

Wednesday, Jul. 1st, 2020

GENERAL NEWS AND HEADLINES

Prabowo's Russia visit fails to move Sukhoi deal

The Jakarta Post, headline

Defense Minister Prabowo Subianto's recent visit to Russia to attend the Victory Day military parade highlighted the depth of cooperation in the defense sector between the two countries despite the absence of progress in Indonesia's plan to procure Russian Sukhoi jet fighters, defense analysts have said.

Last week, Prabowo jetted off to Moscow to join the celebration of the 75th anniversary of Victory Day, during which he also held talks with Russian Deputy Defense Minister Alexander Fomin.

Defense analysts said Prabowo's latest visit to Moscow is the culmination of a two-year campaign from the Indonesian Defense Ministry to offer a strategic partnership in the defense industry between the two countries, an overture that has been welcomed by the Russian government, which gradually opened itself to such an idea with the 2019 Military Technical Cooperation (MTC) meeting.

Analyst Curie Maharani Savitri of BINUS University told The Jakarta Post that Prabowo's latest visit marked the changing nature of the two countries' defense partnership, which dated back to 2003.

"Indonesia has been invested in bilateral relations with Russia since the days of president Megawati Soekarnoputri in 2003," Curie said. "The [relationship is] evolving, from the initial role of Indonesia as a buyer of [Russia's] primary weapons system; now Russia has opened itself to the prospect of [defense] industry cooperation [with Indonesia]."

State officials' concurrent roles make way for conflicts of interest

Koran Tempo

The Indonesian Ombudsman has found that hundreds of state officials, including active members of the police and military, sit as commissioners of state-owned enterprises, resulting in what it says is a conflict of interest and poor accountability.

Ombudsman commissioner Alamsyah Saragih said that data collected by his office indicated that 397 state officials had concurrent roles at state firms, while 167 others had secured positions at subsidiaries of those companies. Of those found to have second positions at state firms, 65 percent are active members of the National Police, the Indonesian Military (TNI), the State Intelligence Agency (BIN), the Attorney General's Office (AGO), the State Audit Agency (BPKP) or local administrations, according to the Ombudsman.

Alamsyah said the phenomenon was partly the result of a legal loophole in the amended Government Regulation No. 53/2010 on civil servant discipline, which supposedly did not forbid state employees from assuming secondary roles as commissioners of state enterprises or any of their subsidiaries unless those employees served as active members of political parties.

Alamsyah has asked President Joko "Jokowi" Widodo to amend this problem by issuing a presidential regulation that will comprehensively regulate the placement of state officials at state-owned companies.

House reduces Prolegnas target due to pandemic

Kompas, p. 2

The House of Representatives has decided to reevaluate and reduce the target set for the 2020 National Legislation Program (Prolegnas). Initially, the House had targeted 50 bills to be included in the 2020 Prolegnas, 37 bills proposed by the House, 10 bills proposed by the government and three bills from the previous House sitting period. However, only 13 bills are projected to be issued through the Prolegnas.

As the COVID-19 outbreak has warranted priority, many of the bills that were previously prioritized for deliberation were unable to be discussed at the House commission level. The decision to reduce the number of bills included in the

Prolegnas, however, appears contradictory to the House's recent efforts to accelerate the discussion of a number of contentious bills, such as the job creation omnibus bill as well as revisions to the Criminal Code and the 1995 Correctional Facilities Law.

The House's Legislative Body (Baleg) held a meeting on Tuesday with each House commission to discuss the matter. According to the plan, the House will also be meeting with the government on Thursday to further discuss the bills proposed by the government.

Jakarta deemed ready to enter "new normal"

Media Indonesia, p. 5

Jakarta Council chairman Prasetyo Edi Marsudi considers the transitional large-scale social restrictions (PSBB), which has been imposed for the last 25 days since June 5, to have yielded positive results. According to him, the Jakarta administration had exercised tight control over community unit (RW) points.

Moreover, Jakarta DPRD Commission E member Merry Hotma said Jakarta could proceed to phase 2 of the transitional PSBB, which will allow the administration to relax restrictions concerning certain sectors that were previously closed in phase 1.

However, Jakarta Governor Anies Baswedan has yet to announce the results of the transitional PSBB evaluation. Previously, he had said the transitional PSBB phase 1 would be evaluated by the end of the month to determine whether Jakarta was ready to transition into phase 2.

Vote-buying threatens to undermine year-end elections: KPK

The Jakarta Post, p. 3

The Corruption Eradication Commission (KPK) and the Elections Supervisory Agency (Bawaslu) have warned about potential vote buying in the upcoming simultaneous regional elections, which the government insists on holding on Dec. 9 despite the ongoing COVID-19 epidemic.

The two institutions are worried that candidates may woo voters, especially those who are suffering from financial hardship as a result of the epidemic, by offering money or daily supplies.

KPK deputy chairman Nurul Ghufron said these voters would be susceptible to accepting gifts offered by candidates.

"[COVID-19 hardships] might trigger the public to vote for candidates who give them cash and basic necessities," Nurul said in a recent virtual public discussion. "Such a transactional approach is illegal because candidates will exploit those who are enduring economic difficulties so that they can become regional leaders."

Nurul also warned that vote buying might lead to corrupt practices if the candidates who win attempt to offset their extra campaign spending through illicit deals.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Seven companies to relocate their plants from China to Batang

Investor Daily, headline

President Joko "Jokowi" Widodo announced that seven global companies will relocate their factories from China to the Batang industrial area (KIT) in Central Java, with a total investment of US\$850 million. In addition, 17 companies with investment value of \$37 billion have expressed interest in relocating their plants to Batang.

