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REPUBLIC OF INDONESIA

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POLITICS

Political Party Bill Passed by House

New legislation on political parties was passed by a plenary session of the House of Representatives (DPR) on Thursday (6/12/07), Tempo Interactive reported.

With the passage of the bill, the government can start to verify the new political parties which have registered their parties with the Ministry of Justice and Human Rights.

The bill requires a minimum of 50 adults to request the establishment of a new political party, which should also have chapters in 60% of provinces, branches in 50% of more than 480 regencies and municipalities and 25% of more than 1,500 sub-districts nationwide. It also sets a 30% quota for woman members of parties.

Santoso Approved as TNI Chief

The Indonesian parliament has confirmed the current head of the Army as the nation's next armed forces (TNI) chief, state media reported on Saturday (8/12/07).

Gen. Djoko Santoso was endorsed late Friday in a session led by Indonesian parliament speaker Agung Laksono, Antara news agency said.

During his "fit and proper test" on Wednesday, Santoso, 55, reportedly assured legislators that he would make sure the armed forces remained politically neutral.

Santoso is expected to be sworn in by President Susilo Bambang Yudhoyono before the end of the year to replace outgoing TNI chief Air Marshal Djoko Suyanto.

Suyanto told detik.com at the State Palace on Thursday that President Yudhoyono has agreed to install the new commander before January 1, when he will retire.

No 2009 Candidate Announcement: Democrats

The Democrat Party decided at its national coordination meeting on December 2 that it would not announce a candidate for the 2009 presidential elections at this stage, *Kompas* reported.

Hadi Utomo, chairman of the party's central leadership board, said the party will only discuss its candidacy after legislative elections or closer to the presidential election itself.

The decision was welcomed by President Susilo Bambang Yudhoyono, who is also the party's advisory board chairman.

In a speech to the closing ceremony of the meeting in Semarang, Central Java, Yudhoyono also called on all party members to put the nation's interest above that of the party.

"All members must support the regional government's decisions regardless what party the regional leaders are from," Yudhoyono added.

REGIONS

Pact to Protect Rainforests

Vast tracts of tropical rainforests will be protected under a declaration signed on Friday (7/12/07) by the governor of Brazil's Amazonas state and his counterparts from the Indonesian provinces of Aceh, Papua and West Papua, *The Age* reported.

With growing frustration at faltering negotiations at the global climate change talks in Bali, the governors said they had decided to take the lead.

Emissions from forestry account for about a fifth of the world's greenhouse gas emissions, the vast majority from Indonesia and the Amazon.

The Bali meeting is considering paying developing nations to protect their forests by creating a new market in carbon credits.

The governors have also joined with Australian company Carbon Conservation to create a voluntary carbon credit market to sell shares in the carbon saved by protecting their forests.

Greenpeace spokesman Marcelo Furtado welcomed the governors' declaration. "They are acting because nations aren't. I hope it serves as a jump-start for national and international action."

The declaration states the governors will halt all logging, conserve forests and commit to reducing greenhouse emissions and calls for international support for the initiative.

Aceh's Governor Irwandi Yusuf has been leading patrols against logging, cutting the trade by more than half. One thousand forest rangers have been recruited to enforce the ban and another 2,000 should join them next year.

Carbon Conservation chief Dorjee Sun said funds raised by the sale of carbon credits, supplemented by environmentally friendly investments around the forests, would generate income. It would also provide work for local communities that had been forced to depend on illegal logging, he said.

"The only way to stop deforestation is to go on the offensive, with economic incentives," he said.

Sumatra Governors Seek Foreign Financial Links

Governors in Sumatra say they will seek approval from the central government to cooperate with foreign financial institutions to fund infrastructure projects in Sumatra, *The Jakarta Post* reported.

The decision was reached during the Sumatra Governors Forum, held in Batam on November 29 and 30. The forum brought together the governors of North Sumatra, West Sumatra, South Sumatra, Riau, Riau Islands, Jambi, Bengkulu, Bangka Belitung, Lampung and Aceh.

