

Highlights of the week



Election breeds new political landscape

The General Elections Commission (KPU) announced the official results of the 2019 presidential and legislative elections on May 21. President Joko “Jokowi” Widodo’s second term has now been officially confirmed, with senior Muslim cleric Ma’ruf Amin on his side. His coalition parties also secured the majority of votes in the legislative election. Marking the beginning of a new era, the election result is indicative of the country’s political landscape in the next five years.



Unknown groups took part in riot

After the General Elections Commission (KPU) announced the election results early on May 21, or one day earlier than the deadline, clashes between supporters of losing presidential candidate Prabowo Subianto and his running mate Sandiaga Uno and security officers erupted in several parts of Jakarta. The protesters claimed massive electoral fraud had helped incumbent President Joko “Jokowi” Widodo-Ma’ruf Amin win the election.



Anti-Chinese sentiments threatens industrialization

On May 17, State-Owned Enterprises Minister Rini Soemarno headed a team of CEOs and ministry officials at a meeting with representatives of China’s metal industry to accelerate the implementation of downstream mining industrialization. The meeting was a follow-up to President Joko “Jokowi” Widodo’s speech on Dec. 3, 2018. In his speech, Jokowi criticized the slow progress in smelter construction that had resulted in a high reliance on raw material imports for manufacturing.



Darmin acts to stop account deficits

On May 15, Statistics Indonesia (BPS) announced that Indonesia recorded a US\$2.5 billion trade deficit in April, the largest monthly trade deficit since 2013. April’s trade deficit was caused by a sharp drop in non-oil and gas exports and a sudden increase in oil and gas imports.

POLITICS

Election breeds new political landscape

The General Elections Commission (KPU) announced the official results of the 2019 presidential and legislative elections on May 21. President Joko “Jokowi” Widodo’s second term has now been officially confirmed, with senior Muslim cleric Ma’ruf Amin on his side. His coalition parties also secured the majority of votes in the legislative election. Marking the beginning of a new era, the election result is indicative of the country’s political landscape in the next five years.

Takeaways:

- While at the national level President Jokowi managed to win the majority of votes, he remains unable to woo voters in Prabowo’s strongholds.
- Jokowi’s defeat in certain regions indicates his signature infrastructure development program has not been enough to win the hearts and minds of the people as expected.
- Although his coalition parties look set to dominate the House of Representatives, it would be difficult for Jokowi to juggle his coalition parties in the future, especially since they have started to compete for strategic positions.
- The legislative election result shows the rise of Islamic conservatism in the country does not necessarily increase the influence of Islamic parties.

Background: The official result shows that Jokowi-Ma’ruf won 55.41 percent of the vote, beating contenders Prabowo Subianto-Sandiaga Uno by 10.82 percentage points.¹ The legislative election also fortifies further Jokowi’s political clout as his coalition parties, the Indonesian Democratic Party of Struggle (PDI-P), Golkar Party, NasDem Party, National Awakening Party (PKB) and United Development Party (PPP), won 54.9 percent of the vote.²

While Jokowi will exert his influence both in the executive and legislative chambers, the details of the election results indicate that the President still has to consider several aspects during his second term, one of which is growing resentment to him in particular provinces as evinced in his crushing defeat there.

Insight: Compared with the 2014 election, when he won 53 percent of the vote, it appears that this time around Jokowi succeeded in reinforcing support for his administration. Regardless, Jokowi remains unsuccessful in taming Prabowo’s strongholds, such as West Java, Banten, West Nusa Tenggara and the majority of Sumatra. In Aceh, Sumatra, for instance, votes for Jokowi drastically plunged to 14.41 percent from 45.61 percent in 2014. Meanwhile, in West Java and Banten, other predominantly Muslim regions, Jokowi’s electability remained constant at around 40 percent despite having popular cleric Ma’ruf Amin as his running mate.

Jokowi and Prabowo indeed won big in their respective strongholds, namely Central Java, East Java, Yogyakarta, Papua, Bali and East Nusa Tenggara for Jokowi and Aceh, West Sumatra, Banten and West Nusa Tenggara for Prabowo. The relatively unchanged political preference of voters implies that the regions’ political views were relatively homogenous and resolute. While such homogeneity may encourage unity among the people, it potentially exacerbates political

¹ Kompas.id, “Rekapitulasi Pemilu Tuntas” 21 May 2019 <https://tinyurl.com/y2rzf7co>

² BBC.com, “KPU tetapkan hasil Pileg 2019: PDIP raih suara terbanyak, Gerindra urutan kedua” 21 May 2019 <https://tinyurl.com/y2ava43d>

polarization at the national level. This will be one of the most difficult challenges for President Jokowi in the next five years.

A lesson that Jokowi can learn from his defeat in certain regions is that his efforts were not enough to win the hearts and minds of voters there. In the case of Sumatra, such failure is perplexing considering Jokowi's active engagement in the region; at 53 projects, Sumatra has the second largest number of development projects in the country after Java.³ The government itself allocated Rp 545.8 trillion (US\$37.6 billion) for development projects in Sumatra throughout Jokowi's first term.⁴

This suggests that Jokowi's acclaimed infrastructure development projects are not as popular as expected. This is important as the President aims to continue his focus on development in his second term.

An equally important factor is the victory of Jokowi's coalition parties in the legislative election. With his coalition parties collecting nearly 55 percent of the vote, Jokowi will find it easy to push for his campaign promises right from the start of his second term. In 2014, Jokowi needed a year to win a majority in the House as his coalition lost to Prabowo's in the legislative election. If PDI-P politician Puan Maharani is elected the new speaker of the House, Jokowi's influence in the House will increase further.

