

HIGHLIGHTS OF THE WEEK

POLITICS

Prabowo, Jokowi rumored to join hands

President Joko “Jokowi” Widodo reportedly has offered two ministerial seats, one deputy speakership at the People’s Consultative Assembly (MPR) and two spots on the Presidential Advisory Board to Gerindra as part of reconciliation. Gerindra joining Jokowi’s government may appear an ideal settlement after an exhausting, noisy political year. Such a solution, however, will pose more problems.

Turmoil remains possible following court’s ruling

Through its ruling, the Constitutional Court ended 10 months of rivalry between presidential candidates Joko “Jokowi” Widodo and Prabowo Subianto. The panel of court justices unanimously rejected Prabowo’s challenge to his defeat. However, even after the court delivered its verdict, the fight does not seem to have ended.

Jakarta Bay: Anies’ sudden change of heart questioned

In a sudden turn-around, Jakarta Governor Anies Baswedan issued building permits (IMB) for artificial islets. The policy runs counter to his campaign promise to stop the Jakarta Bay reclamation project of his rival Basuki “Ahok” Tjahaja Purnama. The news has surprised, even disappointed, many since it does not reflect the populist rhetoric imbued in

Should FPI’s permit be revoked?

Permit for hardline mass organization the Islam Defenders Front (FPI) expired on June 20. the public was divided over the group’s future. While some believe that suspending FPI as a mass organization might protect the public from its alleged support for radicalism, turning down the permit extension request does not necessarily mean that the group will be permanently disbanded

BUSINESS & ECONOMY

Gov’t policies to reduce oil imports deliver mixed results

The effectiveness of the government’s efforts to reduce oil and gas imports, such as increasing the consumption of 20 percent blended biodiesel (B20) and stopping aviation turbine fuel (avtur) and solar imports from May, have been questioned.

Coal industry in limbo after Tanito Harum has IUPK revoked

The government has yet to provide certainty for eight major coal mining companies with contracts set to expire in 2025. Their mining contracts could not be extended so far, because a revision of Government Regulation (PP) No. 23/2010 – the legal basis for contract renewal – has not yet been approved by the President.

BI reaches an agreement with Visa, Mastercard

Bank Indonesia has reached an agreement with American switching companies MasterCard and Visa regarding their participation in the national payment gateway (GPN). The deal is pivotal and might have a positive influence on Indonesia negotiation with the US concerning the General System of Preference (GSP).

Jokowi green-lights revision of 2003 Manpower Law

President Joko “Jokowi” Widodo held a Cabinet meeting to discuss his plan to revise Manpower Law. Jokowi stated that, after his recent reelection, he was free to pursue unpopular policies that could boost the economy. Seizing on this opportunity, Apindo, HIPMI, and Kadin pushed for a revision of the 2003 Manpower Law to boost the development of Indonesia’s labor-intensive industries.

POLITICS

Prabowo, Jokowi rumored to join hands

OVERVIEW

News about President Joko “Jokowi” Widodo’s intention to meet his challenger, Prabowo Subianto, for reconciliation has circulated after the General Elections Commission (KPU) announced the election result on May 21, which showed the incumbent had won by 11 percentage points.

While initially the Prabowo camp had denied that it would respond to Jokowi’s initiative and insisted that the coalition remained strong despite the defeat, Gerindra, Prabowo’s party, recently acknowledged Jokowi had offered Prabowo strategic post(s) as part of the reconciliation.¹ Reports have it that Gerindra has been offered two ministerial seats, one deputy speakership at the People’s Consultative Assembly (MPR) and two spots on the Presidential Advisory Board.²

Prabowo campaign team spokesman Andre Rosiade, however, refused to confirm the report, saying the opposition camp was focusing on its last-ditch efforts to challenge Prabowo’s defeat at the Constitutional Court.³

Gerindra joining Jokowi’s government may appear an ideal settlement after an exhausting, noisy political year. Such a solution, however, will pose more problems. First, having Gerindra in Jokowi’s coalition will undermine the checks and balances mechanism that characterizes a democracy. If that happens, the government will practically run unopposed, particularly as the National Mandate Party (PAN) and the Democratic Party, which nominated Prabowo, have signaled their shift of support to Jokowi. The April election resulted in Jokowi’s coalition winning an outright majority at the House of Representatives.

Second, some actors in Prabowo’s camp may feel “betrayed” if he decides to accept Jokowi’s offer. The Islam-based Prosperous Justice Party (PKS), for instance, will find it difficult to cohabit with the ruling coalition.

Last, not all of Jokowi’s coalition members will welcome Gerindra. Currently, Jokowi has nine parties in his coalition, which is already too crowded for some. The level of competition among parties to secure ministerial and strategic posts is likely to increase if the coalition is expanded.