If the proposal is approved, the provinces would be able to forge direct links with foreign funding bodies, such as the Islamic Development Bank, World Bank and Asian Development Bank, without having to go through the central government.

The proposal has been sent to President Susilo Bambang Yudhoyono for approval.

Riau Islands administration official Tengku Mukhtaruddin said direct cooperation with foreign funding institutions would facilitate the ongoing development in Sumatra.

"We have to realize the projects we have been planning in the very near future. We have decided to take funds not only from national and regional budgets, but also from foreign financial institutions," Mukhtaruddin said.

ECONOMY

Central Bank Cuts Benchmark Rate

Bank Indonesia (BI) cut its main interest rate by 25 basis points on Thursday (6/12/07) to 8%, delivering

its 14th cut since last year following lower-than-expected inflation last month, Reuters reported.

The central bank has cut its key BI target rate from a peak of 12.75% early last year as the country recovered from an inflation shock late in 2005.

Indonesia's consumer price index (CPI) in November rose 6.71% from a year earlier, slowing from October's 6.88% gain. On month, the index rose 0.18%.

Analysts had earlier expected the central bank to maintain the rate at 8.25%, but the cut coincided with a new record on the Indonesian Stock Exchange as concerns over the US economy eased.

The market's composite index broke the 2,800 point level for the first time ever on Thursday, but fell back by 0.6% at the close on Friday on profit-taking, Agence France-Presse reported. The index closed at 2,778.95, for a 3.4% increase over the week.

The week also saw a range of other positive developments. The trade surplus in October was measured at \$3.99 billion, bringing the surplus for the first 10 months to \$33.26 billion, the Central Bureau of Statistics (BPS) said Tuesday, according to Asia Pulse.

Exports reached \$10.25 billion and imports stood at \$6.26 billion in October, BPS Chief Rusman Heriawan said on Monday.

Cumulatively, exports and imports in the January-October 2007 period stood at \$93.26 billion and \$60.0 billion respectively.

"It seems that this year's exports will hit last year's record of \$100 billion," Heriawan said.

The central bank said Friday it estimates the country's current account surplus to reach \$9.3 billion in 2008, or 1.9% of gross domestic product. BI also expects the country's international reserves to reach \$72.92 billion in 2008.

BI Senior Deputy Governor Miranda Goeltom said inflation is likely to come in at between 6.3% and 6.7% for the year, Dow Jones Newswires reported, while chief economics minister Boediono said the government was hoping to see inflation at 6.0% or lower for the year.

There was much debate over the government's plan to restrict sales of subsidized Premium gasoline to public vehicles and motorcycles. Commission VII of the House of Representatives (DPR) on Friday broadly endorsed the plan but gave the government three weeks to refine its plan to implement the scheme, *Kompas* reported.

Planning minister Paskah Suzetta said that from the reduction of subsidized gasoline in Jakarta alone, the government could cut the fuel subsidy by Rp6 trillion a year (\$647.88 million).

The government has allocated Rp45.8 trillion (about \$4.9 billion) in fuel subsidies in 2008, with subsidized Premium gasoline expected to make up Rp 7.87 trillion of the total.

Pertamina is currently starting to transfer two of its refineries to produce 90 octane fuel for sale at Rp6,250 per liter, with a subsidy of Rp500 per liter. Premium is sold at Rp4,500 per liter, with a Rp2,500 subsidy for every liter.

Meanwhile the rupiah was trading at 9,267/9,278 to the US dollar at the close of business on Friday.

