

Highlights of the week



Fake news is weapon of choice in 2019 election

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BPJS: A taint to Indonesia's social security?

News about the termination of contracts between several hospitals and the Health Care and Social Security Agency (BPJS Kesehatan) and alleged unhygienic repeated use of blood transfusion tubes has exacerbated problems surrounding the universal health care program. Although BPJS Kesehatan and the government have clarified the matters, the opposition's narratives about the government's failure to provide social security to all, particularly the poor, have gone viral.



Increasing Chinese tourists just part of global boom

Despite the headache caused by China's "zero-dollar tourism", the Indonesian government is determined to manage the negative excess of Chinese tourism to reap the economic potential of the growing number of Chinese tourists in the global tourist industry. The growing presence of Chinese tourists in Indonesia is followed by the growth of long-distance travelers from Europe, the United States and the Middle East, as well as short distance travelers from Malaysia and Australia.



Issue update: Welcoming Batam into failing SEZ club

Batam Free Trade Zone Authority (BP Batam) revealed on Dec. 27, 2018, that it was preparing the development plans of three special economic zones (SEZs) in Batam, Riau Islands province, Aero Marine City, Water City and Rempang City, to commence the gradual shift from a Free Trade Zone (FTZ) into a SEZs. The plan to transform Batam from a Free Trade Zone (FTZ) into three Special Economic Zones (SEZs) looks great, but it is questionable if the government or BP Batam can execute it.

POLITICS

Fake news is weapon of choice in 2019 election

The proliferation of fake news is intensifying with the election campaign moving to high gear, three months before voting day on April 17.

Takeaway:

- The increasing use of the internet, and its relatively cheap price to use, pushes the weaponization of online hoaxes, particularly in the current political year.
- Recent hoax involving cast ballot indicates that hoaxes may prevail in the upcoming heads and, to certain extent, take part in shaping the general elections.

Background: There is just too much fake news and the tendency is to ignore it and let it pass. Most fake news has a very short life cycle. Some is so outrageously unbelievable that it would not likely affect the election outcome anyway or is quickly called out.

But the General Elections Commission (KPU) drew the line when one particular instance of fake news targeting it, as outrageously false as it was, went viral. The KPU felt that it could hurt not only its own credibility but also that of the entire electoral process.

The KPU filed a complaint with the police about the story after prominent Democratic Party member Andi Arief suggested seven containers had arrived from China at Jakarta's Tanjung Priok Port filled with ballots already cast for incumbent President Joko "Jokowi" Widodo.

The police were quickly able to determine that this was a case of fake news, but Andi got away with it for it turned out that he was not the creator of the story. He simply helped to make it viral given his influence on social media. The culprit has been arrested and is under investigation.

Had the story not been called out, it would have given a pretext to the losers of the elections not to accept the results, and the public, or at least their supporters, may have gone along with it.

The Democratic Party, chaired by former president Susilo Bambang Yudhoyono, is one of four parties in the coalition supporting the nomination of Prabowo Subianto, the lone challenger to Jokowi on April 17.

Whether effective or not, fake news has increasingly become the weapon of choice in both the April presidential and legislative elections. The latest police action is unlikely to deter its use. Police resources are limited, they cannot be expected to investigate every single claim of fake news.

The growing use of the internet, particularly popular social media platforms, means that a large part of the election campaign is being waged in the virtual world. It is far cheaper and reaches out to a far larger audience than any alternative means could, like political rallies or meetings. Unfortunately, it also leads to abuse, including the weaponization of fake news and hate speech.

Much depends on the public to limit the damage caused by fake news, whether by believing stories that go viral, or for enough people to call it out as fake.

Insight: Coincidentally, the same week that the police investigated the case of fake news targeting the KPU, two purveyors of major fake news in the 2014 presidential elections were released on parole. They were the publisher and editor of the *Obor Rakyat* tabloid that spread the story about then-candidate Jokowi, in separate editions, saying he was first Chinese, then a Christian and then a communist. They had only been convicted in May 2018 to 18 months in prison for defamation against the man who became president.

Many people believed these claims, some still do today, and Jokowi's huge lead over Prabowo at the start of the 2014 campaign was cut and in the end he won the election by a small margin of 5 percentage points. Had he lost, it would have been the strongest vindication of the use of fake news.

Now in the 2019 elections, fake news and hate speech is making the rounds again on social media.

Prabowo has also been accused of spreading fake news, and like Andi Arief he said it was unintentional as he had simply heard it from others. Prabowo said during a TV interview that Cipto Mangoenkoesoemo General Hospital in Jakarta was reusing mono-use pipes up to 40 times in its dialysis machines, endangering patients. His claim infuriated the hospital, which quickly called it out as fake news. Nothing happened to Prabowo who had been poking at flaws in the national health care program, one of Jokowi's popular programs.

In September, Prabowo fell victim of a hoax concocted by Ratna Sarumpaet, an activist and ardent supporter of his. When photos of Ratna's black and blue face went viral, he quickly bought her claim that she had been beaten up. He called a press conference to demand a police investigation, suggesting the reported attack may have been linked to her vocal criticisms of President Jokowi. The police duly complied, but within 24 hours were able to call it out as fake news. Photos of Ratna's swollen face were apparently taken after she had plastic surgery. The police quickly arrested Ratna on charges of spreading lies on the internet. Prabowo, whose press conference helped make Ratna's story viral, was quick to file a complaint against her for spreading lies that were detrimental to his reputation.

BPJS: A taint to Indonesia's social security?

News about the termination of contracts between several hospitals and the Health Care and Social Security Agency (BPJS Kesehatan) and alleged unhygienic repeated use of blood transfusion tubes has exacerbated problems surrounding the universal health care program. Although BPJS Kesehatan and the government have clarified the matters, the opposition's narratives about the government's failure to provide social security to all, particularly the poor, have gone viral.

Takeaway:

- Recent fierce debate on BPJS indicates how the issue of social security is, and will be, used by presidential candidates to secure votes.
- One of the reasons behind the popularity of BPJS is its potential to gain relevance among the wider public.
- In championing the issue of BPJS, the opposition employs hyperreality and symbolism, demonstrated by their use of online drivers and contract teachers as to illustrate their case.