WHAT’S MORE

Inviting Gerindra into his coalition will potentially create new problems for President Jokowi. Many actors from his original coalition have hinted objection to his plans, if any, to invite Gerindra into the government. Golkar chairman Airlangga Hartarto, for one, said Gerindra

¹ Tribunnews.com, “Tak Hany Demokrat, Gerindra Juga Dapat Tawaran Jatah Menteri di Kabinet Jokowi-Maruf Amin” 12 June 2019 <http://tinyurl.com/y5nxy8c8>

² Majalah.tempo.co, “Kepala Intel dan Rekonsiliasi 212” 22 June 2019 <http://tinyurl.com/y4tdyar5>

³ Ibid.

did not need to join because the ruling coalition already controlled the majority of seats in the House to ensure a stable government.⁴

Likewise, the NasDem Party, one of Jokowi's strongest supporters, has also expressed its dismay on the possibility of Gerindra joining the coalition as it could "reduce the effectiveness of the cabinet".⁵ According to NasDem secretary-general Johnny S. Plate, Gerindra should remain a "contributive opposition" in order to monitor the government.⁶

Indeed, even without Gerindra, PAN and the Democratic Party, Jokowi's coalition is already large. Adding three additional parties into the coalition will without a doubt increase the competition among the coalition parties in securing strategic posts.

Prabowo is also at great risk of losing supporters if he decides to switch sides. In addition to the PKS, hardline mass organization the Islam Defenders Front (FPI), another ardent supporter of Prabowo, would feel betrayed by Prabowo if he partners with Jokowi. The FPI's decision to mobilize its members hours before the Constitutional Court announced its ruling on the election dispute despite Prabowo's discouragement was a strong signal that the organization had started cutting ties with the presidential candidate.

Gerindra joining Jokowi's coalition may also undermine Prabowo's good relationship with allies the Democratic Party and PAN. Assuming that Jokowi's original coalition parties would not accept all three opposition parties into the ruling coalition, Gerindra, the Democratic Party and PAN now might have to compete for strategic posts.

Creating a competitive environment among not only Prabowo's supporters but also his coalition parties might be Jokowi's intention all along. For one, if Jokowi succeeds in alienating Prabowo's supporters from each other, there would be no serious unified threat against him. Likewise, by welcoming new players into his coalition, Jokowi might imply that all is fair in the political game under his rule, much to his coalition parties' dismay. Anyone can get in, or get out. After all, after winning his second term, Jokowi has nothing to lose.

WHAT WE'VE HEARD

Three days before the announcement of the Constitutional Court's ruling, a political settlement between Jokowi and Prabowo was almost finalized.

Indonesian Democratic Party of Struggle (PDI-P) chairwoman Megawati Soekarnoputri reportedly sent State Intelligence Agency (BIN) chief Gen. Budi Gunawan to meet Prabowo right after the hearing started to work toward a solution that was politically acceptable. "It will be all done, if no one interferes," said a source who is a senior politician-cum-businessman.

According to the source, Budi and Prabowo met in a place chosen by Prabowo. The result of the meeting was that Prabowo and Gerindra would get strategic posts in the government. Another source from the Jokowi camp even claimed that two ministerial posts had been

⁴ Tribunnews.com, "Golkar Kirim Sinyal Keberatan Partai Gerindra Bergabung ke Koalisi Jokowi-Maruf, Ini Kata Airlangga" 19 June 2019 <http://tinyurl.com/y3ctdx6q>

⁵ Republika.co.id, "Nasdem tak Sepakat Gerindra Gabung Koalisi Jokowi" 26 June 2019 <http://tinyurl.com/y3454udu>

⁶ Ibid.

allocated for the Prabowo camp. “[The ministerial posts] can be for Gerindra cadres or anybody else,” said the source.

Prabowo, however, also wanted to be consulted on candidates for certain ministerial and nonministerial posts. “This will ensure that nobody disrupts the consolidation of national politics,” said the source.

The source said Prabowo had asked for the privilege. “[Prabowo] wants the privilege particularly in the selection of candidates for legal affairs posts, so that there will no more criminalization of his supporters in the future,” said the source. The posts Prabowo was referring to exclude the National Police chief, which he said was the domain of the PDI-P.

Prabowo reportedly said he deserved the privilege as “political compensation” for his willingness to accept defeat, while he believed he lost because of electoral fraud.

It is widely known that Budi remains very influential in the National Police. Prabowo believes Budi is acting on Megawati’s behalf. “Megawati has no problem with Prabowo. For a long time, they have never had a grudge against each other,” said the source.

The source added that Megawati was impressed with Prabowo’s instinct as a king maker, as evident in his choice of Jokowi and Basuki “Ahok” Tjahaja Purnama for the Jakarta gubernatorial race in 2012.

To date, Megawati prefers to engage several people from the Prabowo camp rather than Jokowi’s people, who have allegedly undermined the relationship between him and Prabowo. “Megawati has identified the most ‘disruptive’ people and has alerted Jokowi about them. Let’s see how Jokowi will respond,” the source said.

The source said those people had been responsible for Jokowi’s move to ask the KPU bring the announcement of the election result forward to May 21 from May 22. Riots gripped parts of Jakarta afterwards.

Turmoil remains possible following court’s ruling

OVERVIEW

Through its ruling, the Constitutional Court ended on Thursday evening 10 months of rivalry between presidential candidates Joko “Jokowi” Widodo and Prabowo Subianto. After a marathon hearing, the panel of court justices unanimously rejected Prabowo’s challenge to his defeat by a margin of 17 million votes to Jokowi in the April 17 race. The court said Prabowo and his running mate Sandiaga Uno failed to prove their claim of massive cheating that cost them the victory.

