing was part of the 2013 to 2018 plan of action between Indonesia and Vietnam, which have been strategic partners since 2013.

Considering that the 2013-2018 plan of action would soon conclude, Retno said that Indonesia and Vietnam had finalized the second phase of the plan for the next five years until 2023.

DEFICIT

Mining holding firm vows to boost exports

Winnie Tang

THE JAKARTA POST/JAKARTA

Indonesia's mining holding company has pledged its commitment to boosting exports in an attempt to help reduce the country's widening current account deficit, which if left unattended, could further weaken the country's currency.

State-owned mining holding firm Indonesia Asahan Aluminium (Inalum) and its subsidiaries, tin miner PT Timah, diversified mining company Aneka Tambang (Antam) and coal miner PT Bukit Asam (PTBA), expect to export commodities amounting to at least US\$2.52 billion in 2018, up 33 percent from last year.

The projection comprises contributions from Antam worth \$1.04 billion, from Bukit Asam amounting to \$829 million, from PT Timah worth \$563 million and Inalum worth \$79 million.

"Our plan is to book \$2.5 billion in exports [...] If we are able to acquire Freeport, then it can contribute \$7 billion a year, so our total export contribution can reach almost \$10 billion," Inalum president director Budi Gunawan Sadikin told a media briefing in Jakarta on Wednesday.

Inalum signed in July a heads of agreement (HoA) with United States-based Freeport McMoran for the divestment of 51 percent stakes of PT Freeport Indonesia, which operates Grasberg, the world's largest gold mine located in Papua province.

Budi said on Wednesday that the process was nearing its completion.

PT Bukit Asam said it would increase production for high-calorie coal to jack up exports.

The firm has projected high-calorie coal production to reach 1 million tons by the end of 2018.

This year, Bukit Asam expects to export 12.1 million tons of coal,

up from 9.2 million tons in 2017.

The company's export destinations include Southeast Asia, China, India and Japan.

"PTBA will be able to generate foreign exchange reserves worth around \$850 million," said Bukit Asam president director Arviyan Arifin.

PT Timah, meanwhile, has sent 90 percent of its output to the US, as well as countries in Europe, Asia and Africa.

Amid global pressures causing the rupiah to slump to its lowest point against the US dollar in 20 years, the government has urged exporters to bring back export revenues to reduce the current account deficit, which widened to 3 percent of GDP in the second quarter of 2018.

The rupiah weakened slightly to Rp 14,863 per US dollar on Wednesday, from Rp 14,835 a day earlier, according to Bank Indonesia's (BI) Jakarta Interbank Spot Dollar Rate (JISDOR).

State-Owned Enterprises (SOEs) Minister Rini Soemarno said on Wednesday that on top of boosting exports, the mining holding company should develop the country's value-added downstream sectors, which had not been progressing well so far.

"This is our weakness: not being able to successfully [develop] the downstream sectors. For examples, bauxite can actually be made into aluminum, nickel to stainless steel," Rini explained.

Budi added that the blue print for downstream activities had been prepared a long time ago, but had not been applied well in reality, partly because of challenges in funding and technology.

So far, Aneka Tambang has been making efforts to expand to the mineral downstream industry by producing ferronickel.

In the first half of 2018, it produced 12,811 tons ferronickel, up 37 percent from the same period a year before.

CURRENCY

RI wants tighter rules on exporters to help rupiah

Karlis Salna

BLOOMBERG/JAKARTA

Indonesian exporters must keep their earnings in the country to support efforts by the government to rein in the current-account deficit and shield the rupiah, Finance Minister Sri Mulyani Indrawati said.

While legislation protects the free movement of capital, authorities want to tighten some rules on exporters amid a rout in the currency, Indrawati said in an interview with Bloomberg TV's Haşlinda Amin in Hanoi on Wednesday.

"In a situation in which the country cannot even hold the rev-

enue, for example from the exports, we really need to regulate a certain thing," she said. "The foreign exchange that they earn from the exports, it needs to be in the country."

Exporters repatriated more than 90 percent of their earnings in the second quarter, but only 14 percent of that was converted into rupiah, according to data from the central bank.

