

Highlights of the week



Questioning the urgency of foreign aid

After the 7.4-magnitude earthquake and tsunami that devastated Central Sulawesi on Sept. 29, the government has been under duress to declare the tragedy as a national disaster and accept foreign assistance. A number of considerations, however, may impede the government from doing so.



Who is the most nationalist among us?

As the 2019 general elections are approaching, the rhetoric of nationalism, a recurrent theme, has been frequently employed by candidates. Now, Indonesia's economic cooperation with China appears to be the newest target, prompting the spread of Sinophobia in the country.



Bad financing troubles Bank Muamalat

The financial crisis faced by Bank Muamalat starting from 2014 has led Indonesia's first Syariah-bank to suffer from financial problems and in need for cash injection. The battle between the two investors, Ilham Habibie and Dato Sri Tahir is moving into new direction.



The fight against overfishing faces resistances

Susi Pudjiastuti's efforts to prevent overfishing and promote sustainable ocean economy face tough pressure from businesses and prominent actors. Many in the sector see the efforts as unfriendly to business due to the "negative" impact to the industry.

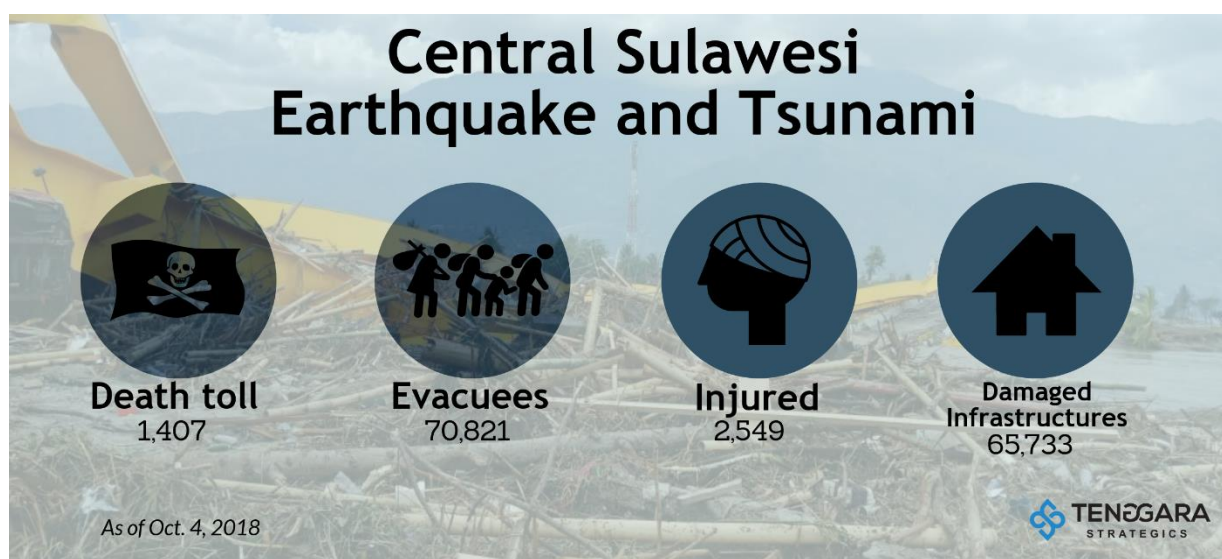
POLITICS

Central Sulawesi: Questioning the urgency of foreign aid

Following a 7.4-magnitude earthquake and tsunami that hit Central Sulawesi on Sept. 29, the government has agreed to accept foreign aid to help people in the affected areas. The government's reluctance to declare the quake and tsunami a national disaster and the initial resistance to foreign assistance, however, shows the complexity of the politics of foreign aid.

Takeaway: Indeed, accepting foreign aid will relieve the government from the crippling burden of funding the post-disaster reconstruction. However, the government's reluctance to accept foreign aid throughout its history demonstrates how foreign aid often comes with military, economic and political consequences.

Background: The quake and tsunami in Central Sulawesi is the second major natural disaster to have occurred in the country in two months. Late in July, a huge earthquake hit West Nusa Tenggara (NTB), killing more than 800 people and destroying infrastructure. While reconstruction has barely started in NTB, the government's resilience has been put to the test again, and so far, it appears it has not been doing well.



Three days after the earthquake and subsequent tsunami pounded Central Sulawesi, survivors of the natural disasters have foraged for food and other items from the rubble of grocery stores and other shops while suffering from thirst and hunger. Although the central government has begun to send disaster relief aid, logistical and food supplies have been slow to reach survivors, triggering fears of chaos if the assistance does not arrive soon. A number of shops and trucks delivering aid in Palu were raided by impatient survivors. On Oct. 1, relief from the West Sulawesi Social Service Agency, for instance, was plundered by survivors; the truck, which was delivering instant foods and tents, was raided on its way to Donggala.

Given the level of destruction, pressures mounted on the government to declare the Central Sulawesi calamity a national disaster and accept foreign assistance. On Oct. 1, Indonesia reluctantly announced a decision to accept assistance from foreign donors for Sulawesi. Representatives of almost 20 countries, including Australia, Japan, the United States and South Korea, met Deputy Foreign Minister AM Fachir, who said the country had identified priorities for foreign assistance, particularly in transportation, heavy equipment, supplies and expertise.

The government's reluctance, however, shows that foreign aid may come with unfavorable preconditions and aftermaths.

Insight: Being located in the Pacific Ring of Fire, Indonesia is highly vulnerable to natural disasters. Regardless, the country's preparedness in mitigating disasters remains minimal. The ensuing chaos has led to criticism over the absence of precautionary and responsive measures on the part of the government.

As stated by House of Representatives Commission VIII deputy chairman Sodik Mudjahid, Indonesia's level of preparedness to mitigate natural disasters stands at merely 0.1, far below Japan's 0.9. Likewise, National Disaster Mitigation Agency (BNPB) spokesperson Sutopo Purwo Nugroho said in anticipating natural disasters, the government still devotes minimum effort to raise public awareness about disasters. The people's lack of knowledge triggered the chaos. Furthermore, according to the World Risk Index in 2016, Indonesia's deficit in coping capacities was very high, showing the people's great dependence on governance, medical care and material security in the event of natural disasters.