Indicators:

	September	October	Jan-Oct 07/ Jan-Oct 06	Trade surplus first 10 months
Total exports	\$9.52 billion	\$10.25 billion	\$93.26 billion	\$33.26 billion
Non-oil & gas exports	\$7.54 billion	\$8.27 billion	\$75.91 billion	
	October (y-o-y)	October (m-o-m)	November (y-o-y)	November (m-o-m)
Inflation	6.88%	0.79%	6.71%	0.18%
	Full year 2005	Full year 2006	1H 2007	3Q 2007
GDP growth	5.60%	5.5%	6.1%	6.5%
Tourist arrivals	September	October	Growth/loss (m-o-m)	Growth/loss (y-o-y)
	382,500	351,400	-9.12%	20.14%

Source: Central Statistics Agency

BUSINESS BRIEFS**MACROECONOMY****Indonesia Raises Rp4.1T from Last Bond Auction**

The Finance Ministry raised Rp4.1 trillion (\$439.6 million) from an auction of eight-year treasury bonds on Tuesday (4/12/07), double its target of Rp2 trillion, due to strong demand from investors, Reuters reported.

The bonds, which rank among the highest-yielding government debt in Asia, were priced to yield 9.63%.

The ministry said, however, there was no winning bid for the 15-month zero coupon paper.

In the wake of the bond sale, the Finance Ministry said it will not issue any more treasury bonds this year after meeting the 2007 budget target of raising Rp58.5 trillion (\$6.30 billion) through bond issues.

Bhimantara Widyajala, debt director at the ministry, also told Reuters the government will not issue Islamic bonds this year because parliament has still not passed a bill on shariah financing.

"There will be no more auction this year either in debt switch or new issuances. We have raised enough bonds this year as stated in the budget," Widyajala said.

October Tourist Arrivals Up by 20%

The number of foreign tourists visiting Indonesia rose about a fifth in October from a year ago, government data showed on Monday, underpinned by a surge in visitor numbers to Bali, Reuters reported Monday (3/12/07).

The number of foreign tourist arrivals in Indonesia was 351,351 in October, bringing total arrivals in the first ten months of 2007 to 3.71 million people, up about 14% from around 3.25 million a year ago, the statistics' bureau said.

Tourist arrivals in Bali, which accounts for almost 40% of total foreign tourist arrivals so far this year, rose to 153,037 in October, up nearly 30% from a year ago.

That lifted total foreign tourist arrivals to Bali in the January-October period to 1.44 million, against 1.08

million in the same period a year ago.

Foreign tourist arrivals are expected to increase by 25% to 6 million this year, bringing in around \$5.5 billion in foreign exchange earnings, up from \$4.5 billion in 2006.

Indonesia's tourism industry accounts for around 5% of its gross domestic product.

New Stock Exchange Kicks Off

The Indonesia Stock Exchange (BEI), produced by the merger of the Jakarta Stock Exchange (BEJ) and the Surabaya Stock Exchange (BES), commenced its first day of trading Monday, although full integration will not take place until the end of the year. *The Jakarta Post* reported Tuesday (4/12/07).

"Our systems will be fully integrated over the Christmas holiday, when the stock market is closed," BEI president director Erry Firmansyah said. The BEI will be closed from December 20 until after Christmas.

The BEJ and BES were officially merged on December 1, and jointly host trading in approximately Rp2,400 trillion (\$256.41 billion) worth of stocks and bonds issued by 379 companies. Before the merger, 353 companies were listed on the BEJ and 26 on the BES.

INVESTMENT

Qatar Investment Joint Venture to Go Ahead

Indonesia and Qatar have agreed to establish a joint venture investment company with authorized capital of \$1 billion to help finance a number of projects in Indonesia, Antara reported.

Qatar Investment Authority (QIA) will own 85% of the joint venture company and the Indonesian Finance Ministry will own the remainder, Vice President Jusuf Kalla said Thursday (6/12/07).

The investment company will provide funds to finance projects in the property, infrastructure and power generating sectors, Kalla said after the signing of the agreement.

The agreement was delayed for some months over the terms of the deal, with Qatar originally pushing Indonesia to take a greater financial commitment.

Volkswagen Eyes Thailand, Indonesia for Expansion

Volkswagen AG has turned its attention to Indonesia and Thailand following the abrupt discontinuation of talks between the German automaker and Malaysian carmaker Proton.

