

POLITICAL PULSE - INDONESIA

RUPIAH REDENOMINATION

Darmin flexing his muscles

Less than a week after his confirmation as Bank Indonesia (BI) governor by parliament (29 July), Darmin Nasution has come out with a bang. In talks with journalists, he said the central bank would look to redenominate the rupiah. The idea isn't new and has been talked about on and off for the past two years. However, the manner in which Darmin presented this to the media just days after his confirmation (he hasn't even been formally installed yet), and the fact top officials in the executive branch were caught by surprise, has raised a lot of eyebrows. Darmin made it sound as if the policy was a given and that it was going to take place soon. Finance minister Agus Martowardojo, however, when asked by journalists about this issue in a television interview earlier this week, could only respond: "what is a re-denomination?" After a brief explanation from the reporters, Agus asserted: "that's just not going to happen..."

Problems with finance minister?

The substance of BI's proposal and the obvious lack of coordination with other government agencies clearly spooked the markets and the public. The Indonesian Stock Exchange (IDX), for example, fell more than 3% earlier in the week at a time when most global markets made solid gains on positive economic data. The public reacted very negatively as well, judging from local media reports. A large part of this is public psyche. The currency adjustments during the Soekarno era and Soeharto's early days in power caused widespread panic and hurt people's savings. Many fear BI's latest scheme will have the same affect, though the bank argues its proposal is fundamentally different from past policy initiatives.

Vice President and former BI governor Boediono has been subsequently forced to step in. After meeting with Darmin and Agus, Boediono stated that a currency redenomination was not part of the government's agenda, though he acknowledged that the central bank has been studying the pros and cons of redenominating the rupiah. In his press conference, Boediono said the emphasis now should be on ensuring market stability and public calm, a slight to Darmin's unilateral comments. Agus attended the conference, though it was worth noting that Darmin was absent.

BI wants voice heard

Overall, Darmin's remarks on redenominating the rupiah were probably a media slip. At the same, he is sufficiently savvy to know that his comments can move the markets. Therefore, there may have been some intention involved as he looks to assert his independence as BI's new governor. Another question is whether there are coordinating issues between Darmin and Agus, the key players shaping the country's fiscal and monetary policies. There is

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no indication of any substantive differences between the two so far. However, as parliament moves to deliberate legislation like a law establishing a new financial regulatory agency to take over BI's banking oversight role or the proposed law on a national currency, BI is signaling that it wants its voice heard.

PDIP NATIONAL MEETING

Mega reaffirms role as opposition-in-chief

Megawati Soekarnoputri was in the national spotlight again during a national meeting of PDIP leaders this week. With the government coalition solidifying, and opposition parties struggling to maintain their relevancy, Megawati sought to take on a raft of issues. She assailed Yudhoyono's failure to bring down prices. She blamed the SBY government for the faulty LPG cylinders that has resulted in numerous explosions across the country. The cylinders were distributed by Pertamina for low-income consumers as part of an ongoing kerosene-to-LPG conversion program. She blamed the administration for the corruption cases now being investigated. She accused the government of "whining" about its problems. The former president also accused the government of being out of touch with the "little people" for proposing to redenominate the rupiah.

But opposition front increasingly lonely

Overall, Megawati reaffirmed herself as the opposition-in-chief to the commander-in-chief, and PDIP as the main opposition party. This fact is probably more notable now that she is the only national figure right now playing the opposition hand. Gerindra chairman Prabowo Subianto, for example, has generally kept a low-profile to focus on the farmers association (HKTI) where he was reelected chairman last month. His party has also become more accommodative with the government since the appointment of Prabowo ally Sjafrie Syamsu as deputy defense minister earlier this year. Hanura's Wiranto has also kept a low profile as his party faces internal rifts that have, for example, recently forced a shakeup in the party's leadership in parliament. Aburizal Bakrie and Golkar, meanwhile, appear content to maintain their position as a senior member of the government coalition.