The absence of understanding of the severity of natural disasters among the public and the lack of appropriate measures from the government has meant the impact of the earthquake and tsunami in Central Sulawesi was more catastrophic. As the public were barely equipped to face natural disasters, for instance, survivors in Central Sulawesi scrambled for food by raiding shops, minimarkets and even trucks delivering aid.

The tumult in Central Sulawesi demonstrates the government's failure to mitigate disasters on its own. Undoubtedly, pressures on the government to declare the earthquake and tsunami a national disaster intensified.

Law No. 24/2007 on Disaster Management



1. On declaring national disaster status —→ The indicators in declaring the status are the number of casualties, financial losses, damages to infrastructures, the scope of areas affected by the disaster and the socio-economic impacts.
2. On the government's responsibilities —→ The government's responsibilities include guaranteeing the rights of citizens affected by disaster, protecting citizens from the impacts of disaster, reducing the risk of disaster and allocating adequate budget to mitigate disaster in regional budget (APBD).
3. On foreign assistance —→ International non-governmental organizations may take part in mitigating disaster with their safety ensured by the government. The organizations may work independently, with other organizations or together with the Indonesian government.



The proponents of such a declaration argue that imposing the status will unlock a larger budget for post-disaster reconstruction as it will be the national government that draws up the budget. Furthermore, declaring the earthquake and tsunami national disasters will also facilitate and accelerate the disbursement of foreign aid. President Joko “Jokowi” Widodo has announced that Indonesia will accept foreign assistance, yet refused to declare the severe earthquake and tsunami in Central Sulawesi a national disaster.

Throughout the history of Indonesia, the phenomenon of foreign assistance has been complex. The government’s reluctance to accept foreign aid was often based on different considerations. In the case of Aceh, for instance, following the 2004 tsunami that devastated the region, Indonesia was initially averse toward foreign assistance, particularly military aid. The aversion was because of the delicate relationship between the government and the separatist Free Aceh Movement (GAM) in Aceh. It was believed that the arrival of foreign military troops, although on a humanitarian mission, would threaten Indonesia’s sovereignty; the foreign military might pry on the Indonesian Army’s and GAM’s conduct. The government finally decided to welcome foreign aid workers, including troops, because it was in dire need of aircraft to rescue the victims.

Meanwhile, in the case of West Nusa Tenggara (NTB), the government refused to accept foreign assistance because of the fear of its impact on the country’s tourism. There are two ways in which a national disaster can adversely affect tourism. First, by declaring national disaster status, foreign governments will issue travel advisories to its citizens about potential hazards in Indonesia, therefore discouraging them to travel to Indonesia. Second, the status will render a trip to Indonesia more expensive because of a rise in travel insurance premiums. As the quake in NTB occurred just before the start of the 2018 Asian Games, from which the government expected a hike in tourist arrivals, national disaster status would scare tourists away. Even without declaring a national disaster, revenue from tourism in Lombok dropped 69 percent following the quake.

Now, the government may be reluctant to open Central Sulawesi to foreign aid because of the approaching 2019 presidential election. Foreign assistance is often associated with the country’s subordination to external forces because every dollar extended is believed to have strings attached. Therefore, accepting foreign aid is politically damaging for an incumbent government’s electability.

Indeed, with campaigning underway, the rhetoric of nationalism has been employed in the past months. President Jokowi’s challenger, Prabowo Subianto, for instance, once said Indonesia was in jeopardy because of the weakening rupiah and foreign nations’ growing control over Indonesia’s resources. Jokowi finally announced the country’s acceptance of foreign aid, but with some restrictions, such as limiting it to equipment and medical workers that Indonesia lacks.

Despite its potential effects on his electability, Jokowi’s decision to accept foreign assistance might be based on the government’s inability to bear extra expenses. It was reported that the government allocated Rp 12.6 trillion in rehabilitating disaster-stricken areas in NTB. Meanwhile, although the budget to reconstruct Central Sulawesi has yet to be disclosed, it is estimated that the earthquake and tsunami have caused Rp 10 trillion in material losses. Providing more money for more post-disaster rehabilitation and reconstruction will likely cripple the cash-strapped country.

In the end, the consequences of a national disaster status must be carefully compared with its benefits.

Mirror mirror on the wall, who is the most nationalist of them all?

With the campaign for the 2019 general elections underway, almost everyone is trying to convince voters that he or she is the true nationalist or patriot. They tell voters that they will defend Indonesia's sovereignty and make Indonesia more self-reliant. Some will inevitably stretch the argument and start attacking foreign countries or big ugly foreign corporations to make their point. Xenophobia always rears its ugly head during elections. This time around, China looks like the flavor of the month.

Takeaway: The popularity of the nationalist ideology will likely color the political year of 2019. President Jokowi's success in securing the ownership of natural resources from several foreign companies may prompt the emergence of resource nationalism in the country. On the other hand, the President's close ties with China may be targeted by the opposition, particularly the issue of the arrival of Chinese workers in Indonesia.

Background: Today, China's presence in Indonesia looms large. It is already Indonesia's largest trading partner, which to ordinary people means buying made-in-China products. China is rapidly replacing Japan and South Korea and Western countries as the largest source of foreign investment. There is also the contentious issue of the presence of Chinese workers, and almost inevitably their real number is always widely exaggerated. Xenophobia is becoming synonymous with Sinophobia.

A survey jointly conducted by Tenggara Strategics and the Centre for Strategic and International Studies found that while more Indonesians view economic cooperation with China as more profitable than with any other country, they also see that, overall, cooperation with China is not profitable. China tops the list of countries seen as the biggest economic threat to Indonesia, before the United States, Malaysia, Japan and the Netherlands. The presence of foreign workers is deemed the biggest threat to the economy, followed by foreigners taking control of Indonesia's natural resources, and the Indonesian market being flooded with foreign imports.

China makes a convenient target for staunch nationalists to scapegoat everything that is wrong with this country's economy.