As the court’s ruling is final and binding, it can be concluded that the game is over now for Prabowo and Sandiaga to realize their quest for the highest office.

However, even after the court delivered its verdict, the fight does not seem to have ended. Although in his speech following the release of the court’s decision Prabowo said he would respect and implement the ruling, he short stopped of congratulating Jokowi and his running mate Ma’ruf Amin, who are now president- and vice president-elect. Back in

2014, Prabowo congratulated Jokowi when the president-elect visited the former Army general a few days before Jokowi's inauguration. Furthermore, Prabowo said he would consult his lawyers to find legal actions related to the election result after the court announced its verdict.

The possibility of political turmoil in the country remains too as a result of the divisive election. Several circumstances show that Prabowo's supporters will continue their fight despite his call for them to respect the court's decision. For instance, several members of hardline group the Islam Defenders Front (FPI) have threatened to wage a war if the court rejects Prabowo's motion.⁷ A number of Prabowo's supporters have reportedly urged him not to give up if the court turns down his lawsuit.⁸

Nonetheless, although refusing to please all parties, it appears the court tried its best to demonstrate its sense of justice. Not only did the justices repeatedly reaffirm their neutrality and independence in handling the legal battle, they also allowed Prabowo to revise the petition he had already filed, to the dismay of Jokowi's lawyers. Live TV coverage of the hearings was another effort to dismiss doubts over the fairness of the legal proceedings.

WHAT'S MORE

Despite the court's ruling, it does not mean that the Prabowo camp did not gain anything from the legal battle. For one, its attack on Ma'ruf's alleged position in a subsidiary of a state-owned bank was relatively unforeseen. According to Article 227 of Law No. 7/2017, Prabowo's attorney Bambang Widjojanto stated, executives of state-owned enterprises must resign before competing in a presidential election. While the allegation was rejected by the court and unable to create a dissenting opinion among the justices as some had predicted, it still creates a new narrative in the public.

Second, the legal battle helped Prabowo save his blushes. Prabowo had several times declared victory, initially by 62 percent of the vote but then reduced it to 54 and 52 percent, until the General Elections Commission announced Jokowi's win by a gulf of 17 million votes on May 21. Riots in areas adjacent to the Elections Supervisory Agency followed Prabowo's refusal to accept defeat. Only after the unrest did Prabowo decide to pursue a court battle.

Even though it was predicted that his chances of winning were slim, Prabowo went ahead. The legal battle helped him appease his ardent supporters. Now, no one can accuse him of surrendering without a fight.

⁷ IDNtimes.com, "Massa Aksi di MK: Kalau Jokowi Menang Kita Akan Perang" 26 June 2019

<http://tinyurl.com/y4y42chh>

⁸ Tribunnews.com, "Sidang MK Pilpres 2019 Digelar Siang Ini, Prabowo Diminta Tolak Hasil hingga Agenda Jokowi" 27 June 2019 <http://tinyurl.com/y2mf4c2x>

Jakarta Bay: Anies' sudden change of heart questioned

OVERVIEW

In a sudden turn-around, Jakarta Governor Anies Baswedan issued 932 building permits (IMB) for artificial islets, specifically islet C and islet D called Pantai Maju and Pantai Kita. The policy runs counter to his campaign promise to stop the Jakarta Bay reclamation project of his rival Basuki "Ahok" Tjahaja Purnama.

In June last year, Anies sealed buildings on the islets after announcing that they had yet to acquire construction permits. A year later, on June 12, however, the Jakarta One Stop Service (PTSP) Agency confirmed it had issued the building permits.

The news has surprised, even disappointed, many, especially Anies' supporters, since it does not reflect the populist rhetoric imbued in his campaign, in which he denounced the reclamation project as disadvantageous to fishermen in the region.

Anies' move might be nothing but a political decision. Now that he is governor, he has to seek compromises and avoid adversarial relationships with all key players in Jakarta politics. The constant maneuvering of actors is politics' bitter pill that not only Anies, but all politicians, must swallow.

The interconnectedness of actors in political decision making is reflected by a domino effect among Anies' supporters and detractors alike after his about-face. The Indonesian Solidarity Party (PSI), one of Anies' outspoken critics, publicly praised the governor's decision to issue the IMB, claiming that it would provide legal certainty.⁹ In contrast, members of Gerindra, the party that nominated Anies to the governorship in the first place, are divided over Anies' decision; while some, including Gerindra Party Jakarta chairman M. Taufik, support Anies and encourage fellow Gerindra members to follow suit, some others denounce the governor's policy as a political blunder.

One thing remains constant, however: Anies' penchant for populist measures. For one, Anies might have anticipated the negative responses. He had reinforced his populist image days before the IMB announcement through several actions, including visiting the victims of the May 22 Jakarta riots and warmly welcoming newcomers who arrived in the city during the reverse flow of the Idul Fitri exodus.

If all else fails, Anies can still enforce the last possible measure, namely his predecessor Ahok's narrative. Such a measure has actually been implemented; in defending his decision, Anies claimed that the legal foundation of his decision to issue the IMB was Gubernatorial Regulation No. 206/2016 signed during Ahok's administration.

