

Monday, Jul. 6th, 2020

GENERAL NEWS AND HEADLINES

Defense budget could be casualty of COVID-19

The Jakarta Post, headline

As it is almost certain that the COVID -19 outbreak will put a squeeze on Indonesia's defense spending, the government must confront the two-pronged challenge of rethinking its defense strategy priorities while also shifting its attention to non-traditional security threats, an expert has said.

With the COVID-19 outbreak continuing to take a toll on the healthcare system and the economy, the government will have to prioritize spending on relief efforts, a move that will put a strain on the defense budget and affect the Minimum Essential Force (MEF) target, defense analyst Curie Maharani of BINUS University told *The Jakarta Post*.

Under current circumstances, Curie said the government could look to "cost-effective alternatives" to maintain the level of readiness set under the MEF scheme. Faced with the current budget constraints, she added, the government could explore the option of leasing defense equipment from other countries, as purchasing secondhand equipment could incur high maintenance costs.

Fellow defense analyst Anton Aliabbas of the human rights and security reform watchdog Imparsial also called for a review of the primary weaponry system's modernization target in a post-COVID-19 scenario.

Defense Ministry spokesman Dahnil Anzar Simanjuntak said to deal with the budget constraints, the government would prioritize the procurement of defense equipment from local manufacturers.

Abuse of power could increase nearing regional elections

Kompas, p.2

The Corruption Eradication Commission (KPK) is currently investigating an

alleged link between a recent bribery case pertaining to several infrastructure projects in East Kutai, East Kalimantan, and the main suspect's campaign budget in the upcoming regional election. The case has served as a warning that abuse of power may become more rampant nearing the 2020 regional elections slated for December.

KPK spokesperson Ali Fikri said on Sunday that the antigraft body was still intensively investigating the case and would summon a number of witnesses.

The KPK arrested on Thursday East Kutai Regent Ismunandar and his wife, East Kutai Legislative Council (DPRD) speaker Encek UR Firgasih, and 13 other people for bribery pertaining to several infrastructure projects in the regency. Ismunandar and Encek have been named suspects and accused of accepting at least Rp 2.6 billion from businesspeople Aditya Maharani and Deky Aryanto, whose companies had been working on several infrastructure projects across the regency.

Aditya reportedly transferred Rp 125 million to a bank account owned by an individual identified as Aini, who is allegedly involved in Ismunandar's campaign for reelection in the upcoming regional elections.

Researcher Oce Madril of the UGM Center for Anti-Corruption Studies said that generally there was always a connection between local political contestations and corruption cases at the regional level.

"Regional election might be one of the factors [prompting corruption] as candidates need a large budget [for campaign purposes]," said Oce.

President Jokowi urged to send objection letter to House

Koran Tempo, Nasional

Legal experts are suggesting that President Joko "Jokowi" Widodo send the House of Representatives a letter objecting to the deliberation of the Pancasila Ideology Guidelines (HIP) bill to reaffirm the government's stance toward the controversial bill.

Previously, the government rejected the plan to deliberate the HIP bill initiated by the House amid outcry from members of the public who questioned the urgency of the bill as well as some problematic provisions in the bill.

Constitutional law expert Bivitri Susanti said according to Law No. 12/2011, a

letter must be issued within 60 days to stop the deliberation of a bill.

Parameter Politik Indonesia executive director Adi Prayitno suggested that the government should gather input from experts and the general public before deciding whether to drop or continue the deliberation of the bill.

Ministers scrutinized over possible Cabinet reshuffle

Republika, p.3

A number of ministers are under scrutiny following President Joko “Jokowi” Widodo’s recent threat to reshuffle the Cabinet. A recent survey by Indonesia Political Opinion (IPO) named several ministers that were most vulnerable to be reshuffled.

To begin with, IPO director Dedi Kurnia Syah said that 64.1 percent of survey respondents hoped Law and Human Rights Minister Yasonna Laoly would get replaced. Health Minister Terawan Agus Putranto came in second, with 52.4 percent of respondents hoping for his dismissal. Following the first two are Manpower Minister Ida Fauziyah, Religious Affairs Minister Fachrul Razi, Maritime Affairs and Fisheries Minister Edhy Prabowo and Coordinating Maritime Affairs and Investment Minister Luhut Pandjaitan.

Dedi noted that some of the vulnerable ministers were deemed “close” to the President, such as Luhut and Yasonna.

On the other hand, the survey also found a number of figures that were expected to enter the Cabinet, such as former maritime affairs and fisheries minister Susi Pudjiastuti, former tourism minister Arief Yahya, former state-owned enterprises (SOE) minister Dahlan Iskan and former Jakarta governor Basuki “Ahok” Tjahaja Purnama

Domestic worker bill gains momentum

The Jakarta Post, p.3

Domestic workers in Indonesia may see a light at the end of the tunnel as lawmakers move to advance a domestic worker protection bill that has been in limbo for over a decade.

Activist Lita Anggraini from the National Network on Domestic Worker Advocacy (Jala PRT) said she hoped all House of Representatives factions would approve

the bill and that the government would respond positively to the initiative.

The bill's passing will not only empower domestic workers but also strengthen the country's bargaining power when placing Indonesian migrant workers abroad, Lita said.

Lita's comments followed a House Legislation Body (Baleg) decision on Wednesday to endorse the bill in an upcoming plenary session. Baleg will later deliberate the bill itself — even though the body has yet to schedule the discussion — before the legislation can be passed into law by the House.