Background: 2019 started with news of BPJS Kesehatan severing cooperation with 20 hospitals across Indonesia. Following the news, the agency confirmed that the contract termination was due to the hospitals' failure to acquire accreditation from the Hospital Accreditation Committee (KARS). While BPJS Kesehatan negotiated and drew up new contracts with other hospitals recommended by the Health Ministry, BPJS patients from the terminated hospitals were asked to visit other accredited hospitals.

In criticizing the incumbent's social security policies, presidential candidate Prabowo Subianto and running mate Sandiaga Uno have often taken BPJS as a prime example. Last year, news about BPJS Kesehatan's skyrocketing deficit was monitored; it was reported that catastrophic illnesses such as heart disease and stroke were proven to be too expensive for BPJS Kesehatan's funding scheme to cover. Now, the termination of contracts between BPJS and several hospitals have been rumored as another consequence of the government's failure to cover the health care budget.

Prabowo said recently that due to the government's financial mismanagement, BPJS Kesehatan had sacrificed its services; he claimed that state-run Cipto Mangunkusumo General Hospital (RSCM) repeatedly used the same tube for dialysis, up to 40 times for different BPJS patients. This allegation clearly shocked the public, raising questions about safe practices, or lack thereof, in hospitals. Indeed, social security makes a powerful political instrument as it directly concerns the public; thus, BPJS Kesehatan and BPJS Ketenagakerjaan (Workers Social Security Agency), two concrete realizations of Indonesia's social security system, have been often heavily debated in public discourse. As of August 2018, it was reported that BPJS Kesehatan has covered more than 199 million people, or approximately 75 percent of Indonesia's population.¹ Meanwhile, the participation rate of BPJS Ketenagakerjaan reached 48.4 million people, or approximately 18

¹ CNNIndonesia.com, "Peserta BPJS Kesehatan Tembus 200 Juta Jiwa", 16 August 2018
<https://tinyurl.com/yakwujqo>

percent of the population.² If the system does not work well, millions of people will be affected, putting Jokowi's credibility at stake.





BPJS Kesehatan
Badan Penyelenggara Jaminan Sosial

LIST OF TERMINATED HOSPITALS

UNACCREDITED AND UNRECOMMENDED BY THE HEALTH MINISTRY	UNACCREDITED FOR RECREDENTIALING
- RS Menteng Mitra Afia (Jakarta) - RS Jantung Diagram (Depok) - RS Awal Bros Bekasi Timur (Bekasi) - RS Satria Medika (Bekasi) - RSIA Rinova Intan (Bekasi) - RS Seto Hasbadi (Bekasi) - RSUD Pakuhaji (Tigakarsa) - RS Mulyasari (Jakarta) - RSIA Vitalaya (Tangerang) - RS Kartika Pulomas (Jakarta) - RS Yadika (Jakarta) - RS Umum Pekerja (Jakarta) - RS Mata Primasana (Jakarta) - RSIA Tiara (Tigakarsa) - RS Mitra Keluarga Gading Serpong (Tigakarsa) - RSUD Jatipadang (Jakarta) - RSIA Permata Pertiwi (Cibinong) - RS dr Sismadi (Cibinong) - RSIA Bunda Suyatni (Bogor) - RSIA Sawojajar (Bogor) - RSIA Sayyidah (Jakarta) - RSIA Makiyah (Tangerang) - RS Annisa (Cibinong)	- RS Mitra Medika (Cikarang) - RS Multazam Medika (Cikarang) - RS Bunda Dalima (Tangerang) - RS Aria Sentra Medika (Tangerang) - RS Karya Medika Tambun (Cikarang)
	IN PROCESS OF ACCREDITATION RENEWAL - RS Bina Husada (Cibinong) - RS Asysyfaa (Cibinong)
	NO OPERATIONAL PERMIT OR EXPIRED PERMIT - RS Citama Cibinong

Source : <https://www.bantennews.co.id>

² Kontan.co.id, "Hingga Agustus, jumlah peserta BPJS terdaftar capai 48,4 juta", 03 September 2018
<https://tinyurl.com/ybojnw4>

Insight: A *Kompas* survey in April 2018 revealed that the public's satisfaction in terms of social welfare, politics, security, law enforcement and the economy increased 9.1 percent. This does not deter the opposition, however, from criticizing the Jokowi administration's policies related to social security, particularly in regard to informal workers.

"Small or undefined work places, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology" have typified Indonesia's labor market, the International Labor Organization says.

The Statistics Indonesia's (BPS) survey on the national workforce in 2017 found that 51 percent of the workforce, or approximately 63 million people, toil in the informal sector.³ Regardless, in 2017, compared to the 24 million formal workers who were covered by BPJS' health insurance, only 1.4 million informal workers were registered as BPJS members.

Prabowo-Sandiaga's criticism for the country's encroaching informal sector has been taken to another level by portraying how increasing unemployment, expanding informal sector and inadequate health and social care reinforce each other in a vicious cycle. In November 2018, Prabowo regretted the high number of app-based *ojek* (motorcycle taxi) drivers in the country, saying a lack of jobs had forced young Indonesians to work in low-skilled jobs after finishing their education. Gerindra Party deputy chairman Arief Poyuono supported Prabowo's statement, saying President Jokowi's policies had failed to absorb fresh graduates into the formal sector.⁴

Prabowo-Sandiaga's camp then increased the significance of their concern on unemployment and the informal sector, saying the government failed to protect those working in the sector. One example of unprotected informal workers is contract teachers. Prabowo-Sandiaga's campaign team spokesman Ferry Juliantono, for instance, said Jokowi's social policies ignored contract teachers, as evident in their low minimum wage.⁵ Ferry underlined a yawning gap in economic and social welfare between contract teachers and those who have been recruited as civil servants, who he said received Rp 14 million each.⁶ Similarly, Prabowo-Sandiaga's campaign team deputy chairman Ahmad Muzani claimed to have found a contract teacher who earned only Rp 200,000 per month.

Now, the Prabowo-Sandiaga camp is capitalizing on the swelling deficit facing BPJS Kesehatan and its debilitating effects on public health services to attack President Jokowi's credibility in the eyes of voters. The problems plaguing BPJS Kesehatan are more appropriate to be analyzed from the economic and business perspectives, considering the fact that the deficit stemmed from the government's meager measures in collecting BPJS premiums from its members. As of September 2018, National Social Security Council (DJSN) chairman Sigit Priohutomo reported that only 54 percent of BPJS members paid their premiums.⁷

Nevertheless, the Prabowo-Sandiaga campaign team has managed to take this issue into the political realm by making controversial remarks and using dramatic symbols.