It would be difficult for Jokowi, however, to juggle his coalition parties in the future, especially since they have started to compete for strategic positions such as the ministerial positions and People's Consultative Assembly's (MPR) speakership.⁵

Last, the legislative election result hints that the rise of Islamic conservatism in the country has not increased the influence of Islamic parties significantly. In the Jokowi-Ma'ruf coalition, for instance, votes for Islamic party PKB only grew 0.65 percent from the 2014 legislative election despite having Ma'ruf, one of its prominent figures, running for vice president. Meanwhile, following the bribery scandal involving its chairman, the PPP's votes fell 2.01 percent from the 2014 election.

On the other hand, votes for Islam-based Prosperous Justice Party (PKS) from the Prabowo-Sandiaga coalition increased 1.42 percent from the 2014 legislative election. It is likely, however, that the rise was due to there being no other Islamic party in the Prabowo-Sandiaga coalition. Hence, the PKS offers the sole political platform for a considerable number of conservative Muslims among the supporters of Prabowo-Sandiaga.

³ BKKBN.go.id, "Laporan 4 Tahun Pemerintahan Joko Widodo-Jusuf Kalla" <https://tinyurl.com/y2xkthdo>

⁴ Ibid.

⁵ Liputan6.com, "Golkar dan PKB Berebut Kursi Ketua MPR" 21 May 2019 <https://tinyurl.com/y6gp4ysp>

WINNERS OF 2019 PRESIDENTIAL AND LEGISLATIVE ELECTIONS



**JOKOWI
MA'RUF**

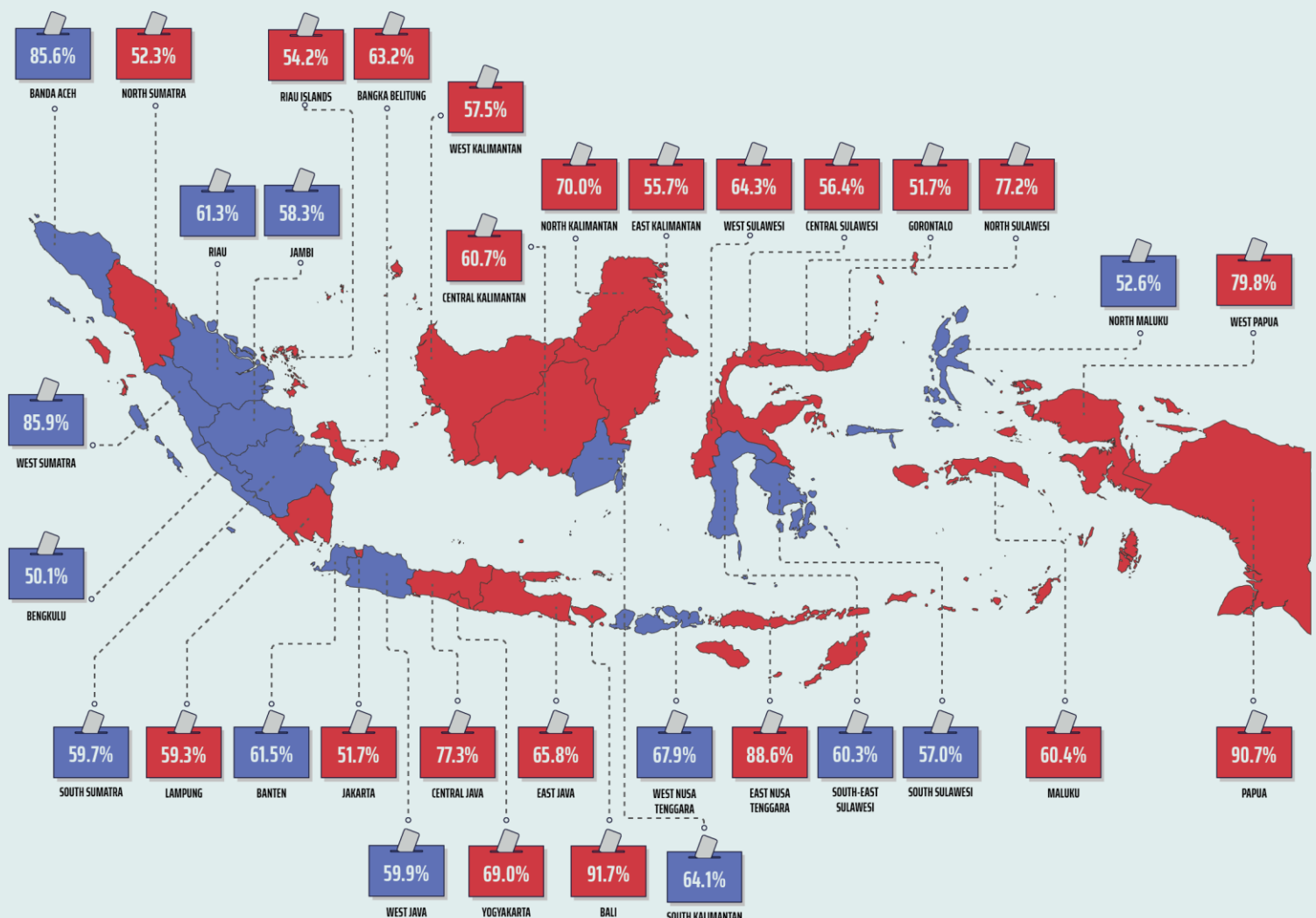
55.5%

44.5%

**PRABOWO
SANDIAGA**

Percentage of National Votes

1		128 Seats	19.33%
2		85 Seats	12.31%
3		78 Seats	12.57%
4		59 Seats	9.05%
5		58 Seats	9.69%
6		54 Seats	7.70%
7		50 Seats	8.21%
8		44 Seats	6.84%
9		19 Seats	4.52%



Unknown groups took part in riot

After the General Elections Commission (KPU) announced the election results early on May 21, or one day earlier than the deadline, clashes between supporters of losing presidential candidate Prabowo Subianto and his running mate Sandiaga Uno and security officers erupted in several parts of Jakarta, including the road in front of the heavily guarded Elections Supervisory Agency (Bawaslu) office. In other places like Pontianak, postelection protests also turned violent. The protesters claimed massive electoral fraud had helped incumbent President Joko “Jokowi” Widodo-Ma’ruf Amin win the election.