Insight: One thing that characterizes Indonesia's democratic elections is the absence of a clear ideological divide. Most political parties and candidates will be campaigning on nationalist platforms. A handful will be campaigning on Islamism, such as the creation of an Islamic state or the introduction of sharia as the law of the land, but they have their own separate battle for a specific segment of voters. The majority, including the two contenders for the presidential race and the main political parties, will try to outdo each other by trying to appear the more nationalist.

This makes it hard for voters to tell candidates or parties apart based on their platforms. Voters will most likely decide on candidates or parties' personality, character, background and track record. Brushing up on nationalist credentials will not hurt the candidate.

Picking on foreigners by political parties may not matter so much, but in closely contested elections, the few extra votes won may become the most telling factor. Besides, foreign nations have no recourse to openly defend themselves against attacks in election campaigns. Nor can

they expect anyone to speak for them. That could amount to accusations of foreign meddling, giving even more ammunition to the nationalist cause.

Democracy means almost every issue is fair game, and foreign nations are the easiest targets. Australians have picked Indonesia as the bogey man in all their elections in the last 20 years, making its giant neighbor to the north the main culprit for allowing tens of thousands of asylum seekers to reach its shores. Indonesian politicians have picked on Australia, but they have also used Singapore, Malaysia, the United States, Japan and now China as targets of their nationalist drive.

In past elections, big bad multinational corporations were most vulnerable, with accusations that they control the country's precious natural resources and were reaping huge profits. This may no longer be the case in the current election.

President Joko "Jokowi" Widodo, bidding for his second term, can boast his achievements that strengthen his nationalist credentials. Last month, his government sealed the deal of the century with the taking over of the majority stake in Freeport Indonesia, the giant American company that runs the highly profitable gold mining operation in Papua. Earlier this year, he announced that Indonesia was taking over the Rokan oil field, Indonesia's largest, in Riau province from the hands of American oil giant Chevron. This is on top of the taking over of the large Mahakam gas field in East Kalimantan from France's Total.

Resource nationalism, a major election theme in 2014, is no longer as appealing to the opposition because Jokowi has already made it happen.

Jokowi, who is running against Prabowo Subianto, the man he beat in 2014, will inevitably use this in his campaign. As will the nine political parties that are supporting his presidential bid as they campaign for seats in the national and local legislatures.

One area where Jokowi looks vulnerable is how he manages Indonesia's relations with China. He has already met President Xi Jinping at least seven times, and is slated to make an official visit to Beijing in November. From the beginning of his presidency, he has turned to China to help finance and build his massive infrastructure projects.

With these projects come Chinese workers, but how many exactly is the most contentious point. The government has had to fend off accusations that it has allowed a large number of Chinese workers enter Indonesia illegally. Some may have done so, taking advantage of the visa-free facility for all visitors from China. But it is more likely that most are genuine tourists. Indonesia in recent years has received a large influx of Chinese tourists, now the number one contributor to Indonesia's tourism.

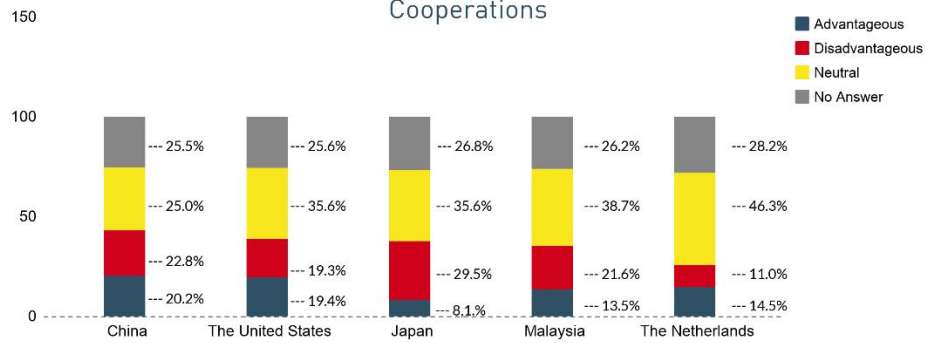
Compared to most other countries in Southeast Asia, the number of foreign workers in Indonesia is proportionally small thanks to strict regulations. And with China's wage levels now higher than in Indonesia, there is little incentive for the Chinese to come to Indonesia and steal local jobs. Still, responding to criticism, early this year the government introduced new measures to monitor the presence of foreigners. This has meant conducting sweepings in factories and companies with foreign workers to check their papers.

While Jokowi may seem vulnerable on the China front, it is unclear how far Prabowo will push this in his election campaign. The former general was seen among the VIPs raising his glass at the reception to mark the founding of the People's Republic of China, hosted by the Chinese Embassy at a Jakarta hotel early this month.



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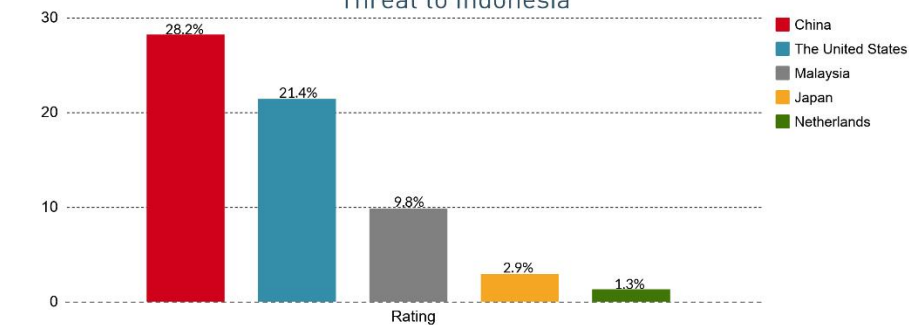
Perception on Indonesia's Foreign Economic Cooperations