³ Bps.go.id, "Indikator Pasar Tenaga Kerja Indonesia Februari 2017", Februari 2017 <https://tinyurl.com/y89fw4r2>

⁴ Merahputih.com, "Banyaknya Lulusan SMA Jadi Tukang Ojek Bukti Program Ekonomi Jokowi Gagal", 23 November 2018 <https://tinyurl.com/y978mm>

⁵ Sindonews.com, "Jubir Prabowo-Sandi: Nasib Guru Honorer Tak Diperhatikan Jokowi" 26 November 2018 <https://tinyurl.com/y8vz3c8h>

⁶ Ibid.

⁷ Tempo.com, "Angka Defisit BPJS Kesehatan Melonjak, Apa Saja Penyebabnya?" 18 September 2018 <https://tinyurl.com/ybngu8sd>



PUBLIC SATISFACTION WITH SOCIAL WELFARE, POLITICS, LAW ENFORCEMENT AND ECONOMY



INDICATORS OF PUBLIC SATISFACTION WITH PRESIDENT JOKOWI'S SOCIAL PROGRAMS:

- ▮ ALLEVIATING POVERTY
- ▮ INCREASING PUBLIC HEALTH SERVICE
- ▮ PREVENTING ENVIRONMENTAL POLLUTION
- ▮ ENFORCING FREE 12-YEAR COMPULSORY EDUCATION PROGRAM
- ▮ IMPROVING EDUCATION QUALITY
- ▮ DEVELOPING THE SPIRIT OF *GOTONG ROYONG* (MUTUAL COOPERATION)

Source : Kompas

First coined by French intellectual Jean Baudrillard, hyperreality refers to the use of signal without any original referent, creating a symbol of something that is not real. In further explaining hyperreality, Baudrillard argued how using this type of symbol may discourage one's consciousness from distinguishing actual reality from imagined reality. In the case of Prabowo, his allegation on the repeated use of dialysis tubes has no apparent actual proof; hence, no original referent.

Hyperreality, however, is classified as a long cultural manifestation in order to get the desired result. For a shorter period, like the case of Prabowo's allegation, the concept can explain the actor's effort to make the issue highly consumed by the public. The aim might not only be to showcase the controversy, but further navigate the public in finding the primary problem of the issue such as BPJS mismanagement.

Likewise, Prabowo-Sandiaga's camp also embedded certain meaningful symbols to enhance their championed narratives. In disparaging the informal sector under President Jokowi's leadership, for instance, the opposition employs popular symbols that are readily accepted by and highly relevant for the wider public. In this case, the symbols used are app-based *ojek* drivers and contract teachers.

Indeed, the number of *ojek* drivers employed by giant app-based ride-hailing companies Go-Jek and Grab has been skyrocketing in the past years. As of March, 2018, it was estimated that there were more than 1 million Go-Jek drivers and 2 million Grab drivers.⁸ When it comes to contract teachers, it is true that their number is relatively small; the Education and Culture Ministry recorded 155,096 teachers in the 2017/2018 school year, or approximately one eighth of teachers. Regardless, Indonesians' high regard for teachers makes them an apt instrument to mobilize the public. After all, as stated by one of the country's popular proverbs, teachers are unsung heroes.



Prabowo riding a motorcycle with a Go-Jek driver
(Cred: Prabowo's documentation team)

It is without a doubt that Indonesia still has to face several issues in providing sufficient social security, illustrated by the ailing BPJS Kesehatan. It is now up to the candidates to devise and implement not only effective but also feasible strategies to manage the social security agency in a sustainable way. Previously, in managing BPJS Kesehatan, Jokowi-Ma'ruf's camp promised that the pair would intensify preventive measures, namely by promoting a healthy lifestyle. Jokowi and Ma'ruf believe that preventive measures can help reduce the number of terminally-ill patients, whose medical treatments are believed to be the main culprit behind BPJS Kesehatan's skyrocketing deficit. In contrast, the Prabowo-Sandiaga camp opt to increase BPJS Kesehatan's members' premium fee by Rp 10,000.⁹

Either way, it remains likely that social security issues will prevail in candidates' debates due to their pertinence.

What we've heard: A source said the presidential palace had supplied all data that Jokowi needs to counter the opposition's attacks on his signature universal health care program. The only answer to the deficit facing BPJS Kesehatan is to increase the funding from the state budget allocated for the program, because other alternatives, such as increasing cigarette excises, are only incremental. "Sandiaga is damn right," he said of Prabowo's vice presidential candidate who proposed that the government under Prabowo would raise funds from the state budget to realize universal health care. The source said mismanagement of the BPJS fund, if any, is

⁸ <https://bisnis.tempo.co/read/1073905/intip-peta-kekuatan-armada-go-jek-versus-grab/full&view=ok>

⁹ <https://tirto.id/beda-solusi-kubu-jokowi-dan-prabowo-atasi-defisit-bpjs-kesehatan-ddtm>

minimal at between 2 and 4 percent, which remains within the tolerable limit according to international practice. The deficit has swollen largely because of poor planning: the annual budget was proposed without taking into consideration the carry-over deficit. It is found that the deficit amounts to Rp 1 trillion per month on average. By an estimate the health care subsidy for the poor only accounts for 4 percent of the total state budget, requiring the government to only add Rp 5 trillion to 6 trillion to the 2019 budget to enable BPJS Kesehatan to fully serve the “subsidized participants” or PBI. Finance Minister Sri Mulyani Indrawati has reportedly agreed to increase the budget allocation for BPJS Kesehatan provided that the agency could provide credible data on the extra spending.

BUSINESS & ECONOMIC POLICY

Economic potential from Chinese tourism just part of global boom

On Jan. 2, Statistics Indonesia (BPS) reported that the number of foreign travelers from Jan-Nov 2018 had increased by 11.8 percent to 14.4 million travelers, compared to the same period last year at 12.9 million. However, the number of Chinese tourists visiting Indonesia decreased slightly by 1.2 percent to 1.99 million tourists.

