

Tuesday, Oct. 20th, 2020

GENERAL NEWS AND HEADLINES

Difficult first year for Jokowi, Ma'ruf

Kompas, headline

The Joko "Jokowi" Widodo-Ma'ruf Amin administration has been going through a difficult first year. Various steps have been taken by the administration, especially in handling the impacts of the COVID-19 pandemic, both on public health and the economy. Since mid-March, the administration has reallocated around Rp 677.2 trillion in state funds to mitigate those impacts.

However, a survey released by *Kompas'* Research and Development Department (Litbang) shows that 52.5 percent of respondents were not satisfied with the Jokowi-Ma'ruf administration, while only 45.2 percent were satisfied.

Responding to the finding, State Secretary Pratikno said on Monday that the government had been trying to mitigate the COVID-19 pandemic optimally, claiming that Indonesia was one of the countries that had succeeded in curtailing the virus transmission as well as maintaining economic activity. Likewise, National Development Planning Agency (Bappenas) head Suharso Monoarfa said the government had been adapting well to the situation, including in planning the procurement of COVID-19 vaccines.

Public participation alarming in legislation process

Koran Tempo, Berita Utama

One year into the Joko "Jokowi" Widodo-Ma'ruf Amin administration, legislation for several new laws has prompted a series of demonstrations.

Constitutional law expert Susi Dwi Harjanto of Padjadjaran University in Bandung said the government's neglect of public participation in the legislative process was proof of a crisis in democracy. Susi said the government should appreciate public aspirations and be willing to engage in a dialogue with the public.

Gadjah Mada University (UGM) Law School dean Sigit Riyanto echoed Susi's statement, saying low public participation indicated a setback in democracy.

Monash University sociologist Ariel Heryanto said the flaws in democracy were not entirely the President's fault, but also due to changes in the democratic system. Furthermore, several figures from Soeharto's New Order regime were still filling strategic posts in the administration, Ariel added.

Democracy, Islamic values aligned in RI, webinar hears

The Jakarta Post, p.1

Democratic and Islamic values are intrinsically aligned in Muslim-majority Indonesia, experts and activists have said, amid growing concerns about a rise in religious conservatism that seeks to undermine the country's democratic institutions. Muhammadiyah secretary-general Abdul Mu'ti said during a webinar over the weekend that he viewed democracy not only as a political system but also as a system of values, in which "prosperities" could be built upon. He identified three core values of democracy — emancipation, meritocracy and pluralism — and said they were aligned with Islamic values.

The statement from Abdul, who represents the country's second-largest Muslim grassroots group, comes against the backdrop of rising religious conservatism in Indonesia, a phenomenon that many analysts have noted appeared after the large-scale rallies of the 212 Movement in 2016.

A committee member for the Indonesian Anti-Slander Society (Mafindo), Anita Wahid, said there was a growing narrative of advocating for the "purity" of Islam that justified discrimination against other groups based on a strict interpretation of religious texts.

Meanwhile, women's rights activist Lies Marcoes Natsir said the current wave of growing religious conservatism could be viewed as a result of measures taken by the New Order regime in the past to suppress such groups, which resulted in a lack of opportunities for dialogue.

MUI to review jobs law

Republika, p.1

The Indonesian Ulema Council (MUI) had received the final draft of the Job Creation Law from State Secretary Pratikno, MUI deputy chairman Muhyiddin Junaidi said on Monday.

Muhyiddin added that the council had formed a special team of legal, legislative and constitutional experts and tasked it with reviewing the final draft of the Law. He said the MUI, after reviewing the law, would convey its aspiration through a formal way.

Considering the mounting objections toward the law, Muhyiddin hoped that the government would heed the input from the MUI and the general public.

Scientists cast doubt on jobs law innovation claims

The Jakarta Post, p.2

The government was proud to announce that the Job Creation Law would encourage more applied research, and later innovation, but scientists said it would not work well if Indonesia did not pay more attention to basic research.

Research and Technology Minister and National Research and Innovation Agency (BRIN) head Bambang Brodjonegoro said last week that the law would help “downstream research”, government jargon for making research applicable for commercial purposes through greater participation of state-owned enterprises (SOEs) and regional institutions.

Indonesian Young Academy of Science (ALMI) secretary-general Berry Juliandi applauded the government for supporting applied research by easing the downstream process. However, lawmakers could improve the law by declaring research, development and innovation one of the purposes for the “special assignment” of SOEs, he said. Berry also urged the government to play a bigger role in supporting basic research, which he said had contributed to much of the innovation successes in other countries.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Deficit widens to \$46.3b as govt spending picks up

The Jakarta Post, headline

Indonesia's budget deficit has risen to Rp 682.1 trillion (US\$46.3 billion) and is on track to reach the highest level in history this year as government spending increases and tax revenue dwindles, creating a need for debt financing.

The budget gap hit 4.16 percent of the gross domestic product (GDP) in September, well within the government's forecast of a record-high deficit of 6.34 percent, Finance Ministry data shows. Finance Minister Sri Mulyani Indrawati said the latest data indicated an acceleration in government spending that would prop up the economic recovery.

State spending rose 15.5 percent from the same period last year to Rp 1.84 quadrillion, or 67.2 percent of the year's target. Government spending rose 21.2 percent yoy to Rp 1.21 quadrillion as of September because of higher social and stimulus spending.