The currency's slump to its weakest level since the 1997-1998 Asian financial crisis has pushed policymakers into action. To help rein in a current-account deficit of 3 percent of GDP, the government has boosted taxes on imports and increased the use

of biodiesel to cut fuel purchases from abroad. Bank Indonesia has raised interest rates four times since May and pledged more preemptive measures to quell the selloff.

Sri Mulyani said the global debate about capital controls has changed since the Asian financial crisis two decades ago, and some countries may be "justified" in protecting themselves.

The former World Bank managing director also called for greater global policy cooperation to tackle the emerging market turmoil, which was triggered by rising United States interest rates and a stronger dollar.

"Each country has to take what

is necessary for them to protect but at the same time we have to be able to come up to this cooperation and coordination," she said. "Everybody is now so busy with their own domestic policy that creates even more damage for their own as well as for the global economy."

Indonesia must be more prudent when it comes to spending given the Fed's policy normalization and interest rate increases, Sri Mulyani told a panel at the World Economic Forum.

"Our deficit needs to be reduced. It's a signal you have to be more prudent in spending, designing your budget," she said.

Shipping industry suffers amid currency woes

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

Despite Indonesia's archipelagic nature, its shipping industry is now suffering from losses as the rupiah has continued to weaken against the US dollar.

Stakeholders in the country's shipping industry are seeking solutions to aid the suffering industry amid such unfavorable conditions.

Indonesian Chamber of Commerce and Industry (Kadin) vice chairwoman for transportation Carmelita Hartoto said the country's freight forwarders suffered from an imbalance between their revenues and costs because, while they earned money in rupiah, they made payments to interna-

tional freight services to bring imported goods using the US dollar.

Targeting growth of seven percent this year, the industry's goal is unchanged from last year's realization because of the challenges it is currently facing.

"Many imports are still brought in using foreign ships instead of national vessels," Carmelita, who is also the chairwoman of the Indonesian National Shipowners Association (INSA), said on the sidelines of a logistics exhibition in Jakarta on Wednesday. "Meanwhile, transporting commodities using national ships would still require more incentives from the government."

Carmelita explained that domestic freighters were subject to high interest rates of around 10 to 12 percent in order to insure their

vessels. Meanwhile, in neighboring countries like Malaysia and Singapore, freighters were only charged two percent, she said.

Additionally, Carmelita went on, domestic shipping companies now had to deal with depreciation of the rupiah, which has slumped some nine percent against the US dollar thus far this year.

"With the rupiah in this condition, it has brought more difficulties to us in the logistics and transportation services," she said. "We have to convert our financial income to rupiah, and that leads to losses caused by the [volatile] exchange rate."

The extensive use of the US dollar in the country's logistics services has made the sector a major contributor to Indone-

via's service trade deficit, which reached US\$1.8 billion in the second quarter of 2018. The deficit is 12.5 percent higher compared to the previous quarter, Bank Indonesia (BI) reported in August.

The freight services payment deficit was recorded at over \$2 billion throughout the second quarter, higher than around \$1.9 billion in the first quarter, according to BI.

In 2017, the Trade Ministry issued Regulation No. 82/2017, which requires that coal and palm oil exports and rice imports use national vessels and be insured.

However, its implementation was postponed to 2020 in May this year following concerns over the capabilities of the national shipping industry.

INSA data from 2016 revealed

that foreign vessels accounted for 93.7 percent of Indonesia's trade activities, although the domestic shipping capacity had soared to 38.5 million gross tons that year from 5.67 million gross tons in 2005.

Carmelita called on the government to provide more incentives, especially for those operating in remote areas in the eastern part of the country, in order to establish more integrated freight services and to reduce the use of foreign services.

Responding to the challenges, Transportation Ministry secretary-general Djoko Sasono said the government was looking to incorporate the technologies utilized in the fourth industrial revolution, dubbed Industry 4.0, to

enhance the logistics industry.

He pointed out that Indonesia had successfully increased its position in the World Bank's Logistics Performance Index (LPI) in 2018, leaping 17 positions from two years ago to 46th.

