



Indonesia Investments

Politics in the Spotlight

- Indonesia Assumes G20 Presidency; What Will Be on the Political Agenda?
- Constitutional Court Declares Omnibus Job Creation Law Unconstitutional
- What Does the Latest UN Climate Change Conference Means for Indonesian Coal?
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Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Monthly Report – November 2021

‘Politics in the Spotlight; G20, COP26 Summit & Constitutional Court Ruling’



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Preface

The monthly report of Indonesia Investments is written and published by Van Der Schaar Investments B.V., located in Delft, the Netherlands. The report aims to inform the reader of the latest, most relevant, political, economic and social developments in Indonesia as well as those crucial international developments that impact on the economy of Indonesia or on its politics.

Our reports are intended for a diverse audience, including individual and corporate investors, financial market participants, diplomats, policymakers, decision-makers, academics, journalists, and analysts.



The website www.indonesia-investments.com is the key reference and access point for gaining knowledge about the markets, economy, business sectors, politics, and cultures of Indonesia. This online platform is owned by Van Der Schaar Investments B.V., a privately-held investment company (Ltd.) that was established in 2009 but

stands in a tradition that stretches back to urban development in the Dutch capital city of Amsterdam in the early 20th century.

We offer two types of subscriptions (or individual purchases):

(1) **Weekly updates + monthly reports;** on average we send one or two analyses of relevant subjects per week (“weekly updates”) to make sure that our audience gets the latest and most relevant news quickly (and complete with an analysis). These updates also form the basis of the forthcoming monthly report (in which the topics are usually discussed in more depth as we have more time to make an analysis).

(2) **Monthly reports only;** usually between the 2nd and 5th of the month, we release our monthly report. As mentioned above, this report discusses the most relevant economic, political, and social developments that took place in Indonesia (or global developments that impact on Indonesia) in the preceding month.

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Disclaimer

Lastly, we would like to emphasize that – although we strive to present accurate, up-to-date, and objective information in our reports – Indonesia Investments cannot guarantee the accuracy of all data and information that is included. We also do not intend to provide legal, investment, tax, or accounting advice through the contents of this report, and therefore the reader should not perceive this report as such. In short: Indonesia Investments cannot be held responsible for decisions based on the content of this report.

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Introduction – November 2021 Report

It felt like a real déjà vu. Shortly before writing this introduction, the World Health Organization (WHO) said it added a new [variant of concern](#) to its list of COVID-19 mutations. This new variant, which is called Omicron (B.1.1.529), is believed to stem from South Africa or Botswana, and might be more contagious than the Delta variant that has been dominant over the past 12 months or so.

The claim that Omicron ‘might be highly infectious’ is based on the rapidly growing number of COVID-19 cases in South Africa. In October and the first half of November 2021, South Africa had very low numbers of COVID-19 cases. But then, there arrived a big and sudden burst of COVID-19 cases in the last week of November 2021 around Pretoria (one of South Africa’s three capital cities). When scientists investigated the cases it turned out to be this new Omicron variant.

When this news spread in late-November 2021 it immediately caused stocks and oil to drop sharply around the world. And, when it was confirmed that the new variant had spread to various continents, countries banned direct flights from South Africa, while Israel and Japan closed their borders to foreign travellers, and Great Britain and Australia tightened rules for all arrivals. Actually, this is where I experienced the real déjà vu. Some 20 months after ‘all hell broke loose’ when it was confirmed that COVID-19 was spreading around the world in Q1-2020, we now seem to be back

where we started (if Omicron is indeed as infectious as media portray it to be; for now there exists no evidence as scientists have just started studying this variant).

These developments actually show to what extent the world has been affected in a psychological sense. Without actually waiting for some evidence of whether the new variant is indeed more infectious and/or more fatal, some far-reaching decisions are made and imposed (for example by closing borders and banning flights). Sure, it will be too late to take such actions once evidence is put on the table because the variant will have arrived by then (well, it will probably already be too late by the time the new variant is detected as these viruses spread very fast in today's globalized world where people are very mobile). But, is going into a sort of lockdown when a variant of concern emerges really the more rational option?