Bottom line, except for Megawati, none of these national leaders and prospective presidential candidates for 2014 are in competition mode yet. This bodes well for the president, and highlights an underlying level of political stability that was absent as recent as a few months ago at the height of the Century controversy.

There are also several points worth noting from the recent PDIP national event. Megawati is still doing most of the talking for the party and getting most of the media attention. This suggests that

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PDIP facing rising defections

she does not plan to hand over the party reigns to a successor anytime soon. The PDIP meeting also highlighted growing concern among the party leadership that top regional cadres are jumping ship to other parties, particularly SBY's Partai Demokrat. This obviously reflects concerns over PDIP's long-term prospects. It also underscores the fact the major parties just don't have the fundamental ideological and policy platform differences that could prevent these kinds of defections.

Mega concerned over Ani presidential bid?

Meanwhile, party insiders at the event noted Megawati's apparent concern over a possible presidential bid by SBY spouse Ani Yudhoyono. As the Pulse has noted before, neither Ani nor her husband have ever indicated any desire for her to run for public office. Nonetheless, the first lady also just launched her biography titled "Kepak Sayap Putri Prajurit" (Fluttering Wings of a Soldier's Daughter), which is a tried tactic in Indonesian politics to stay on the radar screen without being seen as too ambitious. See below for an illustration and commentary on the recent launching of "Kepak Sayap Putri Prajurit".

KEPAK SAYAP PUTRI PRAJURIT

Ibu Ani's biography was launched on 30 July with an elegant reception at Hotel Dharmawangsa that was attended by the President, the VP, cabinet ministers, ranking bureaucrats and public figures. At the event, SBY stated his wife had no desire to run for president. Observers, however, have noted Ani's public activities have become more intense over the past several months. Unlike the wives of other top politicians who often focus exclusively on women's issues, the first lady has also commented on issues such as the environment, energy and fuel efficiency. She has also addressed the Asian parliament. The biography will allow Ani to introduce her struggles and achievements to the public without being too obvious if, indeed, she intends to run for public office.



Source: Media Indonesia, various media sources

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ADDITIONAL HIGHLIGHTS

Graft suspect Gayus Halomoan Tambunan admitted to receiving a total of \$500,000 from PT Kaltim Prima Coal to help the coal producer exempt taxes, a court heard. "From PT KPC I received \$500,000 or about Rp 5 billion," Gayus told the court in his testimony at the trial of National Police investigator Adj. Comr. Sri Sumartini on Tuesday. Gayus said he helped KPC evade tax obligations in 2000, 2001, 2002, 2003 and 2005 and received the money through middleman Alif Kuncoro. Gayus added the money from KPC, a company partly owned by the family of Golkar Party chairman Aburizal Bakrie, also went to his superior at the Directorate General of Taxation, Maruli Pandapotan Manurung. Gayus has testified before detectives that Maruli was among tax officials allegedly orchestrating tax reports of companies under Bakrie Group. According to Gayus, Maruli had received \$1.5 million from KPC. As a junior tax official, Gayus amassed Rp 28 billion from helping companies settle tax disputes. He deposited the money in privately owned BCA and Panin Bank.

[The Jakarta Post, 3 August 2010](#)

Despite a spate of recent criticism over lack of action in the House of Representatives, a House budget committee on Monday proposed that all lawmakers be provided with an extra Rp 200 million (\$22,400), for the construction of new offices to serve as meeting places with constituents in their respective regions. "We have established a special working committee to deliberate this proposal," said Pius Lustrilanang, deputy chief of the legislative body's Household Affairs Committee (BURT), which proposed the budget item. Pius said the committee had asked for Rp 122 billion to be allocated in the House's 2011 budget for the construction of what lawmakers have termed "aspiration homes." The name refers to places where constituents can have their aspirations heard. Lawmakers had earlier requested funds for a new Rp 1.8 trillion House building, while the Golkar Party had argued for a Rp 15 billion-per-lawmaker pork barrel fund.