WHAT'S MORE

Issuing the IMB might be one of Anies' strategies to realize his bid to contest the 2024 presidential election. Indeed, Anies has been projected as a strong contender. His image as a populist figure, however, might be a double-edged sword; while his populism might win the

⁹ Kompas.com, "PSI Apresiasi Anies Terbitkan IMB Pulau Reklamasi, Ini Alasannya" 23 June 2019 <http://tinyurl.com/y62gswod>

hearts of the people, particularly those of the lower-middle class, he might enrage elites and business players. His decision to issue the IMB, thus, might be intended to placate business actors, whose interests have been jeopardized throughout the reclamation controversy.

Furthermore, the change signifies Anies' flexibility in doing business, another important factor in terms of winning the presidency. As Anies' populist image is often associated with his close ties with groups such as the hardline Islam Defenders Front (FPI), which staunchly supported his gubernatorial campaign, taking a completely different stance might create a more nonpartisan image and display his control over particular groups. Indeed, securing the presidential seat is much more complicated than winning the gubernatorial post. More groups, including business players, must be approached.

The praise from the PSI for Anies' IMB issuance signals the governor's success in expanding his support base. Reports about close ties between PSI figures and politico-economic elites should not be overlooked as well.¹⁰ If it is proven true, then Anies might be on the right track to win over business players' hearts. Securing support from a party opposing his administration is, of course, a big plus.

This juggling game, however, is a risky business. One wrong move could cost Anies both spectrums of voters.

Meanwhile, Anies' decision to issue the IMB could also provide an opportunity for politicians to secure the Jakarta deputy gubernatorial seat that has been left vacant by Sandiaga Uno, who decided to run as vice presidential candidate last year. Gerindra's M. Taufik's full support (he allegedly threatened to dismiss Gerindra members who did not support Anies' IMB issuance¹¹) for Anies, thus, might be intended to gain Anies' favor. Taufik has been widely said to eye the deputy gubernatorial post. Likewise, it is likely that support from the Prosperous Justice Party (PKS), whose two members are also eying the deputy gubernatorial post, for Anies' latest maneuver is expected to help the party win its ongoing quarrel with Gerindra over the coveted post.

Should FPI's permit be revoked?

OVERVIEW

Permit for hardline mass organization the Islam Defenders Front (FPI) expired on June 20. The group applied for extension of its permit to the Home Affairs Ministry on the very next day.

On June 22, head of FPI Legal Aid, Sugito Atmo Prawiro said that the group had completed the procedure and there should be no reason for the government to reject FPI's extension permit.¹² As of June 24, Home Affairs Minister Tjahjo Kumolo, however, said that the ministry's Directorate General of Politics and Public Administration was studying the application.

¹⁰ Pinterpolitik.com, "PSI Apresiasi Anies, Batal Oposisi?" June 24 2019 <http://tinyurl.com/y549j45b>

¹¹ Indopos.co.id, "Polemik Penerbitan IMB Pulau Reklamasi, Gerindra Pecah Dua" 24 June 2019 <http://tinyurl.com/y6zxscl4>

¹² Detiknews, "Mendagri: Pengajuan Perpanjangan Izin FPI Sedang Dievaluasi" 24 June 2019 <https://news.detik.com/berita/d-4597799/mendagri-pengajuan-perpanjangan-izin-fpi-sedang-dievaluasi>

Nearing the expiration date of FPI's permit, the public was divided over the group's future. While many have signed an online petition asking the government to extend the permit, they are outnumbered by those who are against the extension. To date, a petition urging the government to freeze FPI's permit has more than 484,000 signatories. They say the FPI is radical and supporter of acts of violence and the outlawed Hizbut Tahrir Indonesia (HTI).

While some believe that suspending FPI as a mass organization might protect the public from its alleged support for radicalism, turning down the permit extension request does not necessarily mean that the group will be permanently disbanded. On the contrary, considering the growing influence of the group in the public, without a permit, the group might continue to exist as an "underground" group, increasing the chance of the group going rogue.

In managing FPI, the government should consider taking the opposite measure; instead of alienating the group by abolishing its permit, the government could take a softer approach by increasing its engagement with the group. Contrary to popular belief, engaging FPI will be mutually beneficial for the government and the group. For FPI, the group will secure recognition from the government and increase its legitimacy. For the government, FPI will have to follow the rule once it is formally accepted as part of the system. Once it becomes part of the game, the group is likely to shift its focus to maximize public support through votes, if it abandons its exclusive, radical and intolerant view.

WHAT WE'VE HEARD

Leaders of the FPI have asked Prabowo to turn a deaf ear to the offer from President Joko "Jokowi" Widodo to bury the hatchet following the recent election and join the government. The FPI's wish, however, may not be granted, since the Prosperous Justice Party (PKS) reportedly supports the Gerindra Party's entry into the ruling coalition. The PKS might also be offered strategic posts, albeit not in the Cabinet.

The quarrel between the FPI and the PKS has yet to escalate into an open conflict. Both the FPI and the PKS are still waiting for Prabowo's response following the Constitutional Court's ruling.