While the rally on May 21 initially ran in a peaceful manner, violence started in the evening reportedly after an unidentified group tried to remove security barriers and provoke the police. The mob grew wild as it burned tire stacks, threw stones and Molotov cocktails at security personnel. It also set fire to cars parked outside a police dormitory in Petamburan, West Jakarta. The police confirmed six people had died and 257 people were named suspects of provoking and participating in the unrest.

Insight: The government’s firm action was mandatory in dealing with the postelection riots, so as to restore security, stability, peace and order. President Jokowi said in a televised speech in response to the unrest that he would not tolerate rioters who threatened security, democracy and national unity. There is no other choice, Jokowi said, but for the Indonesian Military (TNI) and the National Police to take “firm action in accordance with the law” against the rioters.

Prabowo, after hours of silence, spoke out against the violence. In his statement, he asked the public to take “constitutional measures” in making their voices heard. Labelling the unrest as an act of violence, he urged the security apparatus and the public not to resort to “physical violence”.

While the police combined persuasive and repressive measures in dealing with the violence, it is clear that the rioters targeted them on purpose as evident in the police dormitory attack, burning of police posts as well as slurs and libel in cyberspace. To prevent the further spread of fake news that could incite people to join in the rampage, the Communications and Information Ministry restricted people’s access to social media platforms. Human rights and press freedom activists criticized the move as an infringement on citizens’ right to information.

According to the police, the protest turned violent as approximately 300 thugs mingled with 6,000 protestors. National Police spokesperson Insp. Gen. M. Iqbal said the thugs had instigated the use of Molotov cocktails and stones to attack the police. Iqbal said a gang that usually loitered around Tanah Abang were found among the protesters, with each of them reportedly receiving around Rp 300,000 (US\$21) per day to create chaos. The police also arrested two members of the Islamic Reform Movement (GARIS), a hardline Islamist group that has declared its support for the Islamic State (IS) terror group. The group is believed to have propagated jihad during the rally.

What we’ve heard: A source close to Prabowo said the riots were a consequence of the government’s maneuver to foil a peaceful rally that Prabowo and his generals would partake in after the KPU announced the election result on May 22. “Actually, [the rally] was slated for Wednesday [May 22]. With the presence of Prabowo and a number of [retired] generals, we ensured [the rally] would be peaceful,” the source said.

He said an agreement had been reached between President Jokowi and Prabowo that the rally would go ahead. “[The rally] would appease those in the grassroots who have been stirred up,” said the source.

The announcement of the election result, however, was moved forward allegedly upon advice of two generals in Jokowi’s camp. “The decision was seen as an insult by supporters in the grassroots,” said the source.

Prabowo was angry with the rescheduling and withdrew his participation in the rally. On Tuesday morning, he consulted several legal experts concerning several issues, including political demonstration, its impacts and probability of good results if the demonstration follows the constitutional mechanism. The legal experts said it would be better for Prabowo to resort to the Constitutional Court as it was good for democracy and would earn Prabowo a good name as a figure who believes in the system, said the source.

However, a number of Prabowo’s confidantes became angry at the development, especially since Prabowo did not do enough to defend his supporters from the police. “They say Prabowo should be angry because of the humiliation by the current regime,” said the source.

To exacerbate the anger, reports circulated on social media of the police’s move to name Prabowo a treason suspect. The point of no return came when Soenarko, former Army’s Special Forces (Kopassus) commander, was detained on charges of smuggling illegal weapons. “All became messed up,” said the source.

The source said Coordinating Maritime Affairs Minister Luhut Pandjaitan approached Prabowo to settle the issue, but the generals prevented Prabowo from accepting the offer. In the end Hashim Djojohadikusumo, Prabowo’s brother, met Luhut. “But the generals vetoed the result [of the meeting],” said the source.

He said all the veteran generals supporting Prabowo and Jokowi were those who were implicated in the bloody violence in Indonesia 1998-2001. “They have unfinished business. They know each other and the tactics they use.”

The source said Prabowo was not behind the riots. “Those around him did it,” he said. That is why Prabowo, when speaking in a press conference on Wednesday late afternoon, asked those who “still listen” to him to avoid violence and respect the law.

Moving the capital city out of Jakarta is a done deal

Meet the new Jokowi, fresh from winning his reelection bid, much more empowered and much more determined than he has ever been. What he wants, he gets, or he certainly gets it done. Case in point: His surprise decision to move the nation’s capital city out of Jakarta in Java to a location somewhere in the far less densely populated island of Borneo. It will happen sooner than many people think. The government is talking about a 10-year timeframe or less.

When President Joko “Jokowi” Widodo disclosed the plan on April 29, most people dismissed it as a ruse, that he was just thinking aloud, or that it was another one of those attempts at diverting the nation’s attention to more pressing issues, like the just-concluded general elections on April 17. It was such a huge undertaking that they thought he would not be able to pull it off.

