

GENERAL NEWS AND HEADLINES**Non-legislature
parties to get
strategic posts***(Koran Tempo)*

President Joko “Jokowi” Widodo may allocate strategic posts outside the Cabinet to coalition parties that did not meet the electoral threshold, a spokesman for Jokowi - Ma’ruf Amin, Usman Kansong, has said.

Usman said the government would first assess the formation of new governmental bodies in Jokowi’s second term. It is likely that parties that missed out on House of Representatives seats would get positions in the new bodies, Usman said.

“But ultimately it will be up to Pak Jokowi. It is his prerogative as the president,” said Usman.

Currently, the executive office of the president (KSP) is finalizing a review of the plan to form new governmental bodies that will help the Jokowi administration fulfill its campaign platform. They include the National Research Agency, the National Talent Management Agency, the Center for National Legislation and the Islamic Financial and Economic Institution.

**PKS to remain as
opposition***(In Republika, p.3)*

Prosperous Justice Party (PKS) politician Hidayat Nur Wahid has said the Muslim-based party will remain an opposition party, in line with the wishes of the party’s Majelis Syuro (highest law-making body). Hidayat predicts Majelis Syuro will stick to its stance when it soon meets to determine the party’s direction for the next five years.

	"I think they may reinforce their ruling to keep the PKS as an opposition party," said Hidayat. PKS chairman Sohibul Iman considered the wishes of party constituents across the country recently, most of whom wanted the PKS to remain an opposition party. President Joko "Jokowi" Widodo has approached all opposition parties except the PKS. The Gerindra Party, the National Mandate Party (PAN) and the Democratic Party have hinted that they are interested in joining the ruling coalition. Experts believe Jokowi is reluctant to approach the PKS due to its track record as a real opposition party. Jokowi might also consider the fact that PKS is the sole Islamic-based party in the country. Its distinct Islamic nature could, however, help the PKS boost militancy among its supporters, the experts say.
Elite force may take on militant overseas (Headline in <i>The Jakarta Post</i>)	The Indonesian Military (TNI) is expected to play a bigger role in the country's war on terror with the establishment of a "super elite unit" for deployment in national security emergencies, including terror attacks. The newly established Special Operations Command (Koopssus) comprises 400 personnel from the crème de la crème of the military's special forces: the 81 Special Detachment (Gultor) of the Army's Special Forces (Kopassus), the Jalamangkara Detachment (Denjaka) of the Navy's Marine Corps and the Bravo 90 Detachment (Denbravo) of the Air Force's Special Forces Corps (Korpaskhas). The Koopssus is under the command of Brig. Gen. Rochadi, who was appointed to the new role from his

	previous position as the director of the TNI's Strategic Intelligence Agency (BAIS). Expected to be highly agile, the Koopssus is to conduct special operations in Indonesia and abroad to protect national security interests. TNI commander Air Chief Marshal Hadi Tjahjanto said the super elite unit had three counterterrorism functions — deterrence, action and recovery — and that the Koopssus' primary role was to provide surveillance in its deterrence function.
Pekanbaru in smoke (In <i>Kompas</i>, p.1)	Land and forest fires have been spotted in a number of areas across the country. According to the Environment and Forestry Ministry's land and forest fire monitoring system, fire has affected more than 42,700 hectares of land. The worst fires reportedly occurred in Riau (27,683 ha), East Kalimantan (5,153 ha), Riau Islands (4,969 ha), West Kalimantan (2,273 ha), North Kalimantan (792 ha), South Sulawesi (441 ha) and South Sumatra (236 ha). In Pekanbaru, particularly thick smoke blanketed the city Tuesday, lowering visibility to below 1,000 meters on Siak IV Bridge. Pekanbaru Meteorology, Climatology and Geophysics Agency (BMKG) spokesman Marzuki confirmed the smoke was a result of land and forest fires in the region. The head of the Riau Disaster Mitigation Agency (BPBD), Edwar Sanger, said the smoke came from land and forest fires in Penarikan village in Pelalawan. The fires have reportedly spread unabated due to unavailability of helicopters to locate the source of fire.

KPK names more suspects in Meikarta bribery case

(In *The Jakarta Post*,
p.4)

The antigrift body named West Java administration secretary Iwa Karniwa and former PT Lippo Cikarang president director Bartholomeus Toto suspects on Monday in two separate graft cases related to the construction of the Meikarta township in the regency.

KPK deputy chief Saut Situmorang alleged that Iwa had accepted Rp 900 million (US\$64,189) in bribes from an official of the Bekasi Public Works Agency in exchange for the West Java administration's approval of the regency's detailed spatial planning (RDTR) bylaw.

According to the KPK, Iwa accepted the bribes from Neneng Rahmi, the head of the spatial planning division at the Bekasi Public Works Agency, who reportedly had also been asked for money in connection with the deliberation of the bylaw by Bekasi Legislative Council leaders.

Meanwhile, the KPK accused Bartholomeus of allowing Lippo Cikarang to bribe then-Bekasi regent Neneng Hasanah Yasin in exchange for a land allotment license (IPPT) for the US\$21 billion flagship project of the Lippo business group.

