

Indonesia's Economic Justice Agenda in 2019 Election

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“The 2019 election must be able to bring a structural change in the economic model for Indonesia by prioritizing the people's agenda rather than the political elites' agenda, especially in arranging the development agenda driven by the interests of the people”

Jakarta, January 31, 2019. Trade performance in 2018 recorded the worst deficit in the last 5 years. This condition is influenced by various factors, especially the pressure of the global economy. Indonesia for Global Justice (IGJ) considering Indonesia's decreasing trade performance throughout 2018 is not just a casuistic problem influenced by the global conditions, but this is also a long-term effect of the national economic mismanagement policy in which the Government of Indonesia is unable to develop a strategy for strengthening the national economy over the impact of open economic policy.

The issues covering Indonesian trade policy are the consequences of the economic model chosen by the post-1967 of Indonesian Government, where economic development tends to rely on the foreign investment and natural resources extraction. Therefore, what Indonesia's facing today is the impact of neo-liberal economic policies that have been maintained by the Indonesian Government since the New Order era, Reformation, to the current Jokowi's regime.

The changing in leaders in the democratic process through 2019 Election should not merely be a procedural democratic process that only legitimizes the change or keeps the regime in the struggle for economic throne which is strengthened by the oligarchic structure. For this reason, the 2019 Election must be able to bring a structural change in the economic model for Indonesia by prioritizing the people's agenda rather than the political elites' agenda, especially in arranging the development agenda led by the people's interest.

Therefore, IGJ urges two (2) agendas of Indonesia's economic justice that must be part of the debate over the nation's direction, especially in Indonesia's international trade policies, namely:

1. The Direction of Indonesia's Trade Policy

Eliminates the Dependence on Extractive Commodities

IGJ urged that Indonesia's trade diplomacy agenda based on raw material commodities must be immediately restricted or even abandoned and it has to be strengthened with the performance of added value trade. If that strategy is kept, Indonesia is for sure will not rise to the higher class and become a major player in the Global Value Chains agenda.

Until now, the contribution of extractive commodities in Indonesian trade is still dominated by coal and palm oil, which are 15.12% and 12.51%, respectively, followed by the iron-steel and metal sectors 3.54% and 3.23% from the total exports. Until, in the amid of today's global challenges, Indonesia will have difficulty increasing its exports by relying on extractive

commodities.

The facts show that trade dependence on extractive commodities has no impact on Indonesia's competitiveness at the global level, and it is very vulnerable to fluctuations in global commodity prices. Even this dependence cannot be utilized by Indonesia to develop local industries, which causes domestic needs depend on imported products. This condition causes Indonesia's economic growth become quite vulnerable. It was proven that the weakening of Rupiah in 2018 was unable to trigger Indonesia to increase exports, but instead it worsened the national economy due to the current account deficit that occurred throughout the second and third quarters of 2018.

Indonesia continues to face the deindustrialization phenomenon due to its low competitiveness, and along with the contribution of the manufacturing industry sector which continues to decline against GDP. This also shows the lack of optimal resources available for the process of creating added value (industry) and expanding employment. In a period of almost 15 years (2001-2015), the industrial sector can only absorb 1% of the workforce, from 13% to 14%. In fact, the shift in the agricultural sector contribution to the industrial sector is not on alignment with the absorption shifts of the workforce and this raises many problems in country's development.

As a result, the centralization of Indonesia's trade performance on raw commodities, especially palm oil and coal, also has an impact on worsening the monopolistic practices in this sector and increasing losses suffered by the community. There are at least 2 major losses suffered by the community from the monopolistic practices in these two sectors, namely tax violations and human rights violations (in the context of environmental damage, social conflict, and land conflict).

The tax ratio in these two sectors is lower than other sectors. The tax ratio in the agricultural sector is only 1.16% and the mining sector is 9.45%. This condition still indicates that there are many WP non-compliance issues in these two sectors in Indonesia. The KPK found that there are still many mining companies in Indonesia that do not comply with paying taxes. For example, from the KPK Coordination and Supervision results with the Ministry of Energy and Mineral Resources and related agencies, from the 7,834 companies recorded by the DGT, 24% did not have the NPWP, and around 35% did not report SPT¹.