Takeaways:

- Jokowi not only won his reelection bid, he also commands much more power by controlling a majority in the House of Representatives and most political parties joining his coalition government. There is no political force in the country that can stop him from realizing the plan to move the nation's capital.
- Skeptics only caught wind of the seriousness of Jokowi in moving the capital when he traveled to Central Kalimantan and East Kalimantan on May 7 to explore the locations that could potentially replace Jakarta in hosting the seat of government.
- The choice of Borneo is grounded in two good reasons: It counts among the less densely populated large islands, unlike Sumatra and Sulawesi or Bali, and it is not prone to natural disasters like earthquakes, tsunamis and volcanic eruptions that haunt most other islands.

We should know Jokowi well enough by now, as President since October 2014 and Jakarta governor for two years before then, that when he says he wants to do something, he will do it. The MRT in Jakarta, inaugurated in April, is one example. The idea of the MRT had survived many governors going back to the 1990s, but when Jokowi took the governorship in 2012, he said let's build it. Voila, six years and three other governors later, he got to launch it as President of the republic. Another example is the Health Care and Social Security Agency (BPJS Kesehatan) and its national health insurance program, introduced by his predecessor Susilo Bambang Yudhoyono on Jan.1, 2014, in phases with the plan to make it universal only in 2019. Jokowi made it universal as soon as he took office in October, leaving BPJS Kesehatan, the agency managing the program, scrambling to cover its huge budget deficit.

Just 12 days after the election and with confidence that he had clinched it even before the official announcement, he told his Cabinet he wanted to move the seat of government. He already has a plan and price tag of Rp 466 trillion (\$31 billion), as well as ways of financing it. Now, it is just a matter of choosing the location and then to start building it.

Critics may say there has been no public discussion, let alone consultation with stakeholders, and that a major decision like this was too big and too soon for a president to make. Many recall that other presidents before had entertained the idea but dropped it because it was just too difficult.

But lest critics forget, Jokowi has not only won his reelection bid (confirmed by the General Elections Commission on May 21), he also commands much more power than he ever had in the last five years, with a controlling majority in the House of Representatives and with most political parties joining his coalition government. There is no political force in the country that can stop him from realizing the plan to move the nation's capital. Any debate in the House to finalize the decision to move will be a mere formality.

It's a done deal. If the MRT is the legacy he leaves behind for the two-year governorship in Jakarta, moving the capital of the country could count as his biggest legacy as president. His inauguration as president for 2019-2024 is not due until October. But then, why wait?

Here is a president who will almost always get whatever he wants and one who, when he says he wants to do something, he will do it. Expect more big decisions like this from the President — yes, often with little public consultation — in the next five years.

Background: The announcement to move the capital out of Jakarta came out of nowhere. There had been no public discussion and many members in his Cabinet were kept out of the loop. But Jokowi apparently has a plan, and it looks like a solid one.

His predecessor Yudhoyono commissioned in 2009 a study to look into the options to deal with the challenges facing Jakarta, which everyone agreed was overcrowded and could not support further development or expansion. Yudhoyono's commission came up with three options: First was to stay in Jakarta, but build it vertically (meaning more high rise buildings) rather than horizontally (which would be impossible as it has now expanded to include the adjacent towns of Bogor, Depok, Tangerang and Bekasi); second was to move to nearby Jongol, 40 kilometers south of Jakarta, essentially modelled on Malaysia's Putra Jaya; third was to move to outside Java, the most viable but prohibitively expensive. The plan was dropped.

Insight: Skeptics only caught wind of the seriousness of Jokowi in moving the capital when he traveled to Central Kalimantan and East Kalimantan on May 7 to explore the locations that could potentially replace Jakarta in hosting the seat of government. Palangkaraya, capital of Central Kalimantan, was the site chosen by Sukarno, Indonesia's first president, back in the 1960s. Another location is Bukit Soeharto — so named after Indonesia's second president — an undeveloped green forested hill area in East Kalimantan.

A few days later, National Development Planning Minister Bambang Brodjonegoro called for a press conference to give more details on the plan.

The reasons for moving are known and convincing:

- Java is overpopulated and faces serious water shortages.
- Greater Jakarta has a population of 32.8 million people (second or third largest metropolitan area in the world in competition with Osaka and Shanghai).
- Jakarta's population density, at 15,600 people for every square kilometer, is the third highest after Manila and Paris.
- Jakarta faces an acute housing shortage and its clean water supply and sanitation facilities are overstretched.
- Jakarta is sinking and thus increasingly prone to floods.
- Traffic congestion is a nightmare.

The choice of Borneo is grounded in two good reasons: It counts among the less densely populated largest islands, unlike Sumatra and Sulawesi or Bali, and it is not prone to natural disasters like earthquakes, tsunamis and volcanic eruptions that haunt most other islands.

Either Central Kalimantan or East Kalimantan has the attraction of being strategically located in the center of Indonesia, it has plentiful available land and access to clean water, and less prone to communal conflicts because local people (Dayaks) are open to migrants.

The ministry's study looked at the experiences and lessons learned of other countries in moving the capital, including Washington, DC in the United States, Sejong City in South Korea and Brasilia in Brazil, to conclude that moving the capital was not only a must but also doable.

Any notion that the House or public will get to have a say about the choice of location was dashed by the argument that while Palangkaraya has all the advantages like Bukit Soeharto, it is too far inland and a six-hour drive to the nearest sea port.

Putting aside the unfortunate or controversial name, Bukit Soeharto seems like the only choice. We have a president who is not only powerful and determined, he has also done most of the thinking.

Young minister to color Jokowi's cabinet

Amid the rumors about the cabinet reshuffle, it has been reported that President Joko “Jokowi” Widodo will introduce a youthful new minister aged between 20 and 30.⁶ The plan, which is said to accommodate the interests of the country's huge millennial population, has sparked speculation as to which young politician Jokowi is referring to.