Survey was conducted between April 16 and April 30, 2018

2

Countries Perceived As an External Threat to Indonesia



Survey was conducted between April 16 and April 30, 2018

3

Aspects Perceived As Major Threats to Indonesia



Survey was conducted between April 16 and April 30, 2018

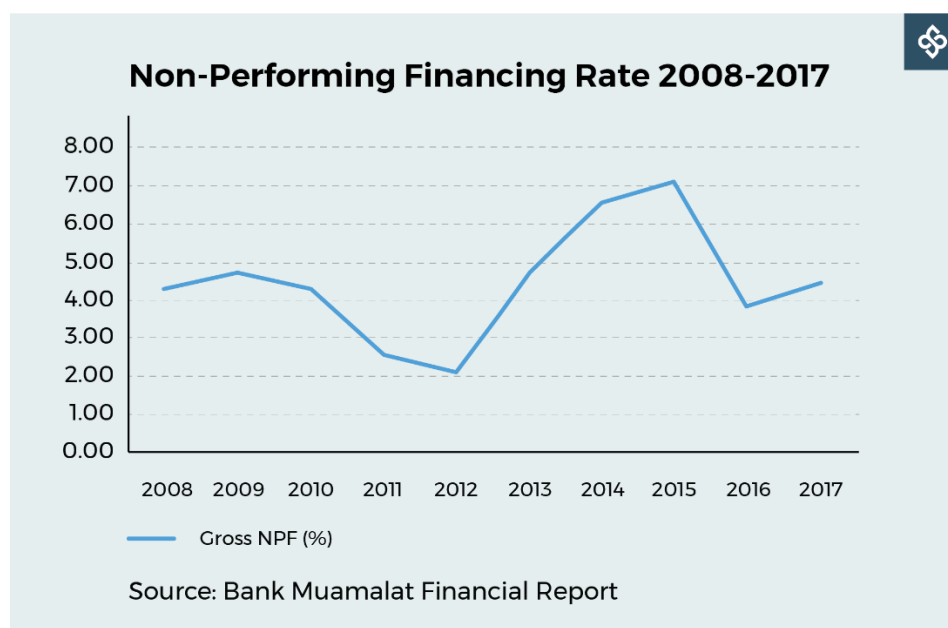
BUSINESS & ECONOMIC POLICY

Years of bad financing decisions have put Bank Muamalat in trouble

On October 3, Ilham Habibie, the third President B.J. Habibie's son, announced that he would lead a consortium comprising the Panigoro family, Lynx Asia and SGG Capital to save Bank Muamalat from financial crisis through a combination of asset swaps worth Rp 6 trillion and rights issue worth Rp 2 trillion. The deal will be announced formally at an extraordinary general shareholders meeting on October 11.

Takeaway: Bank Muamalat's reckless financing decisions during the sharia banking boom in 2008-2013 has put the bank into financial trouble. To get rid of its bad assets, the bank needs fresh funding from new investors, and it is likely that the bank will get such funding thanks to the support from its chairman Ma'ruf Amin, who is also a vice-presidential candidate in next year's election.

Background: The pioneer of sharia banking in Indonesia, Bank Muamalat, is facing a crisis and in need of new investors. The bank, which had a high gross non-performing financing rate of 7.1 percent in 2015, needs Rp 8 trillion to uphold its operation.¹



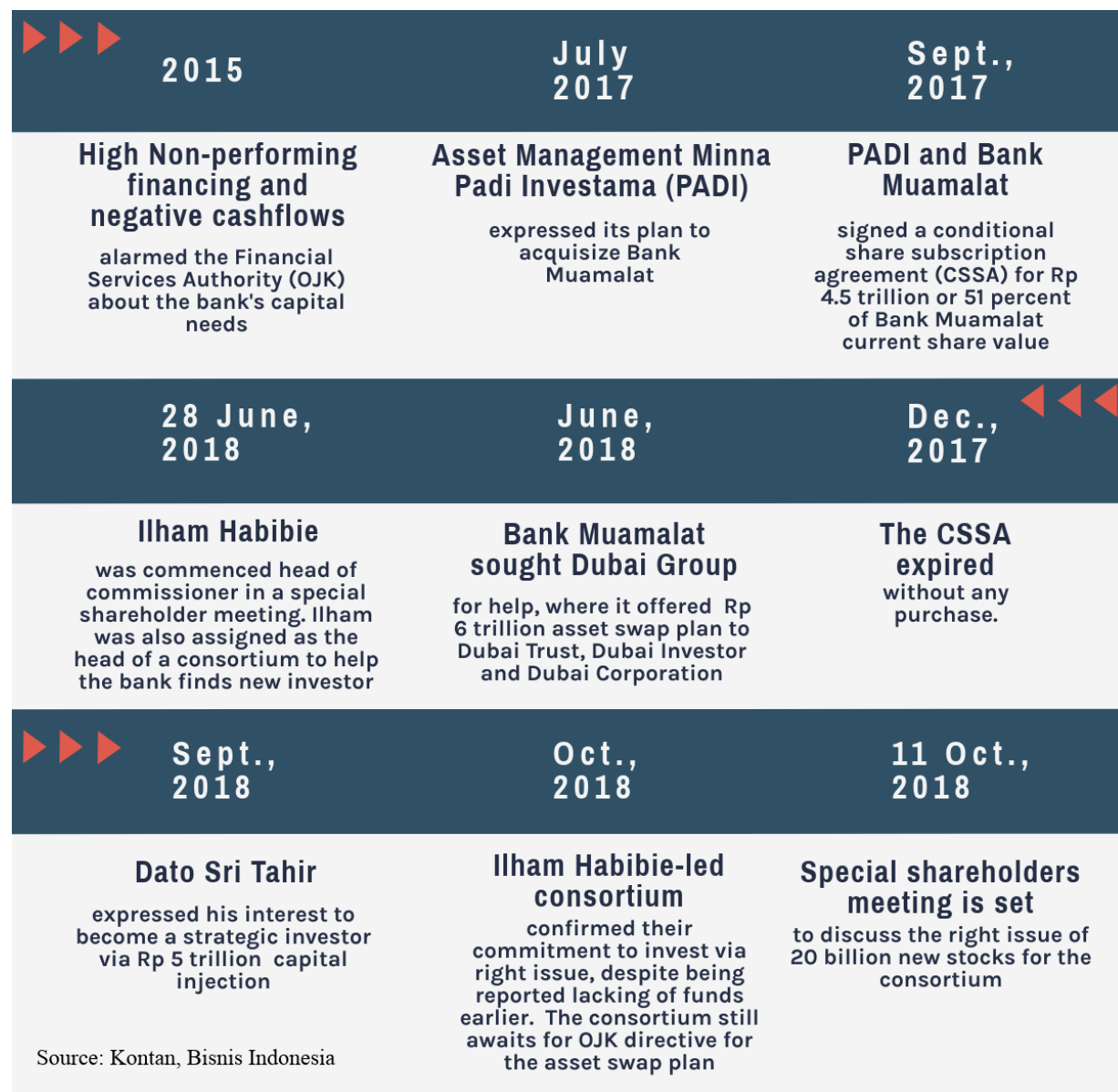
Saudi Arabia-based Islamic Development Bank (IDB), which owns a 32.74 percent stake, cannot help Bank Muamalat as a result of an internal rule introduced several years ago that limits IDB's ownership of any banking institution to 20 percent.² In 2017, PT Minna Padi Investama, an Indonesian fund management company, offered to help the bank through a Rp