The bill includes provisions regarding the recruitment of domestic workers and ensures their legal rights, such as the right to education provided by their placement agencies and administered by the government. The bill also details criminal penalties in cases of discrimination, exploitation, harassment and violence by employers and placement agencies.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

Health companies to expand amid pandemic

Bisnis Indonesia, headline

Companies in the health sector are growing amid the COVID-19 pandemic. Financial reports in the first quarter show that 15 health companies saw an increase in their yearly revenue. The companies are planning to expand their business to maintain the positive financial performance this year.

Pharmaceutical company PT Indofarma, for example, will launch on July 11 new products such as TeleDoc, InBody Test, emergency ventilators, medical grade face masks, hand sanitizer and hemodialysis machines. Five of the six products were developed through operational partnerships.

Furthermore, pharmaceutical company PT Kalbe Farma will launch up to two health supplements in the second quarter.

Chain hospital PT Mitra Keluarga Karyasehat will open a new hospital in Surabaya, East Java. The construction of the hospital is 80 percent complete.

Positive sentiment in the health industry is supported by the government's local product requirement. Industry Minister Agung Gumiwang Kartasasmita said he would issue regulations and policies supporting the sector's growth.

Govt's "burden sharing" stirs controversy

Kontan, headline

The government is planning a burden sharing scheme to pay COVID-19 mitigation debts worth Rp 397.6 trillion (US\$27.44 billion) for public goods and Rp 505.86 trillion for non-public goods.

Assuming a 7.36 percent interest rate for the 10-year period government debt papers (SUN) from January to June this year, the government will have to pay Rp 66.5 trillion in interest per annum. The burden sharing scheme requires Bank Indonesia (BI) to pay 53.96 percent of the interest worth Rp 35.9 trillion.

The scheme has received a negative response from foreign investors. The rupiah fell to Rp 14,566 per US dollar after the scheme was announced last week.

According to Institute for Development of Economics and Finance economist Bhima Yudhistira, the burden sharing scheme has raised doubts from foreign investors because it shows that BI is under pressure from the executives.

However, private lender Bank Central Asia economist David Sumual said the central bank's role in the burden sharing scheme was reasonable during the extraordinary situation.

Industrial areas in Java more attractive

Koran Tempo, headline

The Investment Coordinating Board (BKPM) projects that the integrated industrial area (KIT) in Java will remain attractive for foreign companies relocating from China.

BKPM investment committee member Rizal Calvary said investors would examine all aspects of a business location, including connectivity and market potential, before deciding to relocate their factories.

The government is intensively offering the KIT in Batang, Central Java, to companies planning to relocate their business from China. The industrial area is

offering eased investment such as a long-term land lease scheme. It is also connected to the trans-Java toll road.

The Industry Ministry's director general for international industry, Dody Widodo, said there was a total of 12,500 hectares of industrial area available to offer. There will be thousands more prepared in the long-term. In the 2020-2024 National Medium-Term Development Plan, the government is planning 27 new industrial areas.

PSBB relaxation generates optimism in business

Investor Daily, headline

The relaxation of large-scale social restrictions (PSBB) has generated optimism in business. Indonesian Chamber of Commerce and Industry (Kadin) chairman Rosan Roeslani said business movement had started to show in June, but the public remained prudent as the fear of a second COVID-19 wave looms.

"Supply and demand are not normal yet. From the supply side, the government stimulus has not worked, which resulted in slow economic activity. Demand is still weak because the public is still holding back on spending," said Rosan. He also stressed the importance of government support to improve business optimism.

Indonesian Employers Association (Apindo) deputy chairman Shinta Kamdani said the PSBB relaxation had stimulated economic activity. She said the Purchasing Managers' Index (PMI) of Indonesian manufacturing had increased by 10 points from 28.6 points to 39.1 points, which shows that manufacturers will up their performance.

Furthermore, bankers welcome the PSBB relaxation since it will increase consumption, thus pushing up demand for lending. Bank Mandiri president director Royke Tumilaar said even the property sector was seeing an increase in demand, indicating that the public had started to invest. He recommends that the government accelerate spending, especially in sectors that would yield a high multiplier effect.

State firm dividends rise as govt scrambles to rescue economy

The Jakarta Post, p.1

The government has collected more than Rp 40 trillion (US\$2.82 billion) in

dividends from five major state-owned enterprises (SOEs) alone this year, while concurrently throwing a lifeline to ailing SOEs in a bailout program worth more than Rp 150 trillion.

Some of the biggest payouts were from Bank Rakyat Indonesia (BRI), Bank Mandiri, oil and gas giant Pertamina, telecommunications powerhouse PT Telekomunikasi Indonesia (Telkomsel) and Bank Nasional Indonesia (BNI).

The five state firms paid out Rp 40.36 trillion in dividends to the government, a 16.72 percent year-on-year increase from last year's figure of Rp 34.58 trillion.

Meanwhile, bailout funds will be channeled to flag carrier Garuda, steelmaker PT Krakatau Steel and State Logistics Agency (Bulog), which are expected to receive Rp 8.5 trillion, Rp 3 trillion and Rp 13 trillion, respectively, in working capital investment.

In addition, Pertamina may receive Rp 48.25 trillion and state electricity firm PLN Rp 45.42 trillion in the form of accelerated compensation payments.

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