Insight: Several notable young politicians appear to have an opportunity to join President Jokowi's cabinet following his plan to accommodate millennials. One popular candidate is Indonesian Solidarity Party (PSI) politician Tsamara Amany. Regardless, considering the party's failure to meet the parliamentary threshold, she lacks political standing to take up a ministerial post.

Other potential candidates include Indonesian Justice and Unity Party (PKPI) leader Diaz Hendropriyono, son of former State Intelligence Agency chief AM Hendropriyono, and United Indonesia Party (Perindo) politician Angela Herliani Tanoesoedibjo, daughter of media mogul Hary Tanoesoedibjo. While both the PKPI and Perindo, like the PSI, did not make it to the House of Representatives, the fact that Diaz and Angela are part of the inner circle of Jokowi gives them an edge.

Nonetheless, the most likely candidate is the Democratic Party's Agus Harimurti Yudhoyono (AHY), son of the party's paramount leader and former president Susilo Bambang Yudhoyono. AHY, whose party supported the nomination of Jokowi's contender Prabowo Subianto, met with the President after the election, fueling rumors that Jokowi was wooing AHY. Indeed, posting AHY in a ministerial post might be key to pulling the Democrats into his coalition.

AHY, like Diaz, is 40, which is considered young in politics. Both AHY and Diaz technically do not belong to the millennial group. While appointing young figures in a ministerial post may boost Jokowi's image as a progressive leader, AHY's and Diaz's connection might be too good to pass up.

Jokowi to promote 100 military officers

At an iftar (breaking-of-the-fast) event with the Indonesian Military (TNI) and National Police personnel on May 16, President Joko “Jokowi” Widodo said he would fulfill his promise to create 100 posts for high-ranking officers.⁷ The move follows Presidential Decree No. 62/2016, which stipulates that a number of type B military commands will be upgraded into type A military commands. As an A category military command is led by a brigadier general, there will be mass promotions of colonels to brigadier generals.

Citing the mounting duties of the military in the future and the need to boost the military's capacity, Jokowi deemed the new posts necessary.⁸ The decision, however, may have something to do with mismanagement in the military in the past.

Insight: It is reported that there are at least 150 idle middle-ranking officers, due to the scarcity of positions in the military structure.⁹ One of the primary reasons behind the surplus of

⁶ Detik.com, “Wacana Menteri Muda Jokowi, TKN: Di Kisaran Usia 20 Tahun ke Atas” 13 May 2019

<https://tinyurl.com/y35nrwvg>

⁷ Kompas.com, “Jokowi Janji Pekan Depan Sudah Tersedia 100 Jabatan Baru untuk Pati TNI” 16 May 2019

<https://tinyurl.com/y6e6alfy>

⁸ Ibid.

military officers is poor internal management. National Resilience Institute governor Agus Widjojo said that the military should plan promotion carefully in order to avoid a surplus of high-ranking officers.¹⁰ The increased military retirement age from 55 to 58, furthermore, also exacerbates the stockpile of officers in the military.¹¹

In January, President Jokowi promised to create 60 new military posts for high-ranking officers by establishing new organizations such as joint area defense commands.¹² Following Jokowi's announcement, Indonesian Military commander Air Chief Marshal Hadi Tjahjanto called for a revision to the 2004 law that prohibits active military officers from holding civilian posts in order to accommodate nonjob officers.¹³ While Jokowi has yet to swing into further action regarding Hadi's request, it is feared that Jokowi's administration will be unduly lenient toward the military.

Now, Jokowi's recent plan to provide 100 new posts for high-ranking military officers might be a continuation of his alleged plan to consolidate his influence in the military. Rumors of public unrest, especially among losing presidential candidate Prabowo Subianto's supporters, have circulated. Winning the military's support, thus, will help Jokowi maintain order during the transition period.

Monkeypox: Indonesia's readiness for virus tested

In the wake of the report of Singapore's first case of monkeypox, Indonesia has been on high alert on the potential spread of the rare virus in the country. The government has intensified efforts to contain the virus, which is endemic to parts of West and Central Africa. State-owned airport operator PT Angkasa Pura, the port health office and the Health Ministry have equipped airports and seaports with thermal scanners, especially if they directly connect with the neighboring country. Local authorities in Batam, the Indonesian region closest to Singapore, have prepared the Batam Free Trade Zone Hospital and Embung Fatimah Public Hospital as the center for monkeypox treatment. As of May 15, the Health Ministry's disease control and prevention director general Anung Sugihantono confirmed that no human case of monkeypox had been detected in Indonesia. The public, however, is already perturbed by the alert, given that Indonesia has a record of zoonotic and transboundary disease outbreaks in the past.

Insight: Compared to previous outbreaks of the disease, such as SARS and avian influenza (H5N1), the monkeypox virus has yet to be identified as an epidemic and is still considered a minor issue, at least based on its fatality and transmission rate. When SARS first emerged in 2002 in China and infected more than 8,000 people in 26 countries within months, including Singapore and Indonesia, the Indonesian government declared a state of pandemic threat of the disease in accordance with Law No. 4/1986 on infectious disease outbreak.¹⁴ The government also imposed several preventative measures, including requiring all passengers who went through certain airports and ports to undergo an administrative check, issuing travel advisories

⁹ Tempo.co, "Jokowi Akan Teken Tambahan Jabatan untuk 100 Perwira Tinggi TNI" 16 May 2019 <https://tinyurl.com/y3c5nl8y>

¹⁰ Kabar24.bisnis.com, "Banjir Jenderal Tanpa Jabatan, Diduga karena Masalah Ini" 8 February 2019 <https://tinyurl.com/y4hogkj5>

¹¹ Tempo.co, "Faktor Usia Pensiun TNI, Penyebab Banyak Jenderal tanpa Jabatan" 6 February 2019 <https://tinyurl.com/y5bpld6o>

¹² CNNIndonesia.com, "Jokowi Tambah 60 Ruang Jabatan bagi Jenderal TNI" 29 January 2019 <https://tinyurl.com/y495xc92>

¹³ Matamatapolitik.com, "TNI Tuntut Jabatan Sipil, Indonesia Kembali ke Era Orde Baru?" 8 March 2019 <https://tinyurl.com/y2jxl39j>

¹⁴ <https://tinyurl.com/y42cjhc7>

for countries infected by SARS and designating referral hospitals in certain regions specifically for those who were infected by SARS.