¹ CNNIndonesia.com, "OJK akui kredit bermasalah Bank Muamalat di atas ambang batas." 15 February 2018
<https://tinyurl.com/ydfisuoo>

² CNBCIndonesia.com, "Ini alasan Bank Muamalat harus punya pemegang saham baru." 3 October 2018
<https://tinyurl.com/y8nwb4m>

4.5 trillion right issue, acquiring 57 percent of controlling shares in the process.³ The plan, however, was abruptly cancelled in February 2018.⁴

Before Ilham Habibie's announcement, Dato Sri Tahir (Ang Tjoen Ming) expressed his interest to become a strategic investor for the bank with an investment valued at Rp 5 trillion, consisting of a Rp 2 trillion direct capital injection, a Rp 2 trillion subordinated debt loan and Rp 1 trillion in line credit, but the offer was later withdrawn.⁵



Insight: Media reports regarding Bank Muamalat's high non-performing financing rate and low capital adequacy ratio is only the tip of the iceberg.

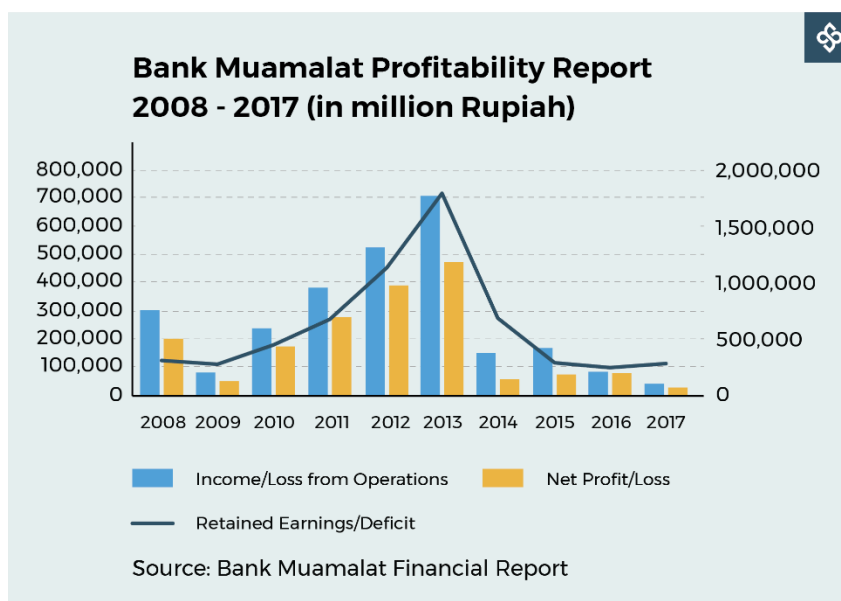
In 2014, the bank suffered a sudden decrease in operating income and net profit. From this point on, the bank has been suffering from low profitability. As a result, its retained earnings plummeted from Rp 1.7 trillion in 2013 to just Rp 281 billion in 2017. Bank Muamalat's sharp reduction in retained earnings affect its equity structure. To maintain its current level of equity,

³ Tempo.co, "Minna Padi beli saham Bank Muamalat 4,5T." 28 September 2017 <https://tinyurl.com/y74sxp4>

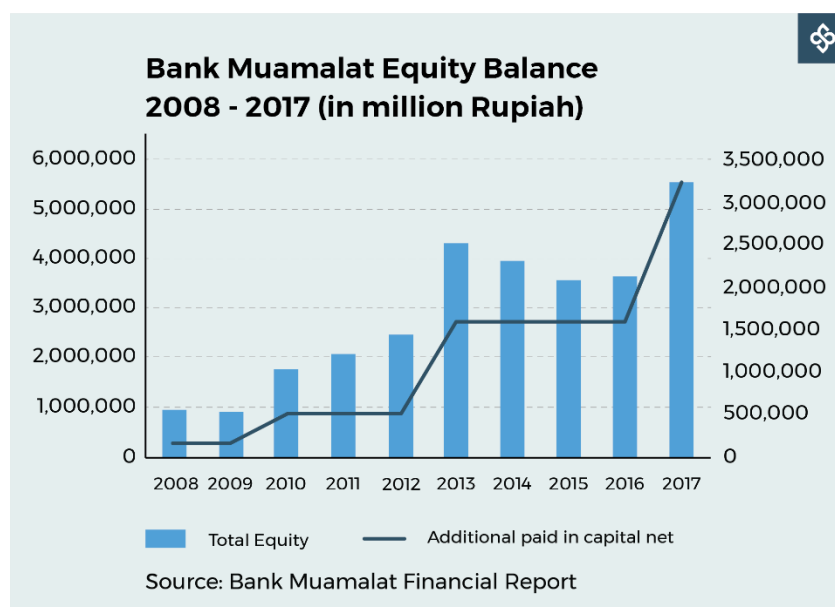
⁴ Tempo.co, "Minna Padi batal beli Bank Muamalat." 7 February 2018 <https://tinyurl.com/ybr5ehe3>

⁵ Detik.com, "Cerita batalnya orang terkaya RI suntik Muamalat." 3 October 2014 <https://tinyurl.com/ybkdljz>

the bank needs a fresh capital injection such as those in 2013 and 2017, which in total amounted to more than Rp 4 trillion.