"We will maintain and accelerate government spending to drive economic growth, but other policy measures should become the drivers going forward," she said. The other measures, Sri Mulyani said, included the Job Creation Law, which she said would support the economy and help maintain fiscal sustainability.

Assessing Jokowi-Ma'ruf's presidency

Bisnis Indonesia, headline

Today marks one year of Joko "Jokowi" Widodo and Ma'ruf Amin's term as President and Vice President. For his second term, Jokowi has set five priority programs, including human resources development, infrastructure, simplifying regulations, cutting bureaucratic red tape, and economic transformation from natural resources-based to industrial economy.

Some of these programs have shown progress. His program to simplify the regulatory framework has been in the spotlight with the recently passed Job Creation Law. Despite the controversies, businesses have welcomed the new law as the answer to Indonesia's economic challenges and a show of the government's consistency in implementing its priority programs.

Nevertheless, the COVID-19 pandemic has forced the government to shift its focus from implementing the priority programs. Thus, COVID-19 response needs to become an element for evaluation. Jokowi and Ma'ruf have also been criticized for their lack of a breakthrough in fiscal policies.

Market players give passing grade for Jokowi-Ma'ruf's first year

Kontan, headline

Unlike during President Joko "Jokowi" Widodo's first term, the Jakarta Composite Index (JCI) has dropped by more than 17 percent in the past year. However, this does not mean that Jokowi-Ma'ruf is not accepted by the market. After their inauguration on Oct. 24, 2019, the JCI rose to a record high level of 6,339.65. The drop in the JCI is due to the negative sentiment from the United States-China trade war and the COVID-19 pandemic, which are also putting pressure on the domestic economy.

Market players, businesses and economists have agreed that Jokowi's government has had a swift response in mitigating the effects of the COVID-19 pandemic on the economy. For instance, by including tax provision in the Job Creation Law. Despite the controversies, the Job Creation Law is seen as a breakthrough that is hoped to increase the flow of investment, create employment opportunities and improve the economy.

Besides, the government is seen to be protecting the banking sectors through relaxation and liquidity stimulus, preventing them from being hit by a worse crisis. The Jokowi and Sri Mulyani Indrawati factors are also well-liked by market players and believed to be the reason why the economy has not faced the worst amid the pandemic, said Jarvis Asset Management partner and CMO Kartika Sutandi.

Retail investors support stock market resilience

Investor Daily, headline

Domestic retail investors have become a buffer that supports stock market resilience. Although foreign investors have sold their stocks multiple times, the Jakarta Composite Index (JCI) could be maintained because of support from the domestic retail investors. Currently, retail investors dominate 73 percent of transaction volume in the Indonesia Stock Exchange (IDX), the highest level in the last five years.

Financial Services Authority (OJK) chairman Wimboh Santoso said it was satisfied with stock market performance as retail domestic investors held 73 percent of the transaction volume and more than 50 percent of stock ownership this year.

According to OJK data, foreign stock ownership dropped from 51.89 percent in 2019 to 48.77 percent in 2020, while local investors rose from 48.11 percent to 51.23 percent in August, which has continued until October.

Meanwhile, the Indonesian Central Securities Depository (KSEI) reported that retail investors had grown significantly by 32 percent to 3.28 million single investor identification (SID) from 2.48 million SID last year. The increase is supported by digital application developments that have made investment products more accessible.

The IDX is optimistic that the retail investors can exceed 3.5 million SID at the end of 2020 as the number of retail investors have improved dramatically in the last four months. Millennials dominate the retail investor increase with more than 100,000 new investors per month.

Private sector to operate seaports

Koran Tempo, business and economic headline

The private sector has the opportunity to operate Patimban Port in Subang, West Java. Indonesian Port Operators Association (ABUPI) chairman Aulia Febri said the bidding held by the Transportation Ministry showed that the government was ready to entrust President Joko Widodo's strategic project to a non-state-owned entity.

Out of 10 bidding participants for Patimban Port operator, most are private companies. Some prominent private companies participating are PT Samudera Terminal Indonesia and PT CT Corp Infrastruktur Indonesia. There were also PT Indika Logistic and Support Services, PT UC Services, PT Hasnur Jaya International, PT Hasnur Resources Terminal, PT Wahyusamudra Indah and PT Pelayaran Tempuran Emas (Temas).

Meanwhile, the two other companies are the subsidiary of state-owned port operator PT Pelindo IV, PT Kaltim Kariangau Terminal, and the subsidiary of construction firm PT Waskita Karya.

The bidding is seen as a strategic move to limit state-owned enterprises (SOE) domination in port operations. The four state-owned operators, Pelindo I to IV, are already responsible to operate 114 ports. The bidding is expected find the best operator for Patimban Port, which is to become the biggest port in the country.

Disclaimer:

Tenggara Strategics always aims to use reliable sources in providing our best analysis to our clients, and is not responsible for any errors, inaccuracies and/or viewpoints in the original source material upon which we have based our analysis. The analysis contained in this document is intended exclusively for our clients who have subscribed to this service, and is not for public consumption or dissemination.

Nothing contained herein shall to any extent substitute for the independent investigations and the sound technical and business judgment of the reader. In no event will Tenggara Strategics, including its employees, be liable for any decisions made or actions taken in reference to the information contained in these documents, or for any incidental, consequential, indirect, special or exemplary damages, including damages from loss of profits or opportunities, even if advised of the possibility of such damages.