Meanwhile, according to the World Health Organization (WHO), since the start of the outbreak in 2003, 186 H5N1 human transmission cases have been reported in Indonesia. The death toll from the virus reached 349, with 155 of them reported in Indonesia.¹⁵ The government enforced several measures to deal with the H5N1 outbreak, such as increasing biosecurity among poultry owners, designating referral hospitals and improving surveillance on hospitals to detect early those who might be infected by the outbreak.¹⁶

In contrast to the high number of people infected by SARS or H5N1, the monkeypox virus has only been reported once in Singapore. The Singaporean Embassy in Indonesia, through its official Facebook page, issued a statement specifying media outlets that reported inaccurate information about the spread of the monkeypox virus.¹⁷ The country then requested a clarification on the exaggerated coverage that could be one of the reasons why the public worries much about the monkeypox virus.

Although it can be deadly in some cases, monkeypox is considered milder than smallpox. The monkeypox virus spreads through direct contact with a lesion or the infected bodily fluid of animals. Transmissions between humans are rare and can be prevented by practicing basic hygiene such as washing hands thoroughly with soap, avoiding direct contact with rodents and monkeys and only consuming perfectly cooked meat.¹⁸ The Health Ministry has called on the public to remain calm amid the reported outbreak.

¹⁵ BBC.com, "Indonesia negara dengan kasus flu burung terbanyak di dunia" March 8, 2012 <https://tinyurl.com/y3nmzbws>

¹⁶ <https://tinyurl.com/y43c2r6j>

¹⁷ Liputan6.com, "Kedubes Singapura: Monkeypox Baru 1 Kasus, Belum Wabah" May 15, 2019 <https://tinyurl.com/y4ftlp29>

¹⁸ Mediaindonesia.com, "Masyarakat Jangan Panik dengan Kasus Cacar Monyet" May 15, 2019 <https://tinyurl.com/y394vvxr>

BUSINESS & ECONOMIC POLICY

Rising anti-Chinese sentiment threatens Jokowi's downstream mining industrialization strategy

On May 17, State-Owned Enterprises Minister Rini Soemarno headed a team of CEOs and ministry officials at a meeting with representatives of China's metal industry to accelerate the implementation of downstream mining industrialization.¹⁹

Takeaways:

- In his second term, President Jokowi aims to expand Indonesia-China economic relations beyond infrastructure by offering investment projects to develop industrial parks across the country, as well as the downstream mining industry.
- Rising anti-Chinese sentiment as culminated in the #UlamaTolakOBOR campaign on social media threatens to derail Jokowi's downstream mining industrialization strategy.
- Bachtiar Nasir rekindled anti-Chinese sentiment, arguing that Chinese-Indonesians' wealth and Chinese foreign investment threatened economic sovereignty and had the potential to worsen inequality.

Background: The meeting was a follow-up to President Joko "Jokowi" Widodo's speech on Dec. 3, 2018. In his speech, Jokowi criticized the slow progress in smelter construction that had resulted in a high reliance on raw material imports for manufacturing. Reducing reliance on raw material imports, the President asserted, is the key to solving the persistent current account deficit.²⁰

In response to President Jokowi's speech, state mining holding company Indonesia Asahan Aluminium (Inalum) has announced four smelter construction projects. The first project is the \$850 million Smelter Grade Alumina Refinery (SGAR) to be jointly developed with PT Aneka Tambang (Antam) in Mempawah, West Kalimantan.²¹

The second is a coal gasification project in Tanjung Enim, South Sumatra, worth \$3.1 billion. Because of the huge investment involved, the project will be managed by four companies, namely PT Tambang Batubara Bukit Asam (PTBA), fertilizer manufacturer PT Pupuk Indonesia, state-owned oil and gas holding company Pertamina and PT Chandra Asri Petrochemical under Inalum supervision.²²

Third is a copper smelter jointly developed with PT Freeport Indonesia worth \$2.8 billion in Gresik, East Java.²³

The last project, which is also the biggest, is a fully integrated electric vehicle battery plant funded by China's Zhejiang Huayou Cobalt Company. The project also includes the construction

¹⁹ Bisnis.com, "Menteri BUMN jajakikerjasamalalum dan pabrikan China." May 17, 2019 <https://tinyurl.com/y33yfbhn>

²⁰ CNBCIndonesia.com, "4 tahun Jokowi: Smelter lamban, kilangtakdibangun." Dec. 4, 2019 <https://tinyurl.com/yxfcty5b>

²¹ CNBCIndonesia.com, "BangunPabrik Smelter Alumina, Antam-Inalumrogoh Rp12 T." May 15, 2019 <https://tinyurl.com/yji2ecaf>

²² CNBCIndonesia.com, "Bukit Asamgarapgasifikasibatu bara senilai Rp81.2 T." March 11, 2019 <https://tinyurl.com/y4wujxf5>

²³ TheJakartaPost.com, "Freeport to finish smelter project in 2022." May 7, 2019 <https://tinyurl.com/y3kskna>

of smelters near Antam's nickel mines in Tanjung Buli, North Maluku. and Konawe, Southeast Sulawesi. The overall investment cost is estimated at \$6 billion to \$12 billion.²⁴

Insight: During his first term, President Jokowi actively courted Chinese investment in infrastructure, such as the Jakarta-Bandung high-speed railway project and various coal-powered electricity plants, to meet his ambitious infrastructure development target.²⁵

In his second term, Jokowi aims to expand Indonesia-China economic relations beyond infrastructure and in April invited Chinese manufacturers to invest in Sei Mangkei, Tanah Kuning and Bitung industrial parks at the Belt and Road Initiative (BRI) Summit in Beijing,²⁶ as well as in the country's downstream mining industry, such as the planned Inalum-Antam-Huayou joint ventures and Antam-Shandong Xinhai ferronickel investment on Gag Island, Papua.