"[The FPI and PKS] are still monitoring how things develop. This is a matter of a stance that can win sympathy from supporters," said a source from the PKS.

BUSINESS & ECONOMIC POLICY

Gov't policies to reduce oil imports deliver mixed results

OVERVIEW

Last April, Indonesia recorded one of its worst monthly trade deficits at US\$2.28 billion due to a surge in oil and gas imports and weakened non-oil and gas exports. In May, the country's trade account showed a slight improvement with a \$207 million surplus. Because of May's surplus, the cumulative trade deficit for the January to May period narrowed to \$2.14 billion. The trade deficit so far this year is \$1.4 billion lower than the same period last year.

The cumulative deficit from oil and gas trade was lower from January to May 2019, at \$3.75 billion, than from January to May 2018, at \$5 billion. This has been caused by a sharp decrease in crude oil imports. However, fuel imports remain high. Between January and May 2019, the country imported 9.7 million tons of fuel, which was only slightly lower than the amount imported in the same period in 2018 at 10.3 million tons. This raises questions over the effectiveness of the government's efforts to reduce oil and gas imports, such as increasing the consumption of 20 percent blended biodiesel (B20) and stopping aviation turbine fuel (avtur) and solar imports from May.

Meanwhile, a \$1.6 billion surplus was recorded in non-oil and gas trade between January and May 2019, significantly lower than the surplus in the same period last year of \$2.24 billion. Weak demand for palm oil since 2018 and falling coal prices are the main reasons for this year's poor export performance. The government has not outlined any policies to boost dwindling exports. Instead, it has decided to adopt a strict import restriction policy that constrains household consumption and investment growth.

WHAT'S MORE

Oil imports have become the main concern of President Joko "Jokowi" Widodo's administration. Rising global oil prices, combined with the President's refusal to increase domestic fuel prices last year in the lead up to the 2019 presidential election, has caused oil imports to swell, which in turn has strained the country's trade balance and current account position.

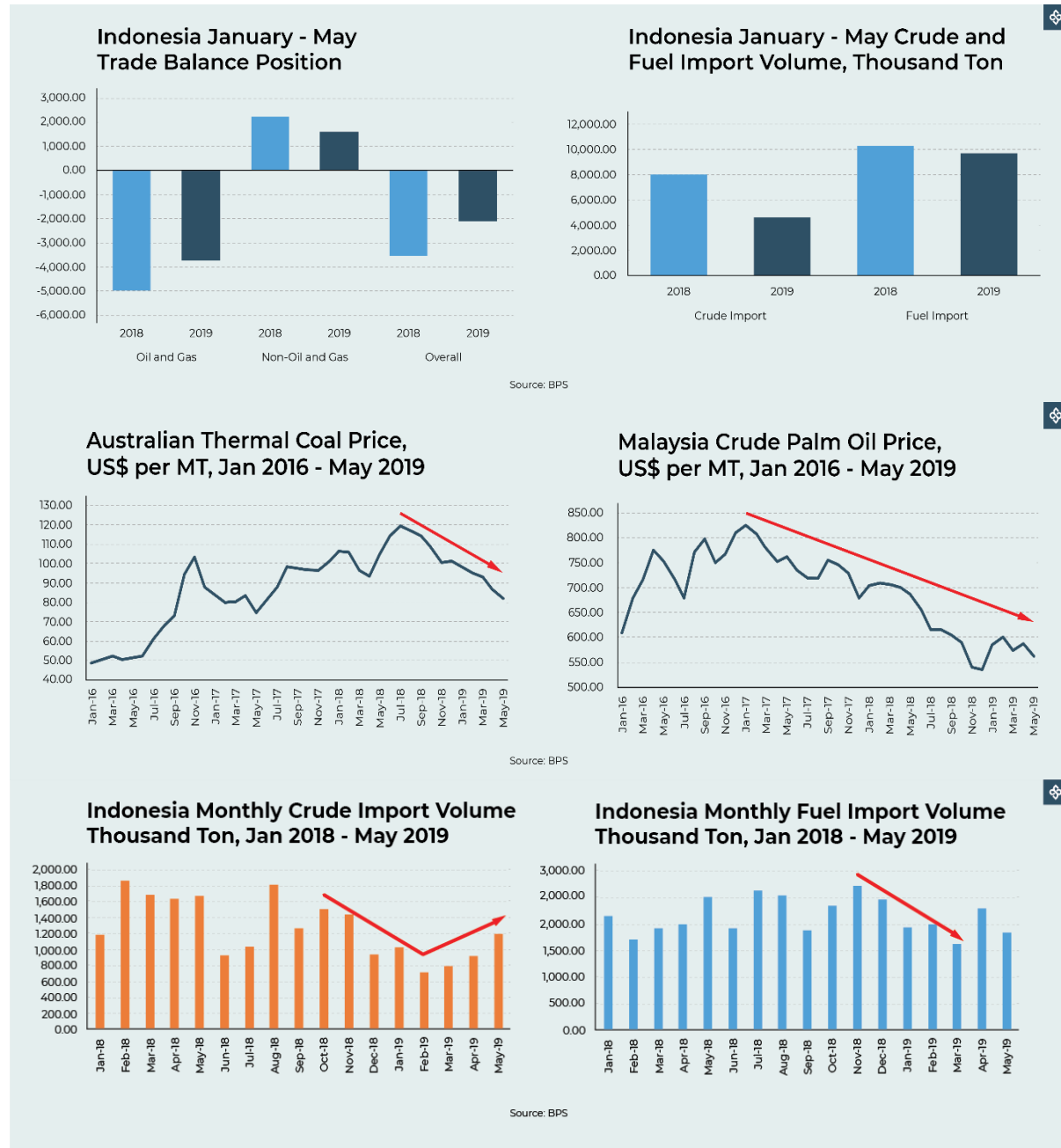
To prevent oil imports from increasing further, President Jokowi introduced the B20 policy last September.¹³ After the policy was introduced, monthly crude and fuel imports fell. However, in April there was a sudden surge in crude and fuel imports. In response.