The Dusseldorf-based *Handelsblatt*, Germany's business daily, said Monday (3/12/07) that Volkswagen will explore the possibility of using either Thailand or Indonesia to set up a base in Southeast Asia.

Quoting German industry circles, the paper said Volkswagen must renew its search for a site in the region as it is a promising market inherent with growth potential for the automobile industry.

Volkswagen sources said Asean is "of strategic importance" for the carmaker, which plans to produce more than 10 million cars a year by 2018 and aims to overtake Toyota as the world's largest carmaker. For the current year, Volkswagen wants to sell more than six million cars.

BlueScope Steel to Double Capacity

Australian-based steel manufacturer PT BlueScope Steel Indonesia expects to finish the expansion of its factory by the end of 2009, *The Jakarta Post* reported.

President director Sulfianda Soelaiman said Wednesday (5/12/07) that the company was building the new plant on the site of its existing plant a Cilegon in Banten, to boost its annual production of coated steel to 265,000 tons from 135,000 tons at present.

"The plant, with an annual production capacity of 130,000 tons, is expected to begin operation in 2010," Soelaiman told reporters.

The company halted construction of the \$133 million expansion plant in 2006 to focus on completing other projects in Asia. It resumed construction in May this year.

Since the establishment its Indonesian unit in 1995, BlueScope has dominated the domestic market for zinc-aluminum coated and pre-painted steel, with four factories operating in Cilegon, Cibitung in West Java, Medan in North Sumatra and Surabaya in East Java.

Komatsu Indonesia Plans \$100 Million Investment

PT Komatsu Indonesia plans to invest about \$100 million over the next three to four years to boost production capacity, vice president director Noriaki Tomimuro was quoted as saying by *Bisnis Indonesia* on Thursday (6/12/07).

Komatsu's production is running at full capacity of 250 units a month, the newspaper said, and demand is continuing to rise on strong expansion of the coal mining industry.

Komatsu Ltd.'s heavy equipment is sold in Indonesia by PT United Tractors, a unit of the country's largest auto retailer, PT Astra International.

India's Glenmark Eyes Acquisitions

Indian drug maker Glenmark Pharmaceuticals Ltd plans to acquire a distribution and marketing firm in Indonesia to widen its presence in Asia, *The Economic Times* newspaper said on Thursday (6/12/07).

Glenmark is targeting companies with revenue of \$5-10 million, director A.S. Mohanty said in the report.

"We are pursuing multiple targets in Indonesia," he said. "We have not yet agreed on valuation, and we are looking for a company that will have the right business model."

The Indonesian drug market is estimated at about \$350 million, the paper said.

STATE CONCERNS

World Bank Approves \$800M in Loans to Spur Reform

Indonesia will receive loans amounting to \$800 million to support reforms and improve economic conditions, the World Bank announced Wednesday (5/12/07), Agence France-Presse reported.

The two loans, which are being offered at below market interest rates, will flow directly into the nation's budget and will help finance reforms aimed at fighting poverty, encouraging investment, improving governance and expanding infrastructure, the Bank said in a statement.

The loans are an acknowledgement of the "extraordinary job" Indonesia has done in improving its macroeconomic position after the 1997 financial crisis devastated its economy, World Bank Indonesia senior economist Bill Wallace told AFP.

However, he said, "Indonesia has still got very high levels of poverty, obviously, and that's the area we'd like to help them deliver."

Indonesia's debt levels have declined the fastest of any East Asian economy, falling from 80% of gross domestic product (GDP) in 2000 to 35% by December this year, according to Bank figures.

Govt. Plans 'Single Window' for Trade Permits

Indonesia is set to open a "national single window" for importers and exporters to receive trade permits, Trade Minister Mari Pangestu said Thursday (6/12/07), Agence France-Presse reported.

"Basically we are trying to create a single window for... the submissions and the applications of documents related to export and import procedures," she told a press briefing.

This would be followed by "single synchronized processing of these documents and then a single conclusion to the whole process, when an actual permit to export or import comes out," she said.