The seven companies are mainly electronic manufacturers from Japan, Korea and the United States. They are Alpan Lighting (PT CDS Asia) from the US, Sagami Electric (PT Sagami Indonesia), Denso (PT Denso) and Panasonic (PT Panasonic Manufacturing Indonesia) from Japan, Meiloon (PT Meiloon Technology Indonesia) and Kenda Tire (PT Kenda Rubber Indonesia) from Taiwan, as well as LG Electronics (PT LG Electronics Indonesia) from South Korea.

President Jokowi ordered Investment Coordinating Board (BKPM) head Bahlil Lahadiah to provide better quality services to win these companies' investments against competitor countries.

Meanwhile, Industry Minister Agus Gumiwang Kartasasmita said the relocation of manufacturing plants to Batang would have a wider multiplier effect for the

national economy, particularly in labor absorption, explaining that the new factories would employ around 30,000 locals.

Bank credit risks rising

Bisnis Indonesia, headline

Non-performing loans (NPL) among local commercial banks have increased to pass the psychological level of 3.01 percent as of May, and this should serve as a warning to banks to take more prudent policies in extending credits during the pandemic, according to the Financial Services Authority (OJK).

NPLs could increase further as loans at risk have increased to 19.2 percent as of May, from 10.13 percent last year. The increase was largely due to by debt restructuring, which reached Rp 695.3 trillion (US\$48.91 billion) belonging to 6.35 million debtors as of June 22.

Meanwhile, banking loans had grown by 3 percent year on year (yoy) as of May, the lowest growth since 1998. The government has put Rp 30 trillion in state banks to enable them to extend more loans as part of efforts to revive the real sectors.

OJK chairman Wimboh Santoso said a number of sectors affected by the COVID-19 pandemic had caused NPLs to increase.

“Before, we only made prediction about this [rising NPLs]. But now, it is reality. A number of banks have booked rising NPLs as of May,” Wimboh said.

OJK approves Bukopin's right issues

Kontan, headlines

Problem-ridden Bank Bukopin (BBKP) will see its capital improve after the Financial Services Authority (OJK) approved a plan to issue shares, with its two biggest shareholders — Bosowa Corporindo and KB Kookmin Bank of South Korea — expressing their readiness to exercise their rights.

Kookmin Bank has even agreed to act as a standby buyer of the rights that are not absorbed by other shareholders.

OJK deputy commissioner for public relations Anto Prabowo said the agency had approved BBKP's rights issuance to restore customers' confidence in the bank.

Based on a BBKP shareholders meeting on Oct. 24, 2019, the bank plans to issue 4.66 billion B-series right shares, or about 40 percent of the bank's shares. Those with every five shares would have rights to purchase two rights shares.

The rights shares will be priced at Rp 180 per share, or below the market price of Rp 185 per share as of Tuesday.

Bank Indonesia's liquidity injection to help economic recovery

Koran Tempo, Economy and Business page

According to Center of Reform on Economics (CORE) research director Piter Abdullah, a load sharing agreement between Bank Indonesia (BI) and the government signaled their commitment to alleviating the current crisis.

Piter added that the load sharing scheme, with the central bank guaranteeing that it would absorb government debt papers (SBN) in both the primary and secondary markets, could alleviate the government's long-term burdens as it must rely on SBNs amid a drop in tax income and the economic slowdown.

Meanwhile, various parties have urged BI to print more money to help the government finance this year's budget deficit, which is expected to reach Rp 1.04 quadrillion (US\$71 billion). Sources told *Koran Tempo* that the government planned to issue more SBNs and had asked BI to absorb them because its global bond issuance had hit the limit of \$6.8 billion, while multilateral loans are limited to up to Rp 111 trillion.

BI governor Perry Warjiwo confirmed that the central bank would continue to purchase government bonds to ensure market liquidity. BI has so far purchased Rp 30.33 trillion worth of government bonds in the primary market.

Govt housing subsidy hampers market growth: World Bank

The Jakarta Post, Business page

The government's housing subsidy program, designed to resolve the country's mounting housing backlog, might backfire by hampering property industry growth and leading to the construction of lower quality homes, the World Bank has warned.

World Bank housing specialist Dao Harrison warned on June 25 that the government's ongoing housing mortgage (KPR) subsidy programs, such as the

Housing Financing Liquidity Facility (FLPP) and interest rate subsidies for loan installments (SSB), which are reserved for landed houses at around Rp 160 million (US\$11,306), slowed lending growth and discouraged developers from building high-quality homes.

“Our survey shows that KPR consumers aspire to purchase houses at a far higher price at Rp 300 million. Developers could build better homes worth an additional Rp 140 million on top of the maximum KPR property price and lenders could provide more lending to homeowners, but they don’t,” Harrison said during an online presentation of World Bank’s latest report published on June 22.

In addition, the KPR property price cap has also led to developers building houses that are located outside of metro areas to bring down prices. According to World Bank data, 57 percent of FLPP-subsidized housing units were located in rural areas in 2017, a huge increase from 36 percent in 2016.

Hence, the housing market’s share of national gross domestic product (GDP) has stagnated at 3 percent for the last five years, falling behind neighboring countries such as the Philippines and Cambodia, where the housing market’s share of GDP is above 4 percent, Harrison said.

The government has been struggling to reduce the country’s housing backlog, which stood at 7.6 million in 2015. President Joko “Jokowi” Widodo’s administration aims to build 1.25 million houses this year to fulfill its commitment to building 1 million houses per year, partially aided by the mortgage subsidy program.

Since 2015, the beginning of Jokowi’s tenure, around 4.8 million houses have been constructed, and his administration plans to build an additional 3.9 million houses by 2024.

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