Takeaway:

- Despite the headache caused by China's "zero-dollar tourism", the Indonesian government is determined to manage the negative excess of Chinese tourism to reap the economic potential of the growing number of Chinese tourists in the global tourist industry.
- The growing presence of Chinese tourists in Indonesia is followed by the growth of long-distance travelers from Europe, the United States and the Middle East, as well as short distance travelers from Malaysia and Australia.
- Besides Malaysia and China, Indonesia also benefitted from the growing presence of Indian tourists, which surpassed Japan in 2018 to be in top five of major tourist sources.

Background: After a period of stagnation in the early 2000s, the Indonesian tourist industry has been booming, with Chinese tourists being one of the major drivers. Before 2010, the contribution of Chinese tourists to the Indonesian tourist industry was negligible. After that, the number of Chinese tourists grew from 470,000 in 2010 to 2.1 million in 2017, surpassing Australia and Singapore but only slightly behind Malaysia.

In Bali, Indonesia's number one destination for foreign travelers, Chinese tourists accounted for 23.1 percent of foreign travelers. Nevertheless, their growing presence in Bali comes with the emergence of "zero dollar tourism", a practice in which Chinese tourists are offered a heavily discounted, all-inclusive (flights, transportation, accommodation, meals and translators) tour package, but they must follow the schedule set by the tour operator, including compulsory shopping stops at designated retail stores with marked-up prices to subsidize the tour. The stores are Chinese-owned run by local proxies, and the payment is made using Chinese digital payment platforms such as WeChat Pay or Alipay in Renminbi.¹⁰

This practice is common in major Chinese tourist destinations in Southeast Asia, such as Laos,¹¹ Thailand,¹² Vietnam,¹³ Myanmar¹⁴ and Malaysia¹⁵. Local operators in Bali have complained

¹⁰ Smh.com.au, "China's tourism boom prompts fears that Bali is being 'sold cheap'." 26 August 2018 <https://tinyurl.com/y78ndqjb>

¹¹ RFA.org, "Chinese tourism benefits few in Laos, sources say." 15 October 2018 <https://tinyurl.com/y94odlyp>

¹² Bangkokpost.com, "Zero-dollar tours damaging to Thai tourism: Nida Poll." 15 July 2018 <https://tinyurl.com/ybx3hjlq>

¹³ Vnexpress.net, "Chinese tourists flood into Vietnam on 'zero dollar' tours." 28 March 2018 <https://tinyurl.com/ydetbpw5>

¹⁴ Mmtimes.com, "Growth of 'zero dollar tours' for Chinese worries local operators." 15 November 2018 <https://tinyurl.com/ybne76em>

¹⁵ Dailyexpress.com, "Crackdown on 'zero dollar' tourism." 8 December 2018 <https://tinyurl.com/yal2w63n>

about this practice to Deputy Governor Tjokorda Oka Artha Ardhana Sukawati. In response, the deputy governor conducted raids on various stores affiliated with the “zero-dollar tourism”, resulting in the closure of 25 stores.¹⁶

Top 4 Foreign Travelers in Indonesia by Nationality, 2017

Malaysia	2,121,888
China	2,093,171
Singapore	1,554,119
Australia	1,256,927

Source: BPS

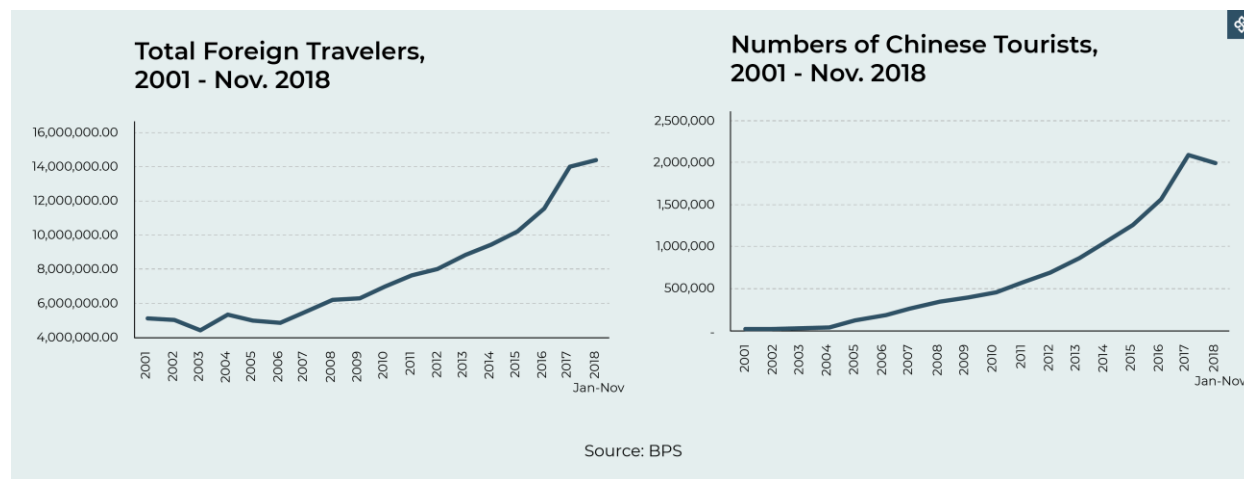
Top 3 Foreign Travelers in Bali by Nationality, Jan. – Nov. 2018

China	1,297,669	23.1%
Australia	1,080,718	19.2%
India	322,327	5.7%
Total	5,621,756	

Source: Bali Post

(<https://tinyurl.com/y8py8jdn>)

Tourism Minister Arief Yahya responded quickly, fearing the negative impact of the crackdown on Chinese tourist arrivals, as well as possible Chinese investment in the 10 new Balis.¹⁷ To appease both sides, the minister proposed a list of solutions to Bali provincial government and the Association of Indonesian Tour and Travel Agencies (ASTITA), which consisted of (a) price floor policy on offered tour packages, (b) restriction on compulsory shopping stops and (c) compulsory registration for Indonesian and Chinese travel agents and travel operators.¹⁸ Besides proposing a list of solutions, the minister also organized a meeting between ASTITA and the China National Tourism Association (CNTA) in Beijing on Dec 13-14.¹⁹ Following the meeting, Arief Yahya announced that three Chinese-owned stores in Bali: Mahkota, Karimata and Ondes, could resume operations immediately. Meanwhile, the rest would need to wait for further notice from Bali provincial government.²⁰



¹⁶ Antaranews.com, “Wagub Bali respons isu jual murah pariwisata Bali.” 18 October 2018