A pilot is currently underway with the government aiming to introduce the system, to be mandatory across Indonesia, by the end of September next year, according to a ministry statement.

The current average number of days for the clearance of exports and imports was 5.5 days, Pangestu said.

President Pushes for Homegrown Rice, Meat

President Susilo Bambang Yudhoyono encouraged farmers and cattle owners Wednesday (5/12/07) to increase their production to ensure that Indonesia would not have to keep depending on imports of rice and meat, *The Jakarta Post* reported.

"We still need to import food from other countries. Don't criticize and stage rallies ... if we want to be able to meet our own food demands, we have to work hard, all of us -- farmers, fishermen, researchers and the government," the President told the opening of the Indonesian Food Exhibition in Bandar Lampung.

The President said Indonesia had to continue increasing its food production to avoid relying on imports.

"During 2007, for example, 2 million tons of rice had to be imported," he said, adding food stocks on the international market were also limited.

To mark the launch of the meat self-sufficiency program, the President symbolically handed over 4,000 breeding cows to 33 governors from across Indonesia.

SOEs

Minister says 28 SOEs to be privatized in 2008

The government plans to privatize 28 state-owned enterprises (SOE) next year, State Minister for SOEs Sofyan Djalil said Monday (3/12/07), Antara reported.

The privatization plans -- which are expected to raise Rp1.5 trillion (\$160 million) -- would be proposed to the House of Representatives for approval by as early as January, he said.

Among the SOEs to be privatized through initial public offerings and strategic sales to investors will be state insurance company PT Jasindo and a number of plantation firms.

"The plans for the privatization of the plantation firms just need final confirmation from the agriculture minister," Djalil said after a meeting with Coordinating Minister for the Economy Boediono.

"I don't think there will be any problems as it's just pushing ahead with what we've already planned," he added.

A number of SOEs would also be restructured, including shipping firms PT Djakarta Lloyd and PT Bahtera Adiguna, and marine services firm PT Rukindo. Djalil said.

"We will just restructure the companies, not privatize them. Bahana Investment house, for example, will be taken over by another state firm," he said without elaborating.

PT Pusri Plan to Invest in Iran Nears Completion

A plan between fertilizer company PT Pupuk Sriwidjaja (Pusri) and the National Petrochemical Company of Iran (NPCI) to jointly set up a fertilizer plant in Iran will be finalized at a meeting in Jakarta on December 12, State Enterprises Minister Sofyan Djalil said, Asia Pulse reported Tuesday (4/12/07).

Djalil said he would have a meeting with the management of PT Pusri to discuss the state company's plan to invest in the joint venture in Iran which, to be named Hengam Petrochemical Company.

Meanwhile, PT Pusri president director Dadang H Kodri said an Iranian delegation met with the minister on Monday afternoon.

The joint fertilizer plant in Iran was expected to have a capacity of 2,500 tons of urea and ammonia daily.

Around 50% of the plant's production would be marketed in Iran and the rest exported to other countries, including Indonesia.

PT Pusri was planning to set aside \$97 million as its equity in the project to be paid over a period of three years starting at the time construction of the plant is begun.

Kodri said PT Pusri was interested in the joint venture because Iran was prepared to supply the needed gas at the competitive price of less than \$2 per MMBTU, much lower than the present gas price in Indonesia of \$3.5 to \$4 per MMBTU.

PRIVATE SECTOR

Auto Sales Hit 26-Month Peak

Car sales surged to a 26-month peak in November to 46,200 units, according to the motor vehicle industry association (Gaikindo), Antara reported.

The November figure was 48% up on the previous month's figure and 39% up on the same month last year.

The sales in November brought the total number of cars sold in the first 11 months to 395,684 units or 37.5% higher than the 287,727 units sold in the same period last year.

Gaikindo predicted sales this year will total 420,000 units, up from 319,000 units last year.