"Furthermore, the government has allocated Rp 500 trillion [\$33.73 billion] thus far to build infrastructure, but the required budget is more than Rp 1.2 quadrillion. So we are expecting more public-private partnership schemes," Djoko said.

Such a scheme has been implemented in the development of Patimban Port in West Java and Bau-Bau Port in Southeast Sulawesi. Djoko said there were more projects to come that would use the scheme.

Cracks appear in Prabowo coalition

Karina M. Tehusjarana
THE JAKARTA POST/JAKARTA

Leaders of the Gerindra Party and the Democratic Party made a public display of unity on Wednesday, responding to speculation that the latter's support for the Prabowo Subianto-Sandiaga Uno presidential ticket was looking increasingly shaky as the election campaign period nears.

On Wednesday night, Gerindra chairman Prabowo held an unscheduled meeting with Democratic Party chairman Susilo Bambang Yudhoyono at the former president's residence in Kuningan, South Jakarta, to discuss what Gerindra secretary-general Ahmad Muzani described as the "solidity of the Democratic Party" and a number of other strategic campaign issues.

Over the past few months, prominent members of the Democratic Party have openly proclaimed their support for President Joko "Jokowi" Widodo's reelection bid, including outgoing West Nusa Tenggara Governor Muhammad "TGB" Zainul Majidi, former West Java deputy governor Deddy Mizwar and Papua Governor Lukas Enembe.

While TGB has since resigned from the party, Deddy and Lukas both remain in the party ranks and have yet to receive any sanction from the party's central board. Democratic Party executives have also said certain party members will be exempted from campaigning for Prabowo and Sandiaga, which led many to speculate that the party decided to hedge its bets on the Prabowo-Sandiaga ticket.

Some analysts said the Democratic Party's leadership was angry at Prabowo's decision to take complete control of his presidential bid by only appointing Gerindra politicians to key positions, while others were convinced that the move was made to protect the interests of Yudhoyono's family in the long run, as it looked almost certain that Jokowi would win the election next year.

Responding to the development within the Democratic Party, the General Elections Commission (KPU) said parties supporting one presidential ticket could not withdraw their support and should continue supporting the coalition it initially preferred.

In a press conference after the meeting on Wednesday, Prabowo sought to downplay any suggestion that the Democratic Party was having second thoughts about backing him.

"I think the issue has been clarified. It has been exaggerated," he said. Yudhoyono himself did not make an appearance during the press briefing and was only represented by his son, Agus Harimurti.

Speaking after Prabowo, Agus maintained that the question of

Prabowo holds meeting with Yudhoyono to discuss 'solidity' of coalition

Meeting takes place after many Democrats switched sides to Jokowi

who individual party members supported in the 2019 presidential election should be considered an internal matter in the Democratic Party.

"What's certain is that nothing has changed, until the end of this presidential race the Democratic Party will be together with Prabowo and Sandiaga, helping them to succeed," he said.

Many political analysts, however, had their own doubts about the public display of unity.

"It is apparent that the Democratic Party is not fully committed to supporting the [Prabowo-Sandiaga] coalition," Saiful Mujani Research and Consulting program director Sirajuddin Abbas told *The Jakarta Post* on Wednesday.

Centre for Strategic and International Studies researcher Arya Fernandes said "the Democratic Party's leadership has failed to guarantee the loyalty of its members toward the opposition coalition".

Members of the Democratic Party central board have defended the party's stance in allowing members to choose freely between the two candidates in next year's presidential election, arguing that the strategy could be key to its success in the 2019 legislative elections, which will be held simultaneously with the presidential poll.

"There are five Democratic Party regional branches that don't represent areas where Prabowo won in [the 2014 presidential election] and leaders of these branches will not be included in the [Prabowo-Sandiaga] campaign team," Democratic Party deputy secretary-general Andi Arief tweeted on Sunday. The five regions are Papua, West Papua, East Nusa Tenggara, North Sulawesi and Bali.

Sirajuddin, however, said the Democratic Party leadership's leniency toward members who switched sides was an aberration and that it could be seen as the outcome of the party's fraught process in joining the Prabowo-Sandiaga coalition.