<https://tinyurl.com/ya5g3c7c>

¹⁷ TheJakartaPost.com, “Indonesia invites China to invest in ‘10 new Bali’.” 24 January 2018

<https://tinyurl.com/yabg4xtr>

¹⁸ CNNIndonesia.com, “Ini jurus Kemenpar tangkal ‘zero dollar tour’.” 24 October 2018

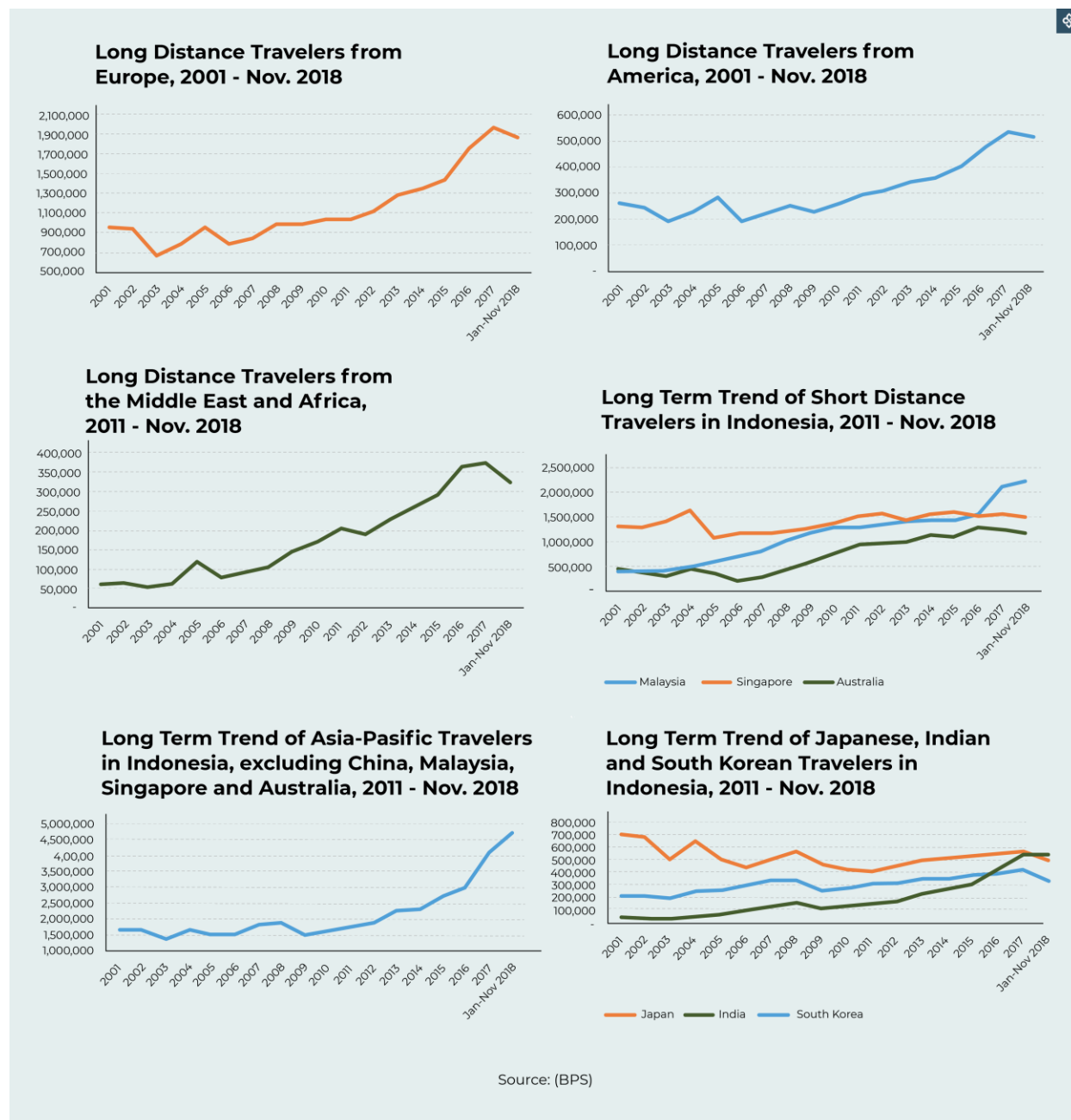
<https://tinyurl.com/y72gcg57>

¹⁹ Tribunnews.com, “Ke Beijing, Menpar Arief Yahya recovery dampak polemic Bali.” 15 December 2018

<https://tinyurl.com/y8va2t98>

²⁰ Antaranews.com, “Toko China di Bali diizinkan buka lagi.” 13 December 2018 <https://tinyurl.com/y99x39x3>

In support of the Tourism Ministry's initiative, Bank Indonesia (BI) urged WeChat Pay and Alipay to operate in the country legally by cooperating with local banks. Under BI's arrangement, only foreign travelers are allowed to use their digital payment platforms, and all transactions should be conducted in rupiah.²¹ In compliance with BI regulations, Alipay has announced that it will cooperate with Bank Rakyat Indonesia (BRI).²² Meanwhile, WeChat Pay will cooperate with Bank Nasional Indonesia (BNI) and CIMB Niaga.²³



²¹ TheJakartaPost.com, "Payment with WeChat Pay, Alipay only for foreign tourists: BI." 14 December 2018 <https://tinyurl.com/yd59suwc>

²² CNBCIndonesia.com, "Incar turis China, BRI gandeng Alipay." 4 January 2019 <https://tinyurl.com/y7evfw2s>

²³ CNNIndonesia.com, "CIMB Niaga dan BNI finalkan bisnis dengan WeChat Pay." 4 January 2019 <https://tinyurl.com/yd3daj7w>

Insight: As an economic force, Chinese tourism has attracted both good and bad publication. The great size, 131 million tourists out of 1.38 billion citizens in 2017, and rapid growth of Chinese tourists, offers massive economic potential for the tourist industry in many countries, particularly for East and Southeast Asian countries. Unfortunately, the economic potential comes hand-in-hand with unethical business practices like “zero-dollar tourism”, which angered local tourist agents and operators. Despite the headache caused by China’s “zero-dollar tourism”, the governments in Southeast Asian countries, including Indonesia, are determined to manage the negative excess without demonizing Chinese tourism.