Coordinating Economic Minister Darmin Nasution introduced a new policy to stop avtur and solar imports from May.¹⁴

¹³ CNNIndonesia.com, "Kontrak diteken, program B20 Jokowi siap meluncur 1 September." 30 August 2018 <https://tinyurl.com/y34xfhgo>

¹⁴ CNNIndonesia.com, "Pemerintah setop impor avtur dan solar mulai Mei nanti." 10 May 2019 <https://tinyurl.com/y3twb7cr>

Following the introduction of this policy, fuel imports in May decreased to 1.8 million tons from 2.3 million tons in April. However, crude imports in May increased to 1.2 million tons from 914,000 tons in April. This increase in crude imports suggests that Pertamina is using imported crude oil to produce avtur and solar domestically to fill the gap left by Darmin's import ban.



Coal industry in limbo after Tanito Harum has IUPK revoked

OVERVIEW

The government has yet to provide certainty for eight major coal mining companies with contracts set to expire in 2025. Their mining contracts could not be extended so far, because a revision of Government Regulation (PP) No. 23/2010 – the legal basis for contract renewal – has not yet been approved by President Joko “Jokowi” Widodo.¹⁵

Energy and Mineral Resources Minister Ignasius Jonan said the revision was hampered by delay in a revision of the Mineral and Coal Mining Law (Mining Law) at the House of Representatives (DPR). House Commission VII deputy chairman Ridwan Hisjam said the revision could not be carried out because the House was still waiting for the problem inventory list (DIM) from the government.¹⁶

The delays and uncertainty over the Mining Law and the revision of PP 23/2010 have taken a toll on the operations of Tanito Harum. Earlier this year, Energy and Mineral Resources Ministry Mineral and Coal Director General Bambang Gatot Ariyono granted Tanito Harum a permit renewal by changing its license to a special mining permit (IUPK) from a contract of work (PKP2B).¹⁷ The permit was revoked this month over an objection from the Corruption Eradication Committee (KPK).¹⁸ The revocation of Tanito Harum’s permit is making the industry nervous as mining firms prepare their next move at the Coaltrans Conference in Bali. **(See What We’ve Heard for details)**

WHAT’S MORE

In March, State-Owned Enterprises Minister Rini Soemarno sent a letter asking the state secretary to give SOE mining companies priority in obtaining concession areas from expired PKP2B licenses. Arviyan Arifin, the director of Bukit Asam, said the state-owned coal mining firm was ready for such a takeover, but he changed his position after state-owned mining holding company Asahan Aluminium (Inalum) director Budi Gunadi Sadikin issued a statement that coal was not on Inalum’s priority list.¹⁹

WHAT WE’VE HEARD

According to a source, long before the Energy and Mineral Resources Ministry drafted the revision of PP 23/2010, major players in the coal industry who hold PKP2B licenses lobbied the Energy Commission of the House of Representatives.

¹⁵ CNBCIndonesia.com, “Jokowi tahan revisi PP batu bara, BUMN menang lawan swasta?” 20 June 2019 <http://tinyurl.com/yxibmw23>

¹⁶ Tirto.id, “Menteri Jonan sebut DIM untuk revisi UU Minerba sudah rampung.” 21 June 2019 <http://tinyurl.com/y2r9mst4>

¹⁷ Kontan.co.id, “Tanito Harum, PKP2B pertama yang kontraknya diperpanjang 20 tahun.” 18 January 2019 <http://tinyurl.com/yxqjd5ga>

¹⁸ CNBCIndonesia.com, “Tersandung KPK dan revisi PP, IUPK Tanito Harum dibatalkan!” 20 June 2019 <http://tinyurl.com/y6jokrpx>

¹⁹ CNBCIndonesia.com, “Holding BUMN tambang justru belum tertarik akuisisi PKP2B.” 24 June 2019 <http://tinyurl.com/y4qbxfbm>

They were reportedly trying to effect a revision of Law No. 4/2009 on coal and mineral mining with the help of certain politicians. The revision, they hoped, would smoothen the extension of their operation permits without reducing their concession areas.

One of their operators at the DPR was Eni Saragih, the former deputy chairwoman of the energy commission. According to the same source, the KPK detected the plan and made it subject to surveillance. The discussion on the Mining Law revision was sped up to wrap it up by mid-2018. Nevertheless, the revision was put on hold over the KPK's indictment of Eni in the Riau-1 power plant corruption case.