[The Jakarta Globe, 3 August 2010](#)

Indonesia said Wednesday it is considering following the lead of Saudi Arabia and the United Arab Emirates in banning BlackBerry services, adding to pressure on device maker Research In Motion Ltd. to give governments greater access to data. Gatot Dewabroto, spokesman for the Ministry of Communication and Information, wants RIM to set up a server locally so encrypted information sent by the phones will not have to be routed through the Canadian company's overseas computers. "We don't know whether data being sent through BlackBerrys can be intercepted or read by third parties outside the country," he said, expressing concern that information could be used by criminals or spies. The announcement came hours after Saudi Arabia said its telecom regulator had ordered mobile operators across the kingdom to halt BlackBerry services as of Friday. The United Arab Emirates, too, plans to shut down e-mail, messaging and Web browsing on BlackBerrys starting in October. India is in talks with RIM over how information is managed on the devices.

[Associated Press, 5 August 2010](#)

The National police have fired back at the palace, or, in this case, the Secretary of the Presidential Taskforce on Judiciary Reform Denny Indrayana after he openly claimed this week that President Susilo Bambang Yudhoyono has personally ordered the force to provide clearer explanation to the public on the results of its internal investigation over the police dubious wealth. Denny said the president had reprimanded General Bambang Hendarso Danuri when the general was summoned on Saturday last week, telling the police to be more sensitive to inputs coming from the public "So that the public won't lose confidence with the police." In his text message last Thursday Denny wrote "Explanation given by the police still draws question." A move that has inflicted internal break in the taskforce as a police officer commissioned to work with the taskforce

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[Inspector General Herman Effendy reportedly is resigning](#) from the presidential team after the statement was published.

[Tempo Interactive, 31 July 2010](#)

The government has issued Presidential Regulation (Perpres) Number 46 of 2010 on the establishment of a National Anti-terrorism Agency (BNPT). The office of the coordinating minister for security, political and legal affairs said in a press statement here on Friday the BNPT was a non-ministerial body under and responsible to the President while in carrying out its tasks it was under the coordination of the coordinating minister for security, political and legal affairs. BNPT is tasked with formulating policies/national programs, coordinating government offices concerned with regard to its implementation and implementing policies in the field of anti-terrorism by set up taskforces with members from government offices in line with their respective tasks, functions, authorities.

[Antara News, 30 July 2010](#)

An Indonesian court on Tuesday jailed [three men](#) for harboring terrorists involved in suicide bomb attacks on two luxury hotels in Jakarta last year that killed seven people. Afham Ramadhan, 23, Fajar Firdaus, 26, and Sonny Jayadi, 24, were each sentenced to four-and-a-half years' jail in separate trials at the South Jakarta district court. The men sheltered Syaifudin Jaelani, who recruited the suicide bombers, and a florist called Ibrohim who helped the bombers get into the hotels ahead of the attacks. Police killed Jaelani and Ibrohim after the July 17 bombings, as well as the suspected mastermind of the blasts, Malaysian terror leader Noordin Mohammed Top. Noordin led a splinter faction of the Jemaah Islamiyah regional extremist network, which is blamed for multiple attacks in Indonesia.

[Channel News Asia, 3 August 2010](#)

An Indonesian woman was sentenced to three years in prison Thursday for aiding and harboring terrorists accused of suicide bombings and other attacks. Putri Munawaroh was charged with harboring Noordin Top, the suspected mastermind of major strikes in Indonesia, and a few other suspected terrorists. Top was killed in a standoff with police last September at a rented house that Munawaroh shared with her husband, Hadi Susilo. Top is believed to have orchestrated attacks on luxury hotels in Jakarta last July that left nine people dead, including two suicide bombers. All of the men in the house were killed in the raid, including Munawaroh's husband -- who shielded his wife with his body.