There are around 6 million hectares of mining land in conservation and protection forest areas which disrupt the stability of the environment. And there are around 4,276 IUPs non CnC both in terms of administration, land use which causes land overlapping, obligation to pay royalties and fixed contributions. In fact, if the total area of palm oil plantations is controlled by the corporations, then the total land that is actually managed by the corporations is either the core land plus plasma land reaching 8.4 million hectares or it equal to 95% of the total land area of palm oil plantations that has been planted in Indonesia².

¹ Saputra, Wiko (2015). Estimation of Illegal Money Flow and Tax Crime in Indonesian Mining Sector. PWYP Policy Review, Number 1/October 2015.

² The understanding of total areas that are managed by corporation is the total area of the plantation land managed by either private or Government Company or State-owned Enterprises which is managed through PT. Perkebunan Nusantara (PTPTN).

E-commerce: “Indonesia is not just a Market”

The value and growth of Indonesia's digital economy are the most prominent in ASEAN and even in the world. But this potential and opportunity remains vulnerable to being not optimal if it is not addressed wisely and carefully for Indonesia's future development. Indonesia's digital economic value reached 27 billion dollars, the highest in ASEAN with 44% (12.2 billion dollars). On the other hand the contribution of e commerce to the new GDP was still 2.9%.

Another prominent note in 2018 is the increasing number of market place transactions originated from Indonesia and be in the top ranked compared to online stores which have tended to dominate the online market. Online stores that dominate the online market during this time are overseas based online stores and selling imported goods. On the other hand, market place is an online market that is generally an open space for domestic players, especially the SME's-based.

This happened due to the capital injection from large foreign investors who were also similar international business actors or were a group of investors who had been behind the world's other big start-ups. Secondly, the impact of the existence of the world's big business behind online business funding in Indonesia has the effect of increasing or dominating imported products in the goods and services offered through the start-ups.

The consequence of this condition is that the competitiveness of the local products will be increasingly higher, especially SME's-based products in Indonesia, competing with imported products in the midst of global competition in the domination frame by large international capital. Market place that had previously been a hope for local products and industries would be difficult to use, on the contrary it would become a media penetration for imported products to be able to access Indonesian market without space and time limits.

Therefore, in order to prevent Indonesia from being a market only, there should be an appropriate strategy to support the strengthening of SME's in the regions, especially small and medium village-based industries through the use of this digital technology. The connection of the entire territory of Indonesia is a hope for the opening of opportunities for Indonesian industry players, especially the SME's industry, to develop themselves and describe their role and contribution to the development of Indonesian economy.

The preparation on supporting facilities in regions such as adequate logistics capabilities, preparation of district / city based servers must also be done in parallel along with the construction of a national broadband network which is almost completed by the central government. These preparations become urgent considering delay. In the end it will only have a far more beneficial impact on the entry of imported goods into villages in Indonesia and complicate the development of a people-based economy in the regions.

No Compromise in Indonesia's Trade Diplomacy

The strengthening of protectionist practices in global trade has to be Indonesia's momentum to re-measure the strength of Indonesian trade. The choice of Indonesia's international trade diplomacy strategy should be directed for strengthening and protecting the people's economic sovereignty.

To create Indonesia sovereignty in the global trade scheme today, the only right strategy is with industrialization. It is time to do Import Substitution and strengthen local products in all national economic activities. IGJ believes that industrialization does not have to depend solely on foreign investment. However to strengthen the real sector, the Government must

focus on production-based industrialization which is the main role of a supply chain production process from upstream to downstream, especially in the agriculture and fisheries sector.