Following the arrest, coal mining industry changed its tactic by lobbying the ministry. The draft on the PP 23/2010 revision moved intensively between the ministry and lawyers from a number of coal mining companies – mainly the legal team of Arutmin, now part of the Bakrie conglomerate.

The draft was almost signed by President Jokowi in early 2019. However, before the signing, State Secretary Pratikno sent a letter to Finance Minister Sri Mulyani Indrawati, State-Owned Enterprises Minister Rini Soemarno and Coordinating Economic Minister Darmin Nasution to sign the draft.

Another source said that, in line with a recommendation from the SOE Ministry's legal team, Rini was about to sign every page of the draft. However, she changed her mind and asked one of the team members to review the draft again.

Following that review, Rini sent a letter to Pratikno on March 1, asking for further revision in accordance with the Mining Law, particularly on the issue of concession areas that should not exceed 15,000 hectares for a PKP2B extension. She also requested that SOE mining companies be prioritized by being able to obtain concession areas from expired PKP2B without district government recommendation.

In response to Rini's letter, several other sources said, Ignasius Jonan invited Rini for a breakfast meeting, asking her to sign the draft for the revised regulation. He also mentioned that coal mining executives had provided significant support for Jokowi-Ma'aruf Amin election campaign. Rini ignored Jonan's request.

On March 16, the coal barons visited Jonan's official residence at Denpasar Raya, Kuningan. Among them were Garibaldi Boy Thohir, Nirwan Bakrie, Fuganto Widjaja, Arsjad Rasjid and Steven Scott Barki. They asked for the government to commit to the revision of PP 23/2010. However, some of them did not realize that Tanito Harum, a subsidiary of Harum Energi founded by Kiki Barki, renewed its mining permit on Jan. 11, while the draft for the revised regulation was still under discussion. They only found out about Tanito Harum after the meeting.

Later, KPK decided to intervene by conducting an investigation and calling the ministry's coal and mineral mining director general, Bambang Gatot Ariyono, twice in May. One of the questions was the replacement of Tanito Harum's PKP2B permit with an IUPK. Following the investigation, KPK chairman Agus Rahardjo sent a letter to President Jokowi on May 31. Four issues were mentioned in the letter, two of them regarding the concession area cap of 15,000 ha allowed to be granted under a permit extension and a request to revoke Tanito Harum's permit extension.

A source in the government said the KPK made a calculation on state revenue received under the revised regulation using actual data from coal companies listed on the Indonesian Stock Exchange. The KPK calculation showed that state revenue would be smaller under the

revised regulation, and might be even worse, if coal mining companies used transfer pricing or in-group subcontractors.

In response to the KPK letter, Jokowi summoned Jonan and Bambang Gatot to the Presidential Palace on June 10. During the meeting, the President requested to hold off on revising PP 23/2010 and to undo Tanito Harum's permit extension. Jonan revoked Tanito Harum's permit two days later.

On June 20, the ministry invited coal mining companies for a meeting at the Coal and Mineral Mining Directorate General offices in Soepomo, Tebet, South Jakarta. Director General Bambang Gatot regretted the leak over the meeting at Jonan's official residence. Then he requested that no record be made on this meeting. Conveying the results of the KPK recommendation, Bambang told Tanito to wait for the revision of the Mining Law or file a lawsuit with the administrative court.

According to sources in the government, the expiration of PKP2B contracts was a hot issue at the Coaltrans Conference in Bali on June 24. Jonan, who was supposed to attend the event, canceled his appearance in the last minute.

On the sidelines of the meeting, the coal barons agreed to work together by forming a legal team as well as a lobby team. The legal team would be responsible for filing the lawsuit with the PTUN, and the lobby team would approach the energy commission. They asked Tanito to spearhead the lawsuit, but Tanito refused, because the Harum Energi group worried such legal action might adversely affect its other businesses. A source who attended the conference in Bali said Harum Energi just wanted to play safe, protecting the group's business interests in the coal industry.

BI reaches an agreement with Visa, Mastercard

OVERVIEW

Bank Indonesia has reached an agreement with American switching companies MasterCard²⁰ and Visa²¹ regarding their participation in the national payment gateway (GPN). The deal is pivotal and might have a positive influence on Indonesia negotiation with the US over its preferential trade status in the General System of Preference (GSP).

Since the implementation of Bank Indonesia Regulation No. 19/8/PBI/2017 on GPN last year, a foreign switching company needs to either divest 80 percent of their shares to a local entity or collaborate with a domestic switching company authorized by the central bank. Mastercard, reportedly, will implement GPN in their debit card service system in Indonesia and has agreed to comply with several points required by BI, except for investment in local data center in which negotiation is still ongoing. BI Governor Perry Warjiyo said that MasterCard will collaborate with Artajasa.