Although the emergence of Chinese tourism has attracted global attention, it is just the tip of the iceberg for global tourism. In Indonesia, the rise of global tourism is evidenced in the rising number of both long and short distance travelers. For example, the number of long-distance travelers from Europe has doubled from 950,000 travelers in 2001 to approximately 1.9 million in January-November 2018. Similarly, the number of long-distance travelers from the United States has increased from 260,000 to 520,000 travelers. The number of long-distance travelers from the Middle East and Africa, dominated by tourists from oil-rich Saudi Arabia, has grown from around 60,000 to more than 320,000 travelers.

Short distance travelers in Indonesia are dominated by Australians and neighboring ASEAN countries, specifically Malaysians and Singaporeans. In Jan-Nov 2018, tourists from ASEAN countries accounted for 47.5 percent of 10.2 million Asian tourists, and approximately 3.8 million of them are Malaysians and Singaporeans. Unlike Singaporeans, the number of Malaysians visiting Indonesia has grown rapidly from around 410,000 people in 2001 to 2.25 million people in January-November 2018. Similar to the Malaysians, the number of Australian travelers, mostly traveling to Bali, have increased from around 400,000 to more than 1.2 million travelers.

Short distance travelers from other Asia-Pacific countries are also important. Their numbers have tripled from 1.6 million travelers in 2001 to approximately 4.8 million travelers in January-November 2018. In the past, these travelers had been dominated by Japanese and South Korean travelers. Overtime, the number of Japanese visiting Indonesia has fallen from 700,000 travelers in 2001 to 485,000 travelers January-November 2017. In contrast, the number of South Koreans visiting Indonesia has increased from 210,000 to 330,000 travelers.

Similar to China, there is a growing presence of Indian tourists in Indonesia. In 2018, the number of Indian tourists (535,000) surpassed the number of Japanese travelers (485,000), propelling India to the top five of major tourist sources for Indonesia.

Issue Update: Welcoming Batam into failing SEZ club

Batam Free Trade Zone Authority (BP Batam) revealed on Dec. 27, 2018, that it was preparing the development plans of three special economic zones (SEZs) in Batam, Riau Islands province, Aero Marine City, Water City and Rempang City, to commence the gradual shift from a Free Trade Zone (FTZ) into a SEZ.²⁴

	Aero Marine City	Water City	Rempang City
Total area	2,000 hectares (ha)	800 ha	7,560 ha
Total investment needed	US\$3.5 billion	\$15.5 billion	\$17.5 billion
Purpose(s)	Center of e-commerce, logistics, exhibition and airplane maintenance hub	Central business district and offshore banking	New area to support Batam, possibly a tourism hub, considering its proximity to surrounding tourist spots

Source: *Bisnis Indonesia*, *Tribun Batam*

Update: Lukita Dinarsyah Tuwo, former head of BP Batam, once explained that the government would divide the development of SEZs in Batam into several phases.²⁵ The first stage involves the initial development of Batam's Hang Nadim Airport and Kabil Port before merging both to become a new city of logistics, Aero Marine City. The initial process will cost at least Rp 3.9 trillion (US\$278 million) and take 1.5 years to complete, while the whole project would take four years and cost \$3.5 billion in total.

Lukita explained that Aero Marine City would be the first SEZ in Indonesia to have a connected airport and port. He claimed that it would significantly improve the flow of goods transported through air cargo for water cargo or vice versa by cutting its travel and loading time, and reduce the general logistic costs and waiting time. Lukita added that thanks to Aero Marine City, it would only take 10 minutes to transfer goods from Kabil Port to Hang Nadim Airport. Such a connection between Hang Nadim Airport and Kabil Port would benefit industries already operating in the area, especially Hang Nadim airport. The industry to benefit most from this connection would be the prevailing maintenance repair and overhaul (MRO) industry in Hang Nadim, the Garuda Maintenance Facility AeroAsia (GMF) and Lion Group's Lion Maintenance Facility. Such a connection would boost efficiency by cutting the transport costs and time of aircraft parts and engines from port to the airport.

The second stage of development will see the building of the first offshore banking facility and central business district in the 800-hectare reclaimed land of Water City SEZ. This plan was inspired by multinational companies' tendency to save their money or conduct their international transactions in tax havens. University of Indonesia (UI) senior economist and lecturer Dorodjatun Kuntjoro-Jakti told *Bisnis Indonesia* that the plan was crucial to reviving investment in Batam. Considering the purpose of Batam's initial establishment,²⁶ offshore banking facilities

²⁴ Batampos, "Akhirnya Batam Memiliki Kawasan Ekonomi Khusus," Dec. 28, 2018 <https://tinyurl.com/y8jmw69y>

²⁵ *Bisnis Indonesia*, "BP Batam siapkan tiga KEK," Jan. 8, 2018

²⁶ BP Batam, "Sejarah Batam", cited on Dec. 9 2018, <https://tinyurl.com/yb5a7sco>

are essential to complementing the existing manufacturing industry. They could help to balance the dominance of manufacturing investments and help enhance the area's economic resilience. The last part of the development plan is Rempang City SEZ. Little is known about the project, but Coordinating Economic Minister Darmin Nasution explained that the government planned to develop Rempang City into a satellite city to support Batam's economy.²⁷ Despite being the last to develop, Rempang City's development will reportedly cost the most among the three, around \$17.5 billion, and consume 7,560 ha of land. Several reports have suggested the possibility of Rempang becoming a tourism hub, considering its proximity to tourist spots and several deep-water fishing grounds, such as Petong Island, Abang Island and Berhala Island.²⁸

In the latest development, the government inaugurated on Monday (Jan. 7) Edy Putra Irawady as the new head of BP Batam, replacing Lukita.²⁹ Edy Putra, who previously served as a special staffer to the coordinating economic minister, would facilitate the government's decision to transfer the authority of BP Batam from the central government to the mayor of Batam. Despite protests and criticism from various quarters, including from local businesses,³⁰ the government will go ahead with the plan and has decided to transfer BP Batam to the mayor of Batam by April 2019 at the latest.

Analysis: The government's plan to transform Batam from a Free Trade Zone (FTZ) into three Special Economic Zones (SEZs) looks great, but it is questionable if the government or BP Batam can execute it. The plan should revive investment in Batam, especially investment to build the three SEZs, which will cost US\$36.5 billion in total. But it's not clear yet where the funding would come from. Also, learning from the development of other SEZs, no single SEZ is reported to have been successfully built and attract big investment.