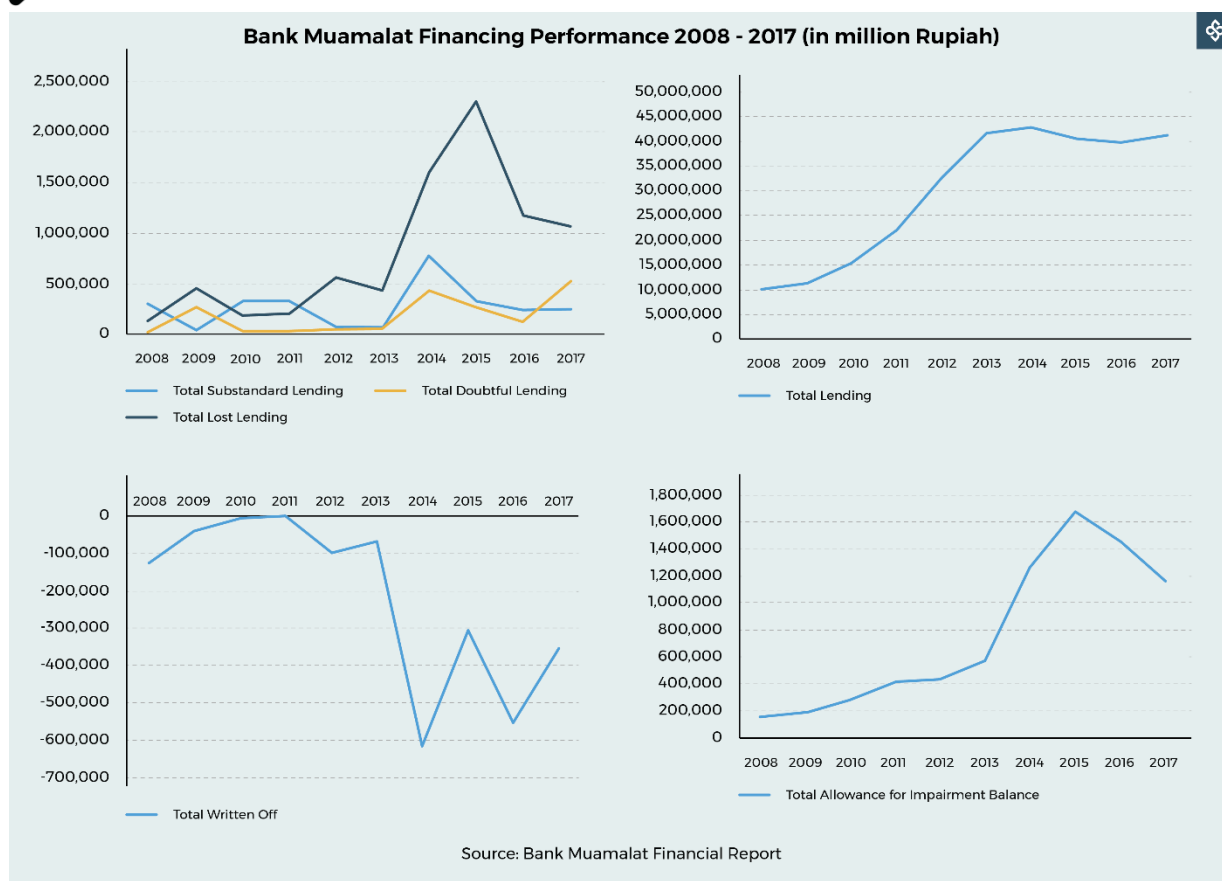


Bank Muamalat's equity problem occurred because of its poor business practice. During the sharia banking boom between 2008 and 2013, Bank Muamalat's total financing – which is equivalent to total lending in the conventional banking system – quadrupled from Rp 10 trillion to more than Rp 40 trillion. Nevertheless, the quality of the bank's financing was dubious. It seems that the bank made a lot of risky financing decisions in the mining sector.⁶ This problem came to light in 2014, when the amount of the bank's financing in the loss category suddenly tripled from Rp 500 billion to Rp 1.5 trillion. In 2015, the number rose to its zenith at Rp 2.3 trillion.



The amount of Bank Muamalat's written-off credit and provision upped too. In 2014, for example, Bank Muamalat decided to write-off more than Rp 600 billion of its total financing. In spite of the huge write-off in 2014, the amount of the bank's provision for impairment losses swelled to Rp 1.67 trillion in 2015.

⁶ Republika.co.id, "Bank Muamalat antisipasi turunya prospek." 15 October 2015 <https://tinyurl.com/y86jtlbt>



Bank Muamalat's management was able to take control over its bad financing in 2016. To solve its bad financing problem, however, the bank needs a fresh capital injection from investors.

In the face of this problem, the chairman of Bank Muamalat's sharia supervisory board, who is also the chairman of the Indonesian Ulema Council and Rais' Aam (supreme leader) of Nahdhatul Ulama, Ma'ruf Amin, made a bold statement, saying he would not let the bank die or go into bankruptcy.⁷ As a vice-presidential candidate, Ma'ruf will do whatever he can to get fresh funding from new investors for the bank. His running mate, the incumbent President Joko "Jokowi" Widodo, has already offered his support. In fact, President Jokowi, through his Finance Minister Sri Mulyani Indrawati, floated the idea to nationalize Bank Muamalat back in April this year.⁸

What we've heard: Tahir (Ang Tjoen Ming) reportedly came to Bank Muamalat's aid upon the request of President Joko "Jokowi" Widodo. According to a source at the Presidential Palace, Jokowi personally asked the tycoon for a "favor" to save Muamalat from its unending financial problems and prevent their prolonging. Needing approximately Rp 8 trillion (approx. US\$527 million) in funds, the government sees Muamalat as a ticking bomb. Saving the ailing sharia bank would also increase Jokowi's popularity among Muslim voters ahead of his 2019 reelection bid.