The success of this agenda will very much depend on the consistency of the Indonesian government in carrying out the people's production-based industrialization agenda, especially in developing infant industry, through the implementation of several policies that support the development of domestic production and absorption, such as the application of domestic content levels (TKDN), limitation of imported products substitution, and restrictions on raw commodity exports, including transfers of intellectual property. Therefore, it is important to bring this policy into an Indonesian non-negotiable position in the negotiations on international trade and investment agreements.

In addition, the protection of agriculture and other food sectors in Indonesia in the global trade agenda must be a priority. Inequity in global trade in this sector continues to occur, and has an impact on the bankruptcy of local food producers in Indonesia. Therefore, responding to the development of global protectionism today, Indonesia must say "NO" to the WTO Reform agenda driven by the US, EU and Japan. The importance of protecting Indonesian agriculture must be the final decision in negotiations.

2. Protection of People's Interest in the International Trade & Investment Agreement

In 2018 there were several agreements signed by the Government of Indonesia and would soon to be ratified, namely: Indonesia-EFTA (comprehensive economic cooperation between Indonesia and Switzerland, Norway, Iceland and Liechtenstein); 10th ASEAN Framework Agreement on Service, First Protocol to Amend ATIGA, ASEAN Agreement on Electronic Commerce, and Indonesia-Australia CEPA.

The development model of comprehensive cooperation in the international trade is no longer merely regulating narrow trade cooperation (export-import), but also regulates economic and social aspects broadly and has a direct impact on the lives of Indonesian people even the national sovereignty is at stake.

Therefore, the impact of FTA Agreement cannot be seen merely from Indonesian trade deficit affairs. However, it must be seen from various aspects such as poverty, social, and human rights. This is because some of the rules in FTA concern basic public rights such as health, food, education and the environment.

The FTA agreement wants the state to have a minimal role in the economy, so that the provisions of FTA will limit the state role through pressure on economic liberalization throughout the economic sector and people's lives. Of course it is becomes very important before giving approval to ratify a free trade agreement. The Indonesian Parliament must calculate its long-term impact on the interests of the people at large.

The Responsibility of the House Representative of Republic Indonesia (DPR RI) in FTA Strategic Issues

IGJ urged DPR RI to make the ratifying process of a free trade and investment agreement as a strategic issue of the state in the national policy-making process. Thus, the FTA agreement ratifying process is no longer about giving a stamp process by the DPR RI only. The strategic role of DPR RI in approving ratification of FTA agreements is important in controlling the executive power in order to protect people's sovereignty.

DPR RI must conduct a long-term assessment of the impact of FTA on both the economic, social and human rights aspects before Indonesia ratifies the FTA. This is important to ensure the protection of basic public rights that must be provided by the State and not be used as trade commodities.

Constitutional Court Decision-Post on Case No. 13 / PUU-XVI / 2018 concerning the Judicial Review of Law No.24/2000 regarding the International Treaties against the 1945 Constitution, the role of DPR RI is getting stronger in the framework of controlling over the power of executive institution related to the making of international agreements, especially international trade and investment. Some of DPR RI authorities strengthened after the Constitutional Court's decision, and IGJ urged the House of the Representative to immediately follow up on the decision, namely:

1. International agreements that have broad and fundamental consequences related to the financial burden of the state and / or require changes or the formation of laws, the panel of judges considers that this cannot be determined limitatively and requires the approval of DPR RI.
2. DPR RI must ensure that the involvement of the state in international treaties under the pretext of world order must not conflict with the principles of independence, peace and social justice.
3. DPR RI must immediately encourage the discussion of Law No.24 of 2000 revision concerning International Agreements by referring to contents of the Constitutional Court's decision.
4. DPR RI can encourage and / or review international agreements on all international agreements, especially on trade, investment and foreign debt agreements, to fulfill the elements of social justice and in harmony with the mandate of the Constitution.

With the aforementioned authorities, IGJ believes that Legislative Election must generate high quality legislative members and have a good capacity in understanding the state problems, especially related to the international trade and investment agreements. Therefore, the process of 2019 election is not just selling profiles of candidates who can gain people's votes just to win the party.

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