Lion Air Signs for 22 Boeing Aircraft

Private airline company Lion Air signed orders to purchase 22 Boeing 737-900 ERs at the Langkawi Air Show in Malaysia on Tuesday (4/12/07), as part of its plan to bolster its position in national and regional airline business competition.

The deal is valued at more than \$1.7 billion at list prices.

The Boeing Company said orders for the aircraft had initially been placed in the second quarter of 2007, and the deal brings Lion Air's combined orders for the 737-900ER to 122.

Boeing launched the 737-900ER program in July 2005 with Lion Air announcing the initial order for 30. Lion Air ordered an additional 40 of the aircraft at the Paris Air Show in June, Agence France-Presse reported.

Meanwhile Lion Air president Rusdi Kirana told reporters the airline will acquire two regional airline companies in two countries in the first quarter of 2008. He declined to name the airlines.

The acquisition strategy recognized the imminent arrival of an ASEAN free market in 2010, he said.

Ultrajaya to Sell Beverage Brands to Unilever

Shareholders of PT Ultrajaya Milk Industry & Trading Company have agreed to sell two brands of its fruit juice products Buavita and Gogo at a price of Rp400 billion (\$44.4 million) to PT Unilever Indonesia, Asia Pulse reported Tuesday (4/12/07).

Ultrajaya Director Isnandar said the acquisition by consumer goods company PT Unilever is the marketing and sales rights for the two brands, adding that Ultrajaya will remain the producer.

Cooperation with Unilever will start in January, Isnandar said.

Ultrajaya, a food and beverage producing company, targets to chalk up Rp1 trillion in income this year up from Rp835.23 billion last year.

Fajar Surya to Raise \$52.4M from Rights Issue

Publicly listed paper company PT Fajar Surya Wisesa said it will launch a rights issue selling 364.39 million new shares to raise Rp473.71 billion (\$52.4 million), Asia Pulse reported Tuesday (4/12/07).

Company director Hadi Rebowo Ongkowidjojo said part of the fresh funds will be used to finance business expansion. He said the company needs to buy new paper machines to produce carton paper for binder, estimated to cost \$50 million.

Earlier Ongkowidjojo said the rights issue plan will take place this year or in middle of next year.

The company is a producer of paper packaging using waste paper for more than 90% of its basic material. The company reported Rp1.94 trillion in net sales in the first nine months of this year, up 37.22% from the same period last year.

Lippo Karawaci Projects \$222 M in Sales

Property company PT Lippo Karawaci said it is optimistic that it will chalk up at least Rp2 trillion (\$222 million) in sales this year, up from Rp1.9 trillion last year, Antara reported Wednesday (5/12/07).

In the first nine months of this year the company already reported Rp1.52 trillion in sales, company commissioner Viven Sitiabudi said.

Sitiabudi said the company is set to post a surge in sales to more than Rp10 trillion next year after the completion of super block Kemang Village in Jakarta.

Meanwhile, company director Hendra A Sugandi said the company is now building another super block, Paragon City in Puri Indah, Jakarta, to cost around Rp8 trillion.

The project occupies an 11-hectare plot of land and is to be completed in seven years.

Bakrieland to Sell 30% Stake in Subsidiary

Publicly listed property company PT Bakrieland Development said it will hold a share holders meeting in January next year to seek approval for plan to sell part of the shares of a subsidiary, Antara reported Wednesday (5/12/07).

The company wants to sell 30% of PT Bakrie Swasakti Utama to raise Rp2 trillion (\$222 million) in fresh fund, Bakrieland president Hiramayah Thaib said.

The shares of Bakrie Swasakti, which owns the Rasuna Epicentrum property project in Jakarta, will be sold to Limitless, Thaib said.

The fund will be needed to finance construction of a toll road project for which the company will need Rp10 trillion.

Thaib also told an investor forum a day earlier the company planned to raise up to Rp1 trillion (\$107.2 million) of bonds next year to finance its major property project, Reuters reported.

Bakrieland, controlled by the family of coordinating social welfare minister Aburizal Bakrie, expects to book a net profit of Rp120.1 billion this year on sales of Rp734.7 billion.