⁷ Kompas.com, "Ma'ruf Amin: Bank Muamalat tidak boleh mati." 28 February 2018
<https://tinyurl.com/yczn7avm>

⁸ Detik.com, "Soal ambil alih Bank Muamalat, Sri Mulyani: saya lihat dulu." 11 April 2018
<https://tinyurl.com/y9o2p4tu>

Apparently, Tahir was initially unconvinced by the plan. As an ethnic Chinese with a non-Muslim upbringing, Tahir's background is allegedly affecting his decision to relegate the bank to a new owner once it is more stable financially.

The tycoon was also said to have met with several senior executives from the Financial Services Authority (OJK), when he expressed his interest in becoming a strategic investor and claimed that he was ready to inject Rp 5 trillion in Muamalat Bank to control the bank's majority shares. The plan, however, met with opposition from Muamalat's shareholders due to his non-Muslim background. Regardless, national media quoted Tahir as claiming to have converted to Islam.

This is not the first time the government has sought Tahir's help. He was also involved in helping Jokowi in promoting Bank Wakaf's microeconomics program to Muslim communities affiliated with mass organizations Nahdlatul Ulama (NU) and Muhammadiyah. Tahir gave Rp 160 billion to 20 NU *pesantren* (Islamic boarding schools) and pledged Rp 50 billion as annual *wakaf* (mandatory alms) for Muhammadiyah's institutions.

Jokowi also allegedly discussed the problems surrounding Bank Muamalat with former president B.J. Habibie a few months ago. Habibie has a close relationship with Indonesian muslim scholars and also holds a position on the advisory council of the Islamic Development Bank (IDB), the majority shareholder of Bank Muamalat. Following the meeting, it was reported that B.J. Habibie's son, Ilham Habibie, was assigned to restore Bank Muamalat's financial health. B.J. Habibie's position within the IDB would help Ilham communicate with the bank's senior executives to fulfill his assignment. A source at a state-owned bank said that the government and the IDB had earlier planned to restructure Muamalat's capital together. However, the plan was scrapped since a large capital injection from the IDB to Muamalat would dampen IDB's investment appropriateness rating.

In addition to the figures reported in the media, the OJK is currently eyeing other potential figures to back Ilham Habibie. Earlier on Sept. 13, the OJK sent a letter to the consortium Ilham led, saying it disagreed with the asset swap scheme the consortium had proposed.

However, the OJK was recently reported as having changed its stance and instead asked the consortium to fix the scheme. One of the alterations the OJK wanted concerned the consortium's plan to issue a 20-year bond with a 0 percent coupon. The consortium planned to use the bond to provide Rp 1.6 trillion to Rp 2 trillion in capital for *mudarabah* financing, a contractual relationship that involves one party to supply the capital while the other supplies the skills to undertake a specific trade. *Sukuk* (certificates or bonds) would be issued following the completion of the asset swap by expelling Rp 6 trillion of bad credit to a special purpose vehicle (SPV) the consortium would establish.

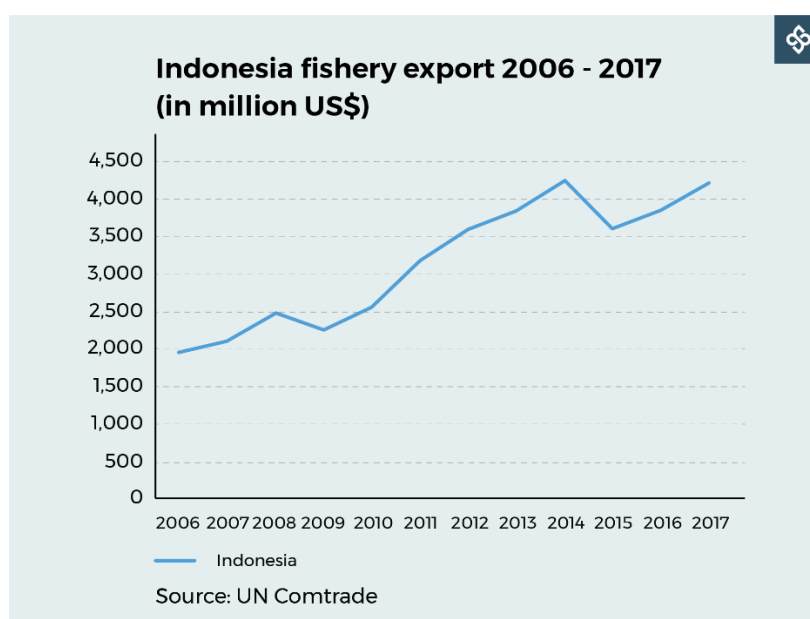
If the OJK's proposal is not approved by the special shareholders meeting on Oct. 11, Tahir would have a second chance to partake in Bank Muamalat search for investor.

Susi's effort to combat overfishing faces strong resistance from fisheries industry

Hendra Sugandhi, vice chairman of the Indonesian Employers Association (Apindo) for fishery affairs and the secretary-general of the Indonesian Tuna Association, is doubtful that the government will meet its fishery export target of US\$5 billion this year.⁹

Takeaway: Without a doubt, Susi Pudjiastuti is one of the most successful and popular ministers in Jokowi's administration. Her sustainable fisheries policy has helped Indonesia to avoid overfishing, which hurt other Southeast Asian nations such as Thailand. Nevertheless, her lack of political ability and communication skills has resulted in unnecessary political conflicts with the fisheries industry.

Background: Since 2015, Indonesia's fishery exports volumes have fallen from grace. In 2014, fishery exports ranked 6th among Indonesia's top foreign exchange earners, but now it is not even listed in the top 10. In fact, Indonesia's fishery exports have been stagnating below the level of \$4.2 billion.