"Following approval from the suspect [Bartholomeus], employees of Lippo Cikarang received around Rp 10.5 billion in illicit funds from the company to be handed over to [Yasin]," Saut said. "We suspect [Bartholomeus] approved at least five illicit money transfers," he added.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Pertamina under fire for oil spill, low productivity

(In *The Jakarta Post*,
p.11)

The recent oil spill in the Offshore Northwest Java (ONWJ) Block, which is operated by the Pertamina Hulu Energi (PHE) upstream unit of state energy holding company Pertamina, comes at a time when the country's largest oil and gas block operator is struggling to catch up with the government's production targets, creating tension among public institutions managing domestic oil and gas resources.

The reactivated YYA-1 well in Pertamina's ONWJ oil and gas block began releasing gas, which was then followed by a well kick on July 12 that spilled oil to affect the marine environment and at least 10 villages.

PHE has since closed down its operations in the ONWJ Block, which had a production capacity of 3,000 barrels of oil per day (bopd). This will drag down the low productivity issue at Pertamina that the government has highlighted.

"Five of the six underperforming oil and gas giant contractors in June were Pertamina subsidiaries," Dwi Soetjipto, the chairman of the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas), said on Monday.

The underperforming units – Pertamina EP, Pertamina Hulu Mahakam, PHE Offshore South East Sumatra (OSES), PHE ONWJ and Pertamina Hulu East Kalimantan – fulfilled 69 percent to 95 percent of the production target in June.

Investment recovery continues

Direct investment increased in the second quarter of the year as domestic and foreign investment expansion resumed, following a temporary halt ahead of the 2019 general election on April 17.

(Headline in <i>Investor Daily</i>)	According to the latest data from the Investment Coordinating Board (BKPM), direct investment realization increased 13.7 percent year-on-year (yoy) to Rp 200.5 trillion (US\$14.25 billion) in the April-June period, higher than the 5.3 percent yoy growth recorded in the first quarter. Meanwhile, Rp 395.6 trillion in investments were realized in the first half of the year, a 9.4 percent yoy increase from Rp 361.6 trillion. Foreign direct investment (FDI) realization increased 4 percent yoy to Rp 212.8 trillion, while domestic investments showed higher yoy growth of 16.4 percent to Rp 182.8 trillion. Together, the investment realizations reached 49.9 percent of this year's Rp 792 trillion target. BKPM chairman Thomas Trikasih Lembong said the new investment data indicated a strong recovery in the direct investment realization in the country. "The investment recovery that started at the end of 2018 continued in the first quarter and accelerated in the second quarter," Thomas said at a press conference on Tuesday. Investment realization in the first half of the year was dominated by the infrastructure sector, including transportation, telecommunications, power plants and construction.
FDI bullish, but more improvements needed	Stakeholders have lauded Indonesia's success in boosting investment realization in the first half of 2019, but said more effort was needed to ensure that the growth was sustainable.

(In The Jakarta Post, p.13)	FDI realization grew 4 percent yoy to Rp 212.8 trillion (US\$15.2 billion) in the first semester. Despite seemingly sluggish growth, this was an improvement from the same period last year, when FDI realization contracted 1.1 percent yoy, the BKPM stated on Tuesday. Foreign business representatives offered optimistic views on Indonesia's investment climate to the year-end, despite external turbulence and regulatory drawbacks. "Indonesia remains an attractive destination for FDI, mostly due to its large domestic market and relative political stability. The [presidential and legislative] elections passed pretty quietly and did not harm confidence," Lin Neumann, managing director of the American Chamber of Commerce (AmCham) Indonesia, told The Jakarta Post on Tuesday. However, Neumann said that the regulatory and legal environments remained difficult, including the Patent Law, local content restrictions, import quotas and work permits. Investors expressed hope that more sectors would become open to foreign ownership through the revised negative investment list (DNI).
Govt to settle BPJS decentralization (Headline in <i>Bisnis Indonesia</i>)	The government's plan to decentralize management of the Healthcare and Social Security Agency (BPJS Kesehatan) needs clear differentiation from the Regional Health Insurance (Jamkesda) program. In addition to increasing the BPJS Kesehatan premiums, the government also plans to decentralize its management to regional administrations. "If we don't fix the BPJS, our entire health system would collapse, hospitals won't be paid [and] could shut down.

	Doctors won't be paid, drug [companies] won't be paid," Vice President Jusuf Kalla said on Tuesday. Kalla said that centralized management would leave the BPJS in deficit. "This year [the deficit] is approximately Rp 29 trillion (US\$2.06 billion). At this rate, it is estimated to reach Rp 40 trillion next year. The year after that, it would reach Rp 100 trillion. So the system must be changed," he added.
Plantation drags down Astra performance (In <i>Bisnis Indonesia</i>, p.4)	The financial performance of PT Astra International Tbk (ASII) was not satisfactory in the first half of the year. ASII recorded a 3 percent increase in consolidated revenues to Rp 116.18 trillion (US\$8.26 billion). However, net profit fell 6 percent to Rp 9.8 trillion. ASII president director Prijono Sugiarto said sluggish domestic consumption had affected the conglomerate's performance. "The performance was also influenced by the downward trend in commodity prices," he said in an official statement that KONTAN received on Tuesday. Most of the group's plantation subsidiaries reported a drastic decline in profit in the first half of the year, with net profit plunging 94 percent to Rp 35 billion. PT Astra Agro Lestari Tbk (AALI) recorded a decline in net profit to only Rp 44 billion in the first semester.

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