We should also not forget that the median infection fatality rate (IFR) for COVID-19 is estimated at 0.23 percent based on a [paper](#) (titled *Infection Fatality Rate of COVID-19 Inferred From Seroprevalence Data*) that is available on the WHO website (and considering the actual total number of COVID-19 infections is likely higher than the

number of confirmed infections, the median IFR could in fact be substantially lower than this 0.23 percent; something that is acknowledged on page 8 of this paper).

What the COVID-19 pandemic particularly exposes is the shortage of capacity in the healthcare systems around the world. In many nations capacity in hospitals has been cut hugely over the past couple of decades, while their populations grew rapidly and aged over the same time (implying there is a growing number of people with fragile immune systems and/or underlying illnesses, hence comorbidity has been the main complicating factor in terms of COVID-19 fatalities).² While 0.23 percent might seem a small figure (and, obviously, we have to multiply it by, well, perhaps five – if not much more – to include those people who require medical assistance but do survive the virus), it is a big group in absolute terms that certainly is way too big to handle in case they fall ill around the same time. So, indeed, measures are needed to limit the spread of COVID-19 in society (most notably through proper indoor ventilation, vaccines for the vulnerable, and by encouraging people to lead a healthy lifestyle).

But considering people will need to learn to live with COVID-19 in society as there are no signs that the virus will ever leave, it is of crucial importance to raise capacity

² While in many developed nations there occurred a significant reduction in capacity in hospitals over the past couple of decades, in emerging nations there exists structural undercapacity (due to weak healthcare systems). Both phenomena are causing great trouble in the COVID-19 crisis.

in hospitals (or wider: in healthcare) in a structural manner. In developed nations healthcare systems have been made so efficient (through economization, meaning: saving money by spending less) that these systems collapse when a completely new and dangerous virus arrives (which, fortunately, is a rare phenomenon). Therefore, big public investment is needed in healthcare. If not, we can basically say “bye, bye” to economic and social growth as we knew it in the decades prior to the COVID-19 crisis as the costs of lockdowns are simply too high (such as children’s’ reduced long-term prospects because of the reduced quality of education, increase in depressions, cancelled/delayed treatment for other diseases, massive unproductive government spending and debt accumulation, mass unemployment, and loss of civil liberties).

However, the reason why it might be unlikely for governments to change course now (meaning reducing their focus on vaccines for whole populations, from young to old) is that this would imply acknowledging that their previous strategy was not the best one. The ‘point of no return’ seems to have been passed by early 2021.

Meanwhile, in response to the Omicron variant, Pfizer Inc. announced to deliver an updated COVID-19 vaccine in 100 days, while Moderna Inc. expects its own Omicron vaccine to be ready by early 2022. Again, a déjà vu. A year ago, these companies were racing to manufacture the first COVID-19 vaccine. But after expensive and intensive vaccination programs around the world, we are basically still in the same situation. Indeed, the number of COVID-19-related deaths has tumbled significantly in most

countries compared to the first waves around Q2-2020 and Q3-2020. This could be the positive impact of the COVID-19 vaccines but, on the other hand, it could also be the case (like we see with the flu) that excess and under-mortality alternate (after a season of excess mortality there tends to be one or two seasons of under-mortality).



The underlying problem is that we still lack knowledge and therefore have to be very careful when making any firm conclusions. Another interesting dilemma is choosing between believing those who argue that unvaccinated people encourage mutations, or, those who argue that the vaccinated people encourage COVID-19 mutations (as vaccine-induced immunity could force the virus to mutate to survive). Well, the truth is probably a bit more complicated and somewhere in the middle. And there should actually be some considerable overlap between both categories considering many of the unvaccinated people have built immunity via natural infections (evidenced by antibodies found in unvaccinated blood donors), while part of the vaccinated people do get infected shortly after vaccination (and after some six months vaccine-induced protection against infection is almost gone completely). So, it is crucial to stay open-

minded, factual and rational, both for policymakers and the people, in a world that is showing some very worrying polarization on all fronts. If not, it opens the doors to wrong, even fatal, decisions.

