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Dragoman Digest

Uncertainty ahead of Indonesia's 2024 presidential election

Preferred candidates lack obvious path to power

The candidates for **Indonesia**'s 2024 presidential election appear to be firming up. Last month, Defence Minister **Prabowo Subianto** accepted Gerindra Party's nomination to contest the election. Governor of Jakarta **Anies Baswedan** and Governor of Central Java **Ganjar Pranowo** face more uncertain paths toward presidential nomination.

At around 12 percent, Anies is trailing far behind Prabowo (25 percent) and Ganjar (22 percent) in opinion polls. Despite these favourable polling numbers, Prabowo has tried and failed to win presidential elections on two separate occasions. For his part, as an independent, Anies will have to win the backing of a coalition of parties to win. Indonesia's *General Elections Law* requires presidential nominees belong to a party or coalitions comprising at least 20 percent of seats in the House of Representatives.

On 7 September, Anies was summoned by the Anti-Corruption Commission (KPK) regarding graft allegations surrounding the Formula E motorsport race in Jakarta. Considering Anies has generally maintained a solid reputation for integrity, the allegations are possibly an attempt by elite vested interests to hurt Anies' chances. Since the House of Representatives passed a bill in September 2019 that eroded the investigative powers of the KPK, the commission is no longer an independent institution.

Nor does presumptive electoral front-runner Ganjar have a clear path to presidential nomination, despite belonging to the Indonesian Democratic Party of Struggle (PDI-P) – the only party to have over 20 percent of seats. Former President and current Chairwoman, Megawati Soekarnoputri effectively controls PDI-P and has strongly advocated for her deeply unpopular daughter, Puan Maharani, over Ganjar. With the election 18 months away, intense manoeuvring and backroom dealings undoubtedly lie ahead.

US-led 'Chip 4' alliance faces headwinds

The quadrilateral grouping aims to strengthen the US' grip on global semiconductor supply chains

A year after it was proposed, the **US**' semiconductor initiative, known as the Chip 4 alliance, is yet to fully take shape. In addition to the US, the alliance would include **Japan**, **South Korea** and **Taiwan**. Whilst details remain vague, Chip 4 will look to coordinate among its members supply chain management, research and development and subsidies. Each participating economy dominates a particular area of the semiconductor supply chain. Japan specializes in materials production and equipment manufacturing, South Korea in the production of memory chips, Taiwan manufactures over 90 percent of the world's most advanced chips, and the US dominates chip design and software. The US still has more than 50 percent market share across the entire value chain.

China's anticipated reaction, regional tensions and private sector competition have featured as key concerns for prospective participants. Taiwan, for example, is worried about potential trade restrictions from China which produces 70 percent of the world's silicon, a critical input to semiconductors. Unresolved tensions between Japan and South Korea, which culminated in Tokyo placing export controls on several chip materials and chemicals, serves as another complicating factor. At the individual company level, there are issues around the practicalities of cooperation with rival companies. South Korea's Samsung and Taiwan's TSMC, for example, are fierce competitors. While it remains unlikely that any of the four countries will outright refuse to join the initiative, there are considerable obstacles that need to be ironed out.

China's medical equipment self-sufficiency drive takes shape

Beijing leverages public procurement policy to push foreign companies to shift manufacturing to China

To bolster domestic production, **Beijing** has moved to restrict the use of overseas-made medical equipment in **China**. Foreign companies currently dominate China's medical equipment market with a market share of 70 to 80 percent of CT and MRI sales through public tender. In May last year, the central government issued a notice listing 315 products as items it will require hospitals to buy from companies with manufacturing operations in China. In April, Hubei, Anhui, Shanxi provinces and Ningxia appeared to implement the measures flagged last May, issuing notices instructing hospitals to limit their purchases of testing and medical equipment to those produced domestically.

These developments build on measures introduced last year. In December, Beijing announced it would encourage foreign companies to transfer technology to China as part of its plan to have the world's most sophisticated domestic medical equipment industry by 2035. In July, Beijing announced a draft amendment to its government procurement law – giving preferential treatment for the procurement of products where value was added in China.

This leaves multinational companies with an invidious choice of forgoing the Chinese market or localising an increasing percentage of manufacturing. **Germany**'s Siemens Healthineers has gone with the latter, announcing in June that it would expand its domestic production as a "Chinese company". So too has **Japan**'s Hitachi High-Technologies, which announced plans to expand production in Jiangsu province.

Newly elected Colombian President tightens grip on the mining sector

Existing mining titles could be re-evaluated as a new exploration licensing regime is considered

Colombia's first left-wing **President – Gustavo Petro –** plans to overhaul the country's mining sector and enshrine stronger environmental and social mining standards. Colombia hosts significant deposits of gold, nickel, and emeralds, and aims to become the world's third-largest copper producer. Earlier this month, Environment Minister Susana Muhamad announced plans for Colombia to begin requiring environmental licenses for mining exploration projects. Currently, companies only require environmental permits for the extraction and production phases of their projects. Muhamad flagged that prior consultation may be required when exploration takes place on indigenous lands.

The government will also evaluate existing mining titles that were awarded without "appropriate environmental scrutiny". This may call into question the progress of current projects overseen by Colombia's former government administration such as gold mining operations in Cauca, and the massive open coal mine in El Cerrejon. How severe the new government will be on prospective mining projects remains to be seen. Petro has already backtracked on his election promise to halt oil and gas exploration projects, and recently emphasised the need for Colombia to focus on mineral exploration required for renewables technology. Whatever route the new administration takes will be crucial for the mining sector and the broader economy – the sector accounted for 24 percent of Colombian exports in 2021.

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Tencent sets US$15 billion divestment target

Several factors have prompted Tencent to re-evaluate its portfolio

China's worsening economic environment, and anti-trust concerns have pushed internet giant Tencent to announce plans to divest approximately US$15 billion of its US$88 billion listed equity portfolio. Tencent has been slammed by regulators for using its stake in messaging app WeChat to block users from sharing links to the competitors of services it had investments in. It has also been under investor pressure to divest underperforming assets, with the company reporting its first decline in quarterly revenues in August this year. In December, it sold more than US$16 billion worth of shares in ecommerce player JD.com with its stake falling from 17 percent to around 2 percent.

The divestment programme is bad news for the tech sector, given that Tencent has historically been one of China's largest venture capital (VC) investors. Tencent's investments in listed companies fell year on year in June from RMB 726bn (US$104bn) to RMB 602bn (US$86bn). This compounds an already flagging VC environment, with total funding for Chinese start-ups falling 38 percent in the first half of the year.