However, rising anti-Chinese sentiment after the presidential election has clouded the prospect of Jokowi's industrialization strategy. On May 13, during an Islamic conference at Pondok Pesantren (Islamic boarding school) Darussalam in Garut, West Java, many Islamic scholars voiced opposition to Chinese investment. They communicated their opposition through hashtag #UlamaTolakOBOR on Twitter.²⁷

Anti-Chinese sentiment was also present during May 22 post-election rioting in Jakarta. The government temporarily restricted social media access on this day to halt the spread of a "Police from China" hoax.²⁸

Although anti-Chinese sentiment subsided after widespread rioting in May 1998, it has once again become a potent political maneuver after a successful campaign to imprison Basuki "Ahok" Tjahaja Purnama for blasphemy. Bachtar Nasir, the initial chairman of the National Movement to Safeguard the Indonesian Ulema Council's Fatwa (GNPF-MUI), was the mastermind. In an interview with Reuters in 2017, he admitted that he had rekindled resentment toward Chinese-Indonesians and mainland Chinese on the basis of economic inequality and sovereignty.²⁹

Bachtar is currently on the run overseas after the police declared him a money-laundering suspect.³⁰ Nevertheless, his maneuver will haunt President Jokowi's industrialization policy post-election.

²⁴ CNBCIndonesia.com, "Gandeng 2 perusahaan China, Antamseriusproduksibaterai." May 21, 2019

<https://tinyurl.com/y2zkpmb7>

²⁵ Nikkei.com, "China becomes Indonesia's No. 2 investor with infrastructure drive." Feb. 1, 2018 <https://tinyurl.com/y5cvs9rp>

²⁶ CNNIndonesia.com, "China lirik Sembilan proyekinfrastruktur RI dalam KTT OBOR." May 21, 2019

<https://tinyurl.com/y569twyn>

²⁷ Tirto.id, "#UlamaTolakOBOR: Isuekonomi yang diwarnai sentiment anti-China." May 14, 2019 <https://tinyurl.com/yve75y76>

²⁸ SCMP.com, "Chinese Indonesians in Jakarta fear attacks on community, as anti-China hoaxes spread on social media." May 22, 2019 <https://tinyurl.com/y58c57y3>

²⁹ Reuters.com, "Exclusive – Indonesian Islamist leader says ethnic Chinese wealth is next target." May 12, 2017

<https://tinyurl.com/yxi9y84x>

³⁰ Liputan6.com, "Pergike Arab, Bachtar Nasir mangkirpemeriksaansebagaitersangka." May 14, 2019

<https://tinyurl.com/y3onf6p9>

Issue Update: Sjamsul Nursalim sues BPK, KPK moves against him

Businessman Sjamsul Nursalim, the owner of tire producer PT Gajah Tunggal and now-defunct Bank Dagang Nasional Indonesia (BDNI), has filed a civil lawsuit at the Tangerang District Court against the Supreme Audit Agency (BPK) and its auditor I Nyoman Wara, who conducted an investigative audit against state losses caused by BDNI.

Sjamsul demanded the court nullify the audit result and punish the BPK and the auditor by paying Rp 1,000 (7 US cents) compensation for his intangible losses.³¹

The BPK investigative audit on BDNI found state losses of Rp 4.58 trillion. The case dated back to the 1998 Asian financial crisis when BDNI received Rp 28 trillion in Bank Indonesia liquidity support (BLBI) funds, which were disbursed by the government through the central bank to help it cope with the massive runs during the crisis.

The audit result was used by the Corruption Eradication Commission (KPK) to charge Syafruddin Arsyad Temenggung, former chairman of the Indonesian Bank Restructuring Agency (IBRA) in the BDNI case. KPK prosecutors found that Syafruddin had cooperated with Sjamsul and his wife, Itjih S. Nursalim, as well as then-coordinating economic minister and Financial System Stability Committee (KSSK) chairman Dorodjatun Kuntjoro-Jakti in the graft case.

Last September, the Jakarta Corruption Court sentenced Syafruddin to 13 years in prison for issuing a letter in 2004 for Sjamsul, freeing him from repaying a debt owed to the government and thereby causing Rp 4.58 trillion in state losses.

Sjamsul's lawsuit against the BPK and its auditor eventually dragged the KPK in as the anticorruption body is investigating the roles of Sjamsul and his wife Itjih. KPK spokesperson Febri Diansyah said last week that the KPK became the third party in the case and would assist the BPK in settling the case. Febri further argued that the BPK's audit was valid since it was done under the KPK's request to become a legal document to charge Syafruddin Tumenggung with.³²

What we've heard: According to sources, the KPK leadership has agreed to name Sjamsul Nursalim and his wife Itjih suspects in the BDNI case following the conviction of Syafruddin Tumenggung by the Corruption Court despite the fact that the KPK had not questioned Sjamsul nor Itjih. The KPK has summoned both Sjamsul and his wife for questioning, but both never showed up.