'Indonesia Miracle'

Even without the arrival of a more contagious variant, various countries in Europe have, again, went into a sort of lockdown-mode as COVID-19 cases have been rising sharply across the region despite these countries having high vaccination rates.

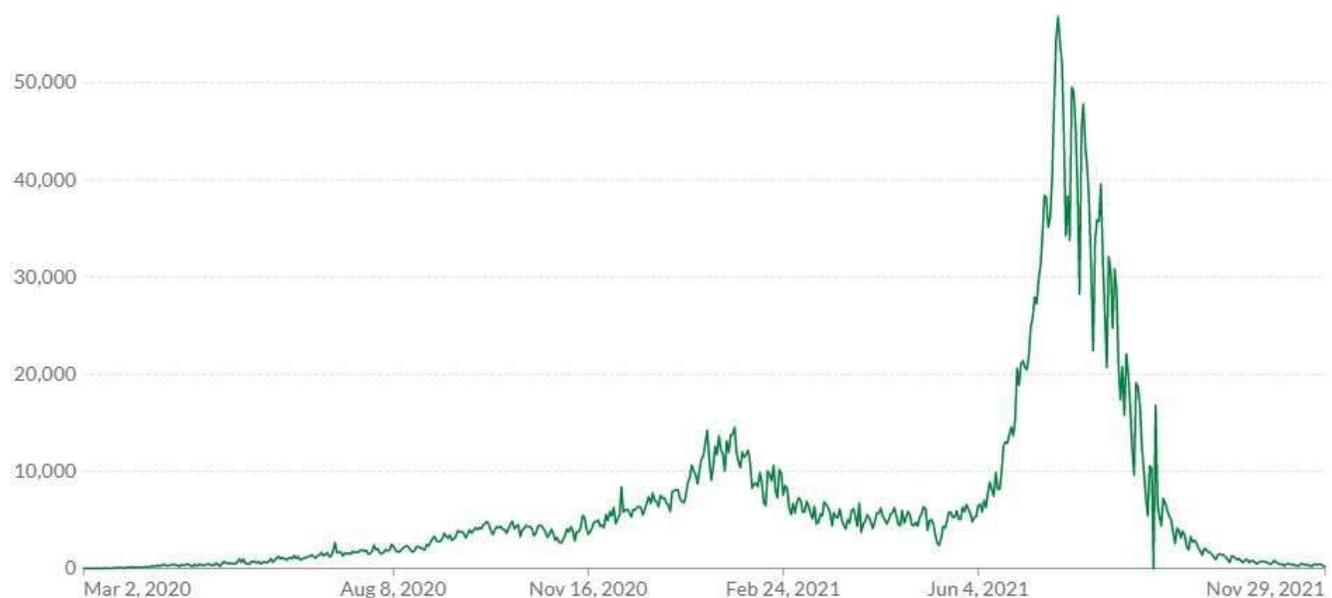
And then, there is the 'Indonesia miracle'. Since mid-July 2021 when only around six percent of the Indonesian population was fully vaccinated, there occurred a massive decline in new COVID-19 cases, up to the point where there are now only 200-400 new daily cases reported (out of a total population that numbers over 270 million people). It is a development we cannot attribute to the national vaccination program (although vaccines could certainly have contributed, albeit slightly, to the decline in cases over time).

And the same miracles occurred in countries like India and Japan. Strangely enough, though, we detect very little appetite from media or political leaders in the West to study the developments or government responses in these 'miracle countries', while – at least – some things must have gone right here (whether this was an intentional

consequence of these countries' policies or not –for example because herd immunity was perhaps largely achieved by the natural spread of the virus in society as people failed to comply with policies– comes second).

Is it these countries' young age-structures that help explain these miracles? But, that would certainly not apply to Japan. Or, is it previous immunity from their exposure to other coronaviruses? Could it be lower infectious loads? Or, what I suspect, is it natural infection-induced immunity? Or, are there other, unknown, explanations? Is it a combination of factors? There could be very valuable lessons to be learned here for Western countries in their battle against COVID-19. However, for now, it seems that all that may undermine the existing strategy used in the West is simply ignored.