[CNN, 29 July 2010](#)

An Indonesian official said last week that some Indonesians who are studying in Yemen are being watched, justifying this as a security danger they pose to Indonesia, which is considered to be the biggest Islamic country in terms of population. Two Islamic groups that broke away from the moderate Indonesian Jama'a al-Islamia (Islamic group) have carried out two suicide bombings in two luxury hotels in July 2009. Since this incident, the Indonesian security forces have pursued, captured and killed several of the extremists who were involved in the hotel attacks, one of them, according to Indonesian security had been trained in Yemen. Al-Siad Maie, head of the Terror Combat Office of the Indonesian Government said that "there are prospects of the advent of major extremist elements from Yemen because hundreds of students are studying there", ensuring that two Indonesians were caught in Saudi Arabia, coming from Yemen. A security source in the Indonesian Political Affairs Ministry, speaking in anonymity, said that two other Indonesians were caught in recent months in Saudi Arabia suspected to have links with terrorist groups.

[Yemen Observer, 31 Jul 2010](#)

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The Indonesian government needs urgently to address discontent in Papua, its easternmost region, and recognize that the root of the problem is political, not economic. [Indonesia: The Deepening Impasse in Papua, the latest briefing from the International Crisis Group](#), examines the political fallout from Jakarta's rejection of a local initiative to require all candidates in district-level elections to be indigenous Papuans. The debate that followed brought to the fore Papuan concerns about being increasingly marginalized by steady in-migration from other parts of Indonesia and unhappiness with implementation of a 2001 autonomy package. "The gulf in perceptions between Jakarta and Papua is huge", says Sidney Jones, Crisis Group's Senior Adviser. "Jakarta sees autonomy largely in terms of giving Papua more money, while Papuans want more authority to make political decisions without constantly being trumped by national laws. The only way to bridge the gap is to talk."

[International Crisis Group, 3 August 2010](#)

The video, shot in the jungle of Indonesia's restive Papua province, shows a wounded political activist lying face-up on the ground, surrounded by an armed national police tactical squad. The captive, Yawan Wayeni, winces in agony, his head propped up on a log. A bloody sarong covers a gaping wound inflicted by the assailants with a bayonet, his intestines bulging from his stomach. The seven-minute clip, the focal point of a new human rights campaign here, shows the men mocking Wayeni as he lies dying. Since the video was recently posted on the Internet, activists have used it to pressure Indonesia to allow foreign access to the resource-rich province that critics say has long been closed to outsiders.

[The Chicago Tribune, 1 August 2010](#)

Indonesia next year plans to review Papua's special autonomy, a report said Sunday, amid increasing demands for a referendum on the region's self-determination. The proposed review follows President Susilo Bambang Yudhoyono's order on Thursday for [an audit of special autonomy programs](#), amid complaints that they had failed to reduce poverty in Indonesia's easternmost territory, which borders Papua New Guinea. 'If it's stagnant and there is no progress, then we have to know why,' Mr Yudhoyono said. 'We will conduct an audit to find out what has gone wrong, whether it is the management, the budgeting, the supervision or its efficiency.' He added that, among Indonesia's 33 provinces, Papua received the most money from the state budget. [The 'comprehensive review'](#) would cover areas including the implementation of regional administration and accountability of performance, Home Affairs Ministry official Sumarsono

[Straitsimes.com, 1 August 2010](#)

Indonesia warned Monday that tensions on the Korean peninsula could spin out of control without a return to dialogue, as North Korea's foreign minister visited the Southeast Asian country. Indonesian Foreign Minister Marty Natalegawa [held talks](#) with his North Korean counterpart Pak Ui Chun and said there was an "inherent risk" attached to the current freeze in six-party talks over the North's nuclear program. He said he had repeated Indonesia's condemnation of the sinking of a South Korean warship in March with the loss of 46 lives, without blaming North Korea as the United States, South Korea and other countries have done. "Our emphasis is on the future in terms of wanting to ensure that the conditions conducive to the return [to six-party talks](#) are created," Natalegawa said after the meeting.

[MySinchew, 2 August 2010](#)

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