As reported in [Tenggara Backgrounder on Dec. 21](#), transferring the control of BP Batam to the mayor of Batam may solve the problem of dualism in Batam's governance system, which was blamed for the slump in investment and economic growth on the island. However, this decision will not necessarily attract investment and boost economic growth in Batam if the government does not address the bigger, deep-rooted problems of land that is controlled by politically powerful people and corporations as well as the inability of BP Batam to rightly collect fees from its strategic assets.

Nevertheless, the change of Batam's status from an FTZ into a non-FTZ zone and the plan to develop three SEZs may help solve some of the problems. The specific spatial planning for SEZs would help BP Batam to revoke leasing permits of neglected land scattered around Batam by focusing on land inside the SEZs. Then, the Batam mayorality should handle the permits of neglected land outside the SEZs.

The big question, however, is on the implementation and whether BP Batam under the leadership of the Batam mayor will have the courage and capability to address past, deep-rooted problems. The bigger problem is on whether BP Batam is capable of executing the impressive plan to develop the three SEZs, especially considering the history of SEZs in Indonesia. Reports have suggested that in spite of President Joko "Jokowi" Widodo's campaign for SEZ

²⁷ Tribun Batam, "Rempang-Galang bakal jadi cadangan Batam, siapa pengelolanya ini jawaban Menteri Darmin," Dec. 10, 2017 <https://tinyurl.com/ybk7o3ck>

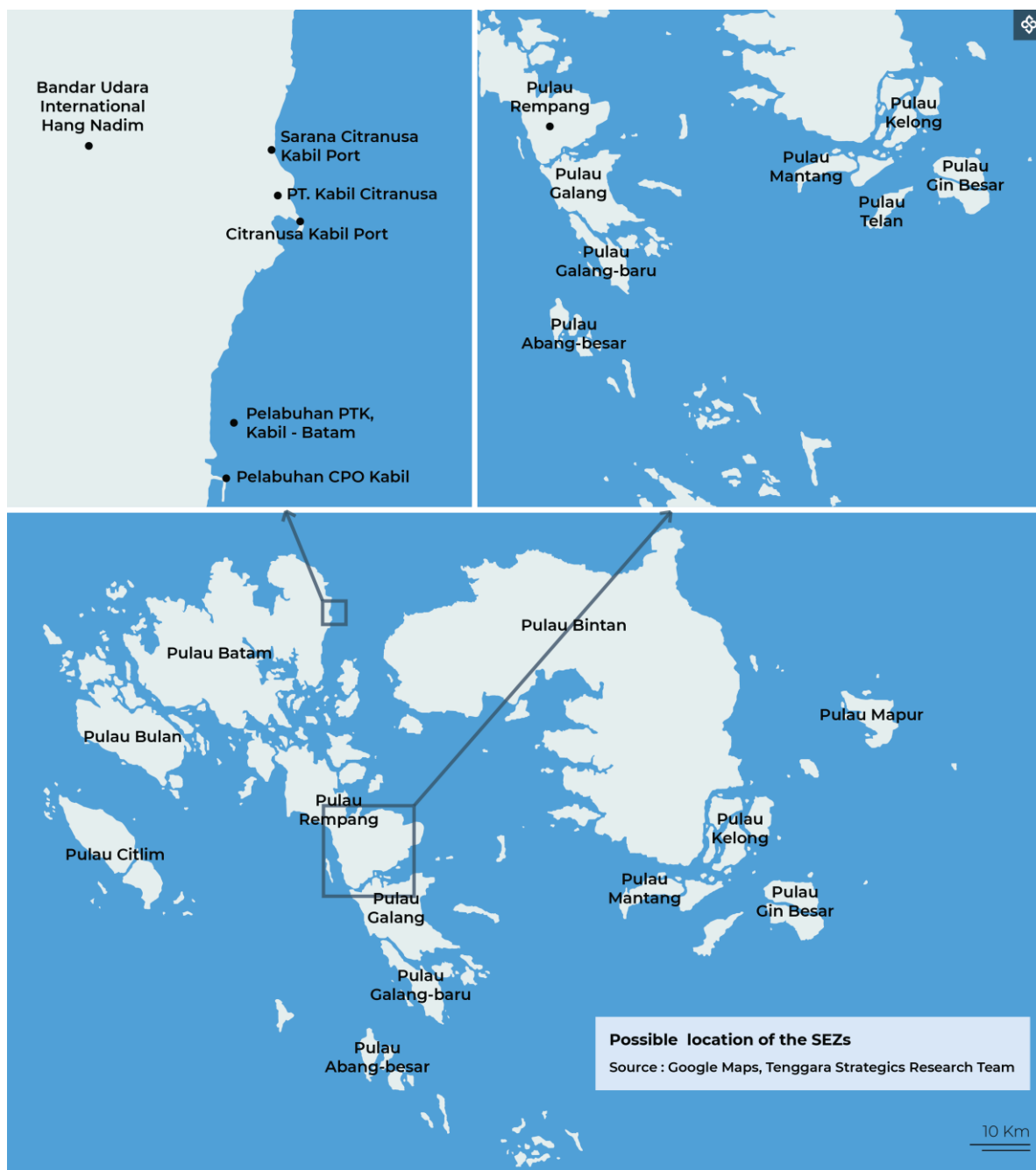
²⁸ Berita Satu.com, "Mancing, snorkeling jelang tutup tahun ke Petong-Batam," Dec. 20, 2010 <https://tinyurl.com/ycdagybk>

²⁹ CNBC Indonesia, "Sah! Edy Putra resmi jadi kepala BP Batam," Jan. 7, 2018 <https://tinyurl.com/y7uxgsjt>

³⁰ CNN Indonesia, "Pengusaha tolak Batam jadi Kawasan Ekonomi Khusus," June 4, 2018 <https://tinyurl.com/ydd8sb5j>

development, local administrations' capability and action in developing SEZs in their areas have shown otherwise.