The KPK leadership reportedly signed the investigation warrant against Sjamsul Nursalim and his wife as suspects and will send the notification of investigation commencement to his lawyer Otto Hasibuan. The naming of Sjamsul Nursalim and his wife as suspects is likely to precede the Tangerang District Court's verdict on Nursalim's lawsuit against the BPK audit. The KPK is apparently concerned that the Tangerang District Court's decision could become a barrier to the KPK to investigate Sjamsul and his wife and also other possible suspects in the BDNI case.

³¹ Tirto.id, "Pemilik BDNI Sjamsul Nursalim gugat BPK dan auditornya," February 20, 2019. <https://tinyurl.com/y3j7evq3>

³² CNNIndonesia.com, "KPK sebut Sjamsul Nursalim gugat BPK ganggu pengusutan BLBI," May 16, 2019. <https://tinyurl.com/y4kwz2sy>

Macroeconomic Update: Darmin takes drastic measure to stop trade and current account deficits

On May 15, Statistics Indonesia (BPS) announced that Indonesia recorded a US\$2.5 billion trade deficit in April, the largest monthly trade deficit since 2013.

Takeaways:

- \$2.5 billion trade deficit in April raises questions about the soundness and sustainability of the government's macroeconomic stabilization policy to curb the trade and current account deficits.
- In response to this development, the government announced that it would stop diesel and aviation fuel (avtur) imports starting from next month.
- A halt on fuel imports might result in slower economic growth this year.

April's trade deficit was caused by a sharp drop in non-oil and gas exports and a sudden increase in oil and gas imports. Non-oil and gas exports shrank by 11 percent year-on-year (yoy) to \$11.85 billion in April. Meanwhile, imports only fell by 7.5 percent yoy to \$12.86 billion. Because of higher imports than exports in April, the accumulative non-oil and gas surplus for January to April decreased to \$200 million, from \$1.2 billion for January to March. Moreover, the January to April surplus is \$2.2 billion lower than the figure for the same period last year.

The oil and gas import volume in April increased by 1.14 million metric tons month-over-month (mom) to 3.83 million metric tons. As a result, the accumulative oil and gas deficit for January to April widened to \$2.77 billion, from \$1.27 billion for January to March. Compared to the deficit for the same period last year, this year's deficit was \$1.02 billion lower.

More importantly, April's \$2.5 billion trade deficit has spooked foreign investors.³³ Although the current account deficit in the first quarter of 2019 showed signs of improvement, due to an improved trade balance position, the huge trade deficit in April raises questions about the soundness and sustainability of the government's macroeconomic stabilization policy. The worsening US-China trade spat also adds to the woes. As a result, the financial market recorded Rp 13.73 trillion (\$950 million) in capital outflows in the first half of May 2019.³⁴

Insight: A few days before the release of April's trade data, Coordinating Economic Minister Darmin Nasution announced that the government would stop diesel and aviation fuel (avtur) imports starting next month to reduce current and trade account deficits.³⁵ The National Energy Council (DEN) supported Darmin's decision to stop diesel and avtur imports. DEN member Sonny Keraf advised the government to follow up its policy to cease fuel imports with investment in renewable energy, such as hydro and geothermal energy.³⁶

³³ CNBCIndonesia.com, "Neraca dagang jebol, investor asing tinggalkan Indonesia!" 15 May 2019 <https://tinyurl.com/y2fhgy6g>

³⁴ CNNIndonesia.com, "OJK catat modal asing keluar RI bulan ini Rp13.7 T." 22 May 2019 <https://tinyurl.com/y6ru33y3>

³⁵ Antaranews.com, "Darmin: mulai bulan depan Indonesia setop impor avtur dan solar." 10 May 2019 <https://tinyurl.com/yyzdeckr>

³⁶ Antaranews.com, "DEN: Impor solar distop, energi terbarukan hemat APBN triliunan Rupiah." 12 May 2019 <https://tinyurl.com/yy9mfdol>



Pertamina CEO Nicke Widyawati also expressed support for the government's policy to halt diesel and avtur imports. In fact, the state-owned energy holding company stopped importing avtur in April, and stopped importing diesel this month. To fill the gap, Pertamina will maximize diesel and avtur production at its oil refineries in Plaju in Palembang and Cilacap in Central Java.³⁷

However, this policy bears a macroeconomic risk. If Pertamina's fuel production fails to fill the gap left by halting fuel imports, the reduced supply of fuels might put additional downward pressure on the economy, which may result in slower economic growth this year. It seems that Bank Indonesia (BI) is prepared for this possibility. Following the announcement of April's huge trade deficit, BI cut its 2019 economic growth forecast to below 5.2 percent.³⁸



³⁷ Detik.com, "Pertamina setop impor avtur dan solar." 14 May 2019 <https://tinyurl.com/yxt4brzg>

³⁸ Antaranews.com, "Dipangkas BI proyeksi pertumbuhan ekonomi 2019 di bawah 5.2 persen." 16 May 2019 <https://tinyurl.com/y6x9sug6>

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 Prasetiya 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.



PT Trisaka Wahana Tenggara

The Jakarta Post Building
Jl. Palmerah Barat 142-143
Jakarta 10270

+62 21 5300476/8 ext. 2009

info@tenggara.id

www.tenggara.id

Board of Commissioners:

Jusuf Wanandi, Djisman S. Simandjuntak, Endy M. Bayuni

Board of Directors:

Riyadi Suparno, Phillips J. Vermonte,
Deddi Tedjakumara

Guarantor: Riyadi Suparno

Researchers & Writers:

Astria Zahra Nabila, Adinova Fauri, Benni Yusriza, Dwi Atmanta, Frans Surdiasis, Stella Kusumawardhani, Lionel Priyadi, Vincent Lingga, Yesaya Christianto, Yessy Rizky

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.