The Democratic Party's support for the opposition could be considered a rushed decision, with the party remaining undecided only hours before Prabowo and Sandiaga registered their candidacy with the KPU.

The Democratic Party's alliance with Gerindra's chairman was thrown into a tailspin when Prabowo informed them he was considering then-Jakarta deputy governor Sandiaga as a running mate, when Agus was among the frontrunners for the vice-presidential candidate slot. (sau)

Sep. 13. 2017
J. P. S.

New Garuda boss aims for better change

Riza Roidila Mufti
THE JAKARTA POST/JAKARTA

The State-Owned Enterprises (SOE) Ministry has officially appointed a new board of directors for national flag carrier Garuda Indonesia as part of efforts to strengthen the company's financial and operational performance.

I Gusti Ngurah Askhara Danadiputra, known as Ari Askhara, previously president director of state-owned port operator Pelindo III, was appointed to take the chief position of Garuda, replacing Pahala N. Mansury. The latter has been chairing the highest seat of Garuda since April 2017.

The reshuffle was done through an extraordinary shareholders meeting in Cengkareng, Tangerang, on Wednesday, with 89.6 percent of the company's shareholders present.

Human capital, revenue, cost structure three main tasks for new directors

Company still posts losses amid high operating costs

During a press conference after the meeting, Ari elaborated three major tasks the new board of directors wanted to address, namely human capital transformation, revenue enhancement and cost structure redefinition.

With those three tasks, the publicly listed company aimed to reduce its losses to less than US\$100 million by the end of this year.

The company posted \$116.857 million in losses during the first half of this year, smaller compared to \$281.923 million in losses recorded in the same period of 2017.

The airline has set a high goal



JP/Ricky Yudhistira

I Gusti Ngurah Askhara Danadiputra

this year, hoping to garner \$8.7 million in net income and \$4.9 billion in revenue.

"Redefining cost structure means how we redefine our different segmented customers with different cost

structure," said Ari.

Ari said currently the cost structure of services for different segmented customers was likely to be the same, thus making the cost structure for several of Garuda's aircraft not competitive.

For example, the cost structure in ATR planes like Garuda Explore, which is used for short and remote routes, has the same cost structure as the Garuda Boeing

777 and the Garuda NG. The latter two, Ari said, have a far more expensive cost structure compared to ATRs.

Meanwhile, to enhance revenue, Ari said Garuda would possibly see new international, charter and domestic routes that were more profitable and previously owned by competitors.

Ari also hoped that the government would grant Garuda one or two slots in Halim Perdanakusuma Airport to make it more competitive.

While taking some strategic measures, Ari said Garuda's quick win would be through closures of several operational inefficiencies and transformation of human capital by increasing employee welfare without remuneration.

The newly appointed human capital director, Heri Akhyar, said with the current financial state of loss, Garuda's new board of direc-

tors would try to boost the morale of its employees while keeping good relations with stakeholders, the labor union (Sekarga) and the Garuda Pilot Association (APG).

"Usually when a company is in a state of loss, employees will see their motivation drop. We have to try and bring that motivation back. We want to make employees happy," he said.

During his 17-month tenure, former president director Pahala said Garuda's losses had decreased by around 60 percent this year from the previous year. He also mentioned a significant decline in the number of incidents and Garuda's global recognition for its services.

"The programs set in place are ongoing; renegotiation of airplanes is also being conducted. We hope the achievements we have made will continue," said Pahala.

In total, the shareholders of Ga-

ruda replaced six members of eight positions on the board of directors.

Aside from Pahala being replaced by Ari Askhara, Fuad Rizal was appointed as finance and risk management director, replacing Helmy Satriyono.

The commercial director position is now held by Pikri Ilham Kurniansyah, replacing Nina Sulistyowati. Meanwhile, Heri was appointed as human capital director, replacing Linggarsari Suharso.

There was no change in two directors positions, namely technical director and service director, both of which are now held by I Wayan Susena and Nicodemus Panarung Lampe, respectively.

Ari Askhara said he had previously recommended several names while communicating with shareholders, but the final decision was made by the SOE Ministry.