In 2006 the company posted a net profit of Rp67.6 billion on sales of Rp393.2 billion.

Astra Sedaya Plans Rp1T in Bonds: Report

PT Astra Sedaya plans to issue Rp1 trillion (\$111 million) of bonds in the first quarter of next year to expand its lending, *Bisnis Indonesia* reported Wednesday (5/12/07).

The newspaper quoted an unnamed source as saying that the financing arm of PT Astra International had named PT Mandiri Sekuritas, PT Indopremier Securities and PT DBS Vickers Securities to underwrite the planned issue.

The company is currently discussing with the underwriters the structure of the planned bonds, including the tenors, the daily quoted the source as saying.

BANKS

Temasek to Choose Holding Company Option

Singapore investment arm Temasek Holdings, which controls both Bank Danamon and Bank Internasional Indonesia, will establish a holding company for the two Indonesian banks to meet Bank Indonesia's (BI) single presence policy (SPP) requirement, Antara reported on Friday (7/12/07).

Lim Siow Joo, a spokesman for Temasek, said the plan will be proposed to BI soon.

The rule bans investors from having controlling stake in more than one bank. They are required to establish a holding company, sell any second holding or merge their banks. The policy is due to be implemented in 2010.

Meanwhile Malaysia's state investment agency Khazanah Nasional Bhd said it will decide on its ownership in two Indonesian banks, government news agency Bernama reported Thursday (6/12/07).

Khazanah owns PT Bank Lippo and controls PT Bank Niaga via its unit Bumiputra-Commerce Holdings Bhd, Malaysia's second largest bank.

"We would be making an announcement with Khazanah within the next three weeks," said Nazir Razak,

chief executive officer of Bumiputra-Commerce. He did not elaborate.

Other investors bound by the rule are UOB Singapore, which owns Bank UOB Buana and Bank UOB Indonesia; Bank OCBC Singapore, which owns Bank NISP and Bank OCBC Indonesia, and Rabo Bank of the Netherlands, which owns Bank Haga and Bank Hagakita.

BI: 2007 Credit Growth Could Accelerate 24-25%

Credit growth could accelerate 24%-25% this year, while credit may grow as much as 24% in 2008, Halim Alamsyah, Bank Indonesia's director for banking regulations and research, said Thursday (6/12/07), Dow Jones reported.

"Up to October (this year) growth has been 23.1% or 908 trillion rupiah. Next year we hope it can be 22% to 24%, with an assumption for oil prices at \$75 to \$85 a barrel. If the oil price is \$100 a barrel, credit next year will grow only 19%," Alamsyah said.

Alamsyah didn't specify what had driven growth in credit.

However, analysts said domestic consumption in Indonesia is undergoing strong growth, while monetary loosening has encouraged entrepreneurs and households to take out loans.

BEI to Become Export Credit Agency: Minister

The government says it will convert state-owned export bank Indonesian Export Bank (BEI) into a fully fledged export credit agency, to improve financing for the country's exports, *The Jakarta Post* reported Friday (7/12/07).

The Indonesian Export Bank will be transformed into the Indonesian Export Financing Agency (LPEI), and operate under a new law drawn up specifically to regulate its function.

A draft of the law has been submitted by the government to legislators for deliberation, Finance Minister Sri Mulyani Indrawati said Thursday.

As a financing company, the government says the new agency will be able to move more freely in disbursing export-related loans. By comparison, the BEI as a commercial bank has been constrained by strict banking industry regulations.

With its new role, LPEI is expected to be able to provide services the BEI could not, including consultancy services for exporters.

Bank Mandiri to acquire Bank Sinar: Report

Bank Mandiri, Indonesia's largest bank by assets, will acquire small-sized lender PT Bank Sinar Harapan Bali as part of efforts to increase its exposure to the small and medium enterprise market, *Bisnis Indonesia* reported Tuesday (4/12/07).