To reverse this situation, former Maritime Affairs and Fisheries Minister Rokhmin Dahuri proposes an export deregulation policy in opposition to the current Maritime Affairs and Fisheries Minister Susi Pudjiastuti's policy.¹⁰

Likewise, Vice President Jusuf Kalla and Coordinating Maritime Affairs Minister Luhut Pandjaitan voice their opposition to Susi's policy of sinking illegal fishing boats, because those boats could be used to boost fishery exports.¹¹

⁹ Bisnis.com, "Ekspor perikanan 2018: pengusaha ragu target tercapai." 24 September 2018

<https://tinyurl.com/ybw6pm5m>

¹⁰ Antaranews.com, "Former minister Dahuri Proposes Fisheries Export Deregulation." 10 September 2018

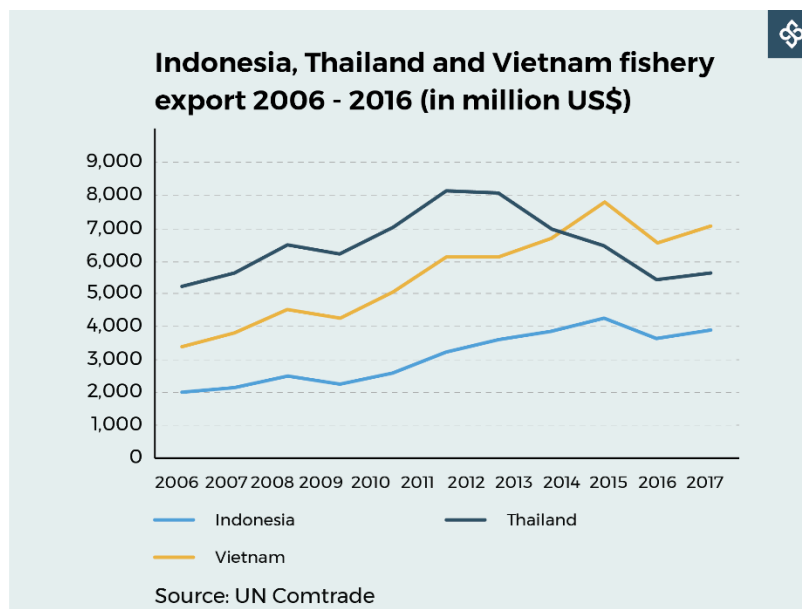
<https://tinyurl.com/yc5xlb28>

¹¹ Tempo.co, "JK dukung Luhut larang Susi Pudjiastuti tenggelamkan kapal." 9 January 2018

<https://tinyurl.com/y8ez6a3w>

President Joko “Jokowi” Widodo¹² and House of Representatives Speaker Bambang Soesatyo¹³ support Kalla and Luhut’s policy position on fishery exports.

Insight: Susi’s effort to promote sustainable fisheries is a preventive response to the overfishing issue that has been plaguing Southeast Asia since the early 2010s.¹⁴ Southeast Asia’s overfishing began in Thailand. After reaching its peak at \$8 billion in 2012, Thailand’s fishery exports had fallen to \$5.6 billion in 2016. Alarmed by overfishing in Thailand, Vietnam and Indonesia hit the brakes in 2015.



By implementing her sustainable fisheries policy, Susi made various regulatory changes. The most notable change was a foreign vessel moratorium policy, as stipulated in Maritime Affairs and Fisheries Ministerial Regulation No. 56/2014, limiting the operation of large foreign vessels in Indonesian waters. Another is the prohibition of the use of ex-foreign ships with a capacity of more than 200 gross tonnage (GT), stipulated in Directorate General of Capture Fisheries Circular No. B1234/DJPT/PI.410.du/31/12/2015.

Susi’s policy is successful. Based on her ministry’s calculation, the amount of fish stock in Indonesian waters increased from 7.3 million tons in 2015 to 12.5 million tons in 2017.¹⁵

Despite her success, Susi is unable to communicate her policy to the fisheries industry well. The fisheries industry sees Susi’s policy as a threat to their business, especially the ministry’s prohibition of the use of ex-foreign fishing vessels. According to WCPFC statistics, 69 percent of Indonesia’s fishing vessels are foreign made. No wonder Susi’s policy motivated the industry to launch a lobbying effort that resulted in a spat between Susi and Luhut earlier this year, and unnecessary political standoffs with her superiors, including with President Jokowi.

¹² Kompas.com, “Jokowi tanggap silang pendapat JK, Luhut, dan Susi soal penenggelaman kapal.” 10 January 2018 <https://tinyurl.com/y77ayyej>

¹³ Kompas.com, “Kritik Menteri Susi, Ketua DPR nilai kapal harusnya tak ditenggelamkan.” 19 March 2018 <https://tinyurl.com/y7qlvucs>

¹⁴ Asiafoundation.org, “Southeast Asia’s fisheries near collapse from overfishing.” 28 March 2018 <https://tinyurl.com/y9hu7fgt>

¹⁵ Kumparan.com, “Stok ikan nasional naik 71 persen dalam 2 tahun terakhir.” 4 June 2018 <https://tinyurl.com/ybujija>

Table 1. Summary of WCPFC Purse Seine Fishing Vessel

Country	Japan	China	Korea	Philippines	Indonesia
Number of Ship	78	82	58	159	123
Local Made	77	64	24	58	38
%	99%	78%	41%	36%	31%
Total GT	45140	51244	35135	68044	19183
Vessel Ave. Size (GT)	579	625	606	428	156

Source: Western and Central Pacific Fisheries Commission (WCPFC)

Susi's lack of political sense was also apparent in the *cantrang* (seine net) ban controversy. *Cantrang* are regularly used by small and traditional fishermen in Indonesia, despite their destructive effects on coral reef and the seabed ecosystem. As a sustainable fisheries advocate, Susi wanted to stop their use and replaced them with more sustainable tools. Her intention was good, but banning the use of *cantrang* is a political hot potato. Without strong communication skills or political capital, a *cantrang* ban would just result in unnecessary conflict. Susi decided to do it anyway and failed as a result of strong opposition from small and traditional fishermen.

1 MONTH
Rp 5 mio / US\$ 350

Rp 2.5 mio / US\$ 175
Per Month

6 MONTHS
Rp 27.5 mio / US\$ 1,800

Rp 13.75 mio / US\$ 900
Per 6 Months

BEST DEAL! 1 YEAR
Rp 50 mio / US\$ 3,500

Rp 25 mio / US\$ 1,750
Per Year

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TENGGERA BACKGROUNDER

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