The development of 12 SEZs has been slow, as shown by low manpower absorption and investment realization. According to SEZ data, only six out of 12 SEZs will be operational in 2019 as initially scheduled. The development of the 12 SEZs is included in the medium-term development plan (RPJMN) of the Jokowi administration. Moreover, the investment realization in the SEZs only reached Rp 17.7 trillion (US\$1.26 billion) as of November 2018 from a commitment of Rp 104.54 trillion. Manpower absorption only reached 10,700 people as of November 2018 from the target of 695,783.³¹



³¹ Bisnis Indonesia, "Progres Berjalan Lambat," Jan. 7, 2018

Bitung SEZ in North Sulawesi was a good example in this case. Regardless of being declared an SEZ in 2014, Bitung only began to see actual work in 2017, when state-owned PT Membangun Sulut Hebat received a mandate in late 2017 from the central government to develop the groundworks in Bitung. The project saw minimum progress between 2014 and 2017 because the operator at that time – the local government – was unable to acquire land and find potential investors.³² Similar cases have also been found in three other SEZs: Morotai (North Maluku), Tanjung Api-Api (South Sumatra) and Maloy Batuta Trans Kalimantan (East Kalimantan); which all have received SEZ status revocation warnings from the government.

Law No. 39/2009 on Special Economic Zones stipulates that SEZs must begin operating within three years after a region received its SEZ status. The government shall revoke the status if the area fails to meet its development target.

Now, everything comes back to what the central government really wants from Batam. Should it intend to realize its plan for a network of SEZs in Batam, the government must carefully tailor the regulation that would become the foundation of the SEZs development, operation and the new role of BP Batam to avoid any setbacks in the future. And the central government should stand ready to step in and help when signs show that BP Batam under the leadership of the Batam mayor is unable to deliver its promises.

³² Majalah Tempo, "Tambal Sulam Kawasan Pertumbuhan," July 29, 2018

Issue Update: Lippo Group does not see exit nearby from Meikarta

Judges at the Bandung Corruption Court denied the objection note from Billy Sindoro of the Lippo Group against the state prosecutors' charges and decided on Wednesday (Jan. 9) that the court could proceed with the examination of witnesses and evidence.³³ The court decision was another wave of events against Lippo Group in its property mega project Meikarta in Bekasi, West Java, signaling no peace was forthcoming.

Following the Bandung Corruption Court's decision, the series of trials involving several Lippo Group executives and officials from Bekasi administration in the Lippo Group's Meikarta bribery scandal will resume, slated for the end of this month.

Reports have suggested that the Corruption Eradication Commission (KPK) is trying to obtain deeper information surrounding the Meikarta case: Initial permit handling mechanisms, the real content of the recommendation from the West Java provincial government, the mastermind behind the bribe and the source of the bribe. In the latest development, KPK discovered many backdated documents that could mean Meikarta's permits were illegal.

Moreover, the commission also found unsynchronized statements from the witnesses, which propelled a prolonged and extended investigation to unveil the connection between the actors, while searching for new possible suspects.

What we've heard: Sources said the KPK is possibly developing a corporate crime charge against PT Lippo Cikarang in the Meikarta bribery case while waiting for the verdicts of several Lippo Group executives involved in the alleged crime: Billy Sindoro, Henry Jasmen Sitohang, Fitradjaja Purnama and Taryudi.

One of the KPK's focuses is to examine the role of Lippo Cikarang's former president director Bartholomeous Toto, who was said to have approved a Rp 10.5 billion bribe from June 2017 until January 2018. Bartholomeous' approval was given after he received a report from Lippo Land Acquisition and Permit Division head Edi Dwi Soesianto. The bribe was intended to facilitate the issuance of a land use permit (IPPT) that is required for the issuance of a building construction permit (IMB). So far, Bartholomeous has been interrogated as a witness twice regarding Lippo's Meikarta scandal. The KPK investigation on Bartholomeous and also Edi Dwi could lead to Lippo Group CEO James Riady as well.

According to our sources, the KPK is still searching for stronger evidence to prove James' involvement in the Meikarta bribery case. James, whose name was frequently mentioned in court, is free as there was not enough evidence to drag him in. Billy Sindoro, seen by many as James' right hand man, has been very tight-lipped when asked about James' involvement by investigators. Billy also did the same thing back in 2009 when the Lippo Group tumbled upon the Business Competition Supervisory Commission (KPPU) bribery case and Billy became the suspect. Not even once did he mention the involvement of his superior in the graft case that was intended for the KPPU to make a decision that would benefit Lippo Group's internet and TV cable provider PT First Media.

Former Bekasi Regent Neneng Hassanah, who is currently in prison for his involvement in the corruption scandal, had told former House of Representatives Commission VII deputy speaker

³³ Detik.com, "Hakim tolak eksepsi Billy Sindoro CS, sidang kasus Meikarta lanjut," Jan. 9, 2018 <https://tinyurl.com/ydasv9sa>

Eni Maulani Saragih in prison that James was most likely the mastermind behind Meikarta's graft scandal. The problem, however, was the information that Neneng had was only limited to her meeting with James and Billy in her residence.

The KPK will likely find new evidence while adding new names to the list of defendants. The ones targeted first are three Bekasi high-ranking officials mentioned in the KPK indictment to have received bribes but are yet to become defendants. They are Bekasi Environment Agency head Daryanto, Bekasi Public Works and Housing (PUPR) Agency head of public construction Tina Karini Suciati Santoso and Bekasi Development Planning Agency head of spatial planning E. Yusup Taupik.

From the investigation on Yusup Taupik, the KPK is expected to explore the roles of Edi Dwi and Bartholomeus. The Rp 10.5 billion received by Edi Dwi from Lippo directors' secretary Melda Pelni Lestari and Bartholomeus on PT Lippo Cikarang's helipad was to be transferred gradually to Yusup Taupik with breakdown as follows: Rp 500 million for Yusup Taupik and the rest of the Rp 10 billion for Neneng Hasanah Yasin.

The KPK is also said to have given an option outside of the ongoing legal process to ask the Bekasi regency administration and West Java provincial government to reassess the whole Meikarta permit issuance because they found Meikarta permit documents to be backdated. The dates written on the documents are not consistent with the day the documents were issued. The backdated documents consist of a number of recommendation files that are required to issue building construction regulation (IMB) and environmental permit. If the permit issuance is reassessed, it is possible that all the permits of Meikarta will be revoked to prevent a bigger problem in Meikarta projects in the future.

Tenggara Strategics is a business and investment research and advisory institute established by the Centre for Strategic and International Studies (CSIS), The Jakarta Post and Prasetya Mulya University. Combining the capabilities of the three organizations, we aim to provide the business community with the most reliable and comprehensive business intelligence related to areas that will help business leaders make strategic decisions.



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