"Bank Sinar, which has enormous experience serving small-and medium-sized companies in Bali, will help Bank Mandiri penetrate this market segment in a more effective way," said Agus Martowardojo, Bank Mandiri's president.

The banks signed a conditional sale and purchase agreement on Monday, under which Bank Sinar will be allowed to operate independently, he said.

As of end-September, Bank Sinar had assets of Rp210 billion.

Bank Danamon to Issue \$222M in Bonds

The country's fifth largest lender Bank Danamon said it will issue bonds valued up to Rp2 trillion (\$222 million) in the middle of next year to strengthen its capacity to finance long-term credits, Asia Pulse reported Wednesday (5/12/07).

The bank, which is 69.57% owned by Asia Financial holdings (AFH) of the Temasek Group, also is considering multilateral loans, its chief financial officer Vera Eve Lim said Tuesday.

By the end of the third quarter of 2007, the bank had Rp70.16 trillion in interest bearing funds, up 13% from Rp61.92 trillion a year earlier.

Structure and long-term funding accounted for Rp11.3 trillion or 14% - 16% of the total funding, Lim said.

She said the bank, which targets a 20% increase in credits next year, wants to maintain that ratio.

Bank Ekonomi Set to Earn \$36M from IPO

PT Bank Ekonomi said it hopes to earn up to Rp324 billion (\$36 million) from an initial public offering (IPO) in which it plans to offer 10.11% of its shares, Asia Pulse/Antara reported Tuesday (4/12/07).

The company will sell 270 million of its shares at a price of around Rp1,200 each, its director Lenggono Sulistianto Hadi said.

Lenggono said around 70% of the fund will be used to strengthen its financing capacity especially in the small and medium enterprise sector and 15% will be used to buy information technology.

He said the bank also plans to expand operation by opening new branches in Jambi, Manado, Magelang and a number of other cities.

This year the bank targets to chalk up Rp172.71 billion in net profit up from Rp150.15 billion last year.

POWER

Govt. Eyes New Charges to Curb Subsidies

Indonesia may charge electricity consumers more if they consume above a certain level in order to cut ballooning government subsidies in the power sector, Mines and Energy Minister Purnomo Yusgiantoro said on Monday (3/12/07), Reuters reported.

Indonesia has forecast 29.3 trillion rupiah (\$3.13 billion) of electricity subsidies in its 2008 budget, but the figure could reach 43.5 trillion if the average oil price remains high.

"We are making preparations to make electricity use more efficient. One of the policies is to reduce extravagant consumption," Yusgiantoro told reporters after meeting Vice President Jusuf Kalla.

"We may introduce what you call a 'disincentive tariff'" he added, noting that consumers would still be eligible for the old tariff up to certain kilowatt per hour consumption.

The minister said the move may result in the state electricity firm, PT PLN, charging higher tariffs above a certain threshold.

Officials have said domestic electricity demand is growing at around 10% a year.

OIL & GAS

Pertamina Ready to Meet Demand for New Gasoline

State-owned oil company Pertamina said it would be ready to meet demand for new 90 octane gasoline, in line with the government's plan to use the fuel to partially replace sales of the heavily-subsidized Premium brand gasoline in the first quarter of next year, *The Jakarta Post* reported Friday (7/12/07).

Pertamina's head of communications, Wisnuntoro, said Wednesday the firm would begin to produce 40,000 kiloliters a day of the 90-octane gasoline in January at its refineries in Plaju, Palembang, South Sumatra, and in Balongan in Indramayu, West Java.

State Minister for National Development Planning Paskah Suzetta said private vehicles in the Greater Jakarta area used almost two million kiloliters of Premium gasoline a year, or about 40% of subsidized gasoline consumption.

Director General of Oil and Gas at the Energy and Mineral Resources Ministry, Luluk Sumiarso, said the government would first try to replace Premium gasoline with 90-octane gasoline in gas stations in Greater Jakarta main thoroughfares, toll ways and elite housing complex areas.

The government plans to restrict sales of subsidized gasoline