²⁰ Bisnis.com, "Gubernur BI: MasterCard sepakat ikuti syarat system gerbang pembayaran." 25 June 2019 <http://tinyurl.com/y2wd4nkr>

²¹ Bisnis.com, "Program GPN: Visa masih selesaikan gap dengan mitra lokal." 27 June 2019 <http://tinyurl.com/y5mvwbg4>

WHAT'S MORE

The negotiation over Indonesia status in the GSP has been on-going since April last year. The US reviews Indonesia's eligibility in the GSP on the basis of market access and investment restrictions that create serious adverse effects on US commerce. One of the most pressing is MasterCard and Visa's access to the GPN. Another is the requirement for foreign companies, particularly foreign technology companies such as Google, Facebook, Amazon and others, to set up data center in Indonesia as regulated in Government Regulation (PP) No. 82/2012.²²

The first issue has been addressed by BI. But talks on the second issue is still in progress. In January, the government proposed a revision on PP No. 82/2012. Based on the draft revision submitted to President Joko "Jokowi" Widodo, electronic data will be divided into three categories: strategic, high-risk, and low-risk data. Should President Joko "Jokowi" Widodo approve the current draft, the only data required to be stored in local data center will be that classified as strategic, which includes health information, bank transaction details, transportation schedules, and information on energy and mineral resources. However, Indonesian data center companies protested the revision draft because such revision would lower the demand for local data management services from foreign companies.²³

To accommodate their concern, the government removes the articles on data classifications from the draft and replace it with articles on Electronic System Operators. According to Article 2 Paragraph (3) Point (B) of the new draft, Electronic System Operators consist of Public and Private operators which electronic system is placed and/or services is offered in Indonesia.²⁴ Due to lack of detailed information regarding Public and Private Electronic System Operators, it is still unclear how the new revision would affect foreign technology companies, as well as Indonesia's GSP negotiation.

Jokowi green-lights revision of 2003 Manpower Law

OVERVIEW

Following his meeting with the Indonesian Employers Association (Apindo), Indonesian Young Entrepreneurs Association (HIPM) and Indonesian Chamber of Commerce and Industry (Kadin), President Joko "Jokowi" Widodo held a Cabinet meeting on June 24 to discuss his plan to revise Law No. 13/2003 concerning Manpower.²⁵

In the meeting Jokowi stated that, after his recent reelection [to a second and final term in office], he was free to pursue unpopular policies that could boost the economy.²⁶ Seizing on this opportunity, Apindo, HIPMI, and Kadin pushed for a revision of the 2003

²² CNBCIndonesia.com, "Review GSP terganjal soal data center? Ini kata Rudiantara." 23 October 2018 <http://tinyurl.com/y5rkok9g>

²³ The Jakarta Post, "Data management puts stakeholders at crossroads", 8 February 2019, <http://tinyurl.com/y2992cl2>

²⁴ Bisnis.com, "Klasifikasi data hilang dari draf terbaru revisi PP PTSE." 26 June 2019 <http://tinyurl.com/y3w6jl26>

²⁵ Detik.com, "Jokowi panggil Darmin hingga Luhut bahas revisi UU ketenagakerjaan." 24 June 2019 <http://tinyurl.com/y3384g3k>

²⁶ Tempo.co, "Minta masukan pengusaha, Jokowi: saya sudah tak ada beban apa-apa." 13 June 2019 <http://tinyurl.com/yxdangwr>

Manpower Law to boost the development of Indonesia's labor-intensive industries. Manpower Minister Hanif Dhakiri has expressed support for that idea,²⁷ and his ministry is currently preparing a draft for discussion with stakeholders.

The Indonesian Workers Confederation (KSPI) rejects the idea, saying the revision would be a blow for workers' rights in the formal sector.²⁸ Nevertheless, labor unions that supported Jokowi's presidential bid, such as the Confederation of All Indonesian Workers Union (KSPSI) headed by Andi Gani Nena Wea, the son of former Manpower Ministry Jacob Nuwa Wea, who drafted the 2003 Manpower Law, have been silent on this issue.

WHAT'S MORE

In response to Jokowi's statement, Apindo has conducted a survey among its members to create a list of priorities for the Manpower Law revision. One of the widely discussed issues among Apindo members is the rise of flexible work due to the evolution of information technology, like working as a driver partner for Grab or Go-Jek. The question is how to accommodate such work arrangements in the new law.

The mechanism for setting minimum wages is also a major concern. In April, Jokowi promised leaders of various labor unions to revise Government Regulation (PP) No. 78/2015 concerning wages if reelected.²⁹ The expected Manpower Law revision is likely to affect PP 78/2015 too.

Last but not least is the issue of outsourcing. Outsourcing is a controversial issue for labor unions, and they have been calling for the abolishment of this practice. The Manpower Law revision provides an opportunity for labor unions to lobby for more restrictions on this practice, and Apindo needs to consider what it can give and take.

²⁷ CNNIndonesia.com, "Respon curhat pengusaha, Hanif kaji revisi UU tenaga kerja." 14 June 2019 <http://tinyurl.com/yxgty335>

²⁸ Antaranews.com, "KSPI minta revisi UU ketenagakerjaan ditunda." 25 June 2019 <http://tinyurl.com/y3ddczvv>

²⁹ Detik.com, "Minta buruh pilih 01, Jokowi janji revisi PP 78/2015 soal upah." 9 April 2019 <http://tinyurl.com/y4ou96xg>

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