Daily New Confirmed COVID-19 Cases in Indonesia:



Source: www.ourworldindata.org/covid-cases

But although the COVID-19 referral hospitals are almost empty in Indonesia and few new COVID-19 cases are reported, we have to be careful. Since our knowledge of this virus (and why cases went down rapidly) is incomplete, it is certainly possible to see future COVID-19 waves. In fact, it is quite likely to see future waves as many experts agree that COVID-19 has become endemic (similar to the flu).

In fact, in mid-November 2021, local Indonesian news agency Kompas [reported](#) that the number of new COVID-19 cases and hospitalizations increased in 37 districts on Java and Bali. This could be related to the arrival of the rainy season (typically, the flu also peaks during the rainy season in Indonesia as people are more indoors, and perhaps lack sunlight, causing a shortage of vitamin D). In that context, it is also quite unfortunate that weather experts expect a very long rainy season due to the La Niña effect (which is the periodic cooling of ocean surface temperatures in the central and east-central equatorial Pacific that brings heavier tropical rainfall to Indonesia).

As a consequence, the Indonesian government remains cautious. Therefore, social and business restrictions will be turned up a notch, or two, (to PPKM Level 3) during the upcoming Christmas and New Year period across urban areas on Java and Bali. This is certainly not good for the economy. However, having in mind that the Delta variant spread rapidly shortly after the Idul Fitri (or Lebaran) holiday in May 2021, it might indeed be a good idea to limit traveling and the gathering of people for a day

of ten (24 December 2021 – 2 January 2022). So, these days of stricter restrictions could indeed prevent bigger economic costs on the longer term.

To conclude on a positive note, if Omicron turns out to be more infectious, but less fatal (and this is a real possibility because – based on statements from virologists in global media – a virus that is more infectious tends to be less deadly, and vice versa), it could actually spread throughout the world making people immune (while causing limited numbers of casualties).

Next month, we should have more information on this topic. For now, we need to be cautious because Omicron is bound to spread everywhere. So, the best advice, in the meantime, is to eat healthy, exercise, take enough time to sleep at night, avoid stress, and get some sunshine in the morning (for vitamin D). This will do wonders for your immune system!

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1 December 2021



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Coronavirus Tips: How to Protect Yourself & Others

Immunization programs have started but it is important to remain careful to avoid becoming infected with COVID-19, or, infect others.

You can protect yourself and help prevent spreading the virus to others if you:



- **Wash your hands regularly and thoroughly** for 20 seconds, with soap and water, or alcohol-based hand rub. Remember that before your hands are clean, you should not touch your face, especially not (around) your eyes, nose and mouth as these are the key entrance points for any virus.

- **Cover your nose and mouth** with a (disposable) tissue or flexed elbow **when you cough or sneeze**. Wear a face mask when going outside (mainly to protect other people) and wash your hands often and thoroughly when back inside.



- **Stay Home**; avoid unnecessary contact with people as well as unnecessary traveling, particularly to crowded or public places. After returning home from necessary activities such as grocery shopping, do not forget to wash your hands. You may also want to wash the products you bought, because people often touch products that are put on display in the local supermarket. If possible, work from home!

- **Strengthen your immune system**; people who are healthy (which are usually young people) may not even notice that they are infected with COVID-19. The trick here is that their immune system is stronger (generally). Therefore, now is the time to take some efforts to strengthen your immune system by eating healthy (fruits and vegetables each day). And don't forget to exercise. Taking enough time to sleep is also crucial to help improve your immune system. Lastly, it is highly recommended to quit bad habits, most notably: smoking.



- **Ventilation**; make sure that rooms inside houses, apartments, and buildings are properly ventilated as a COVID-19 infected person can spread aerosols so small that a facemask cannot prevent them from going into the air or from going into the lungs of someone who wears a facemask. Ventilation systems need to get a good supply of fresh air from outside and/or use a good filter. It is also advised to open windows or doors in closed spaces so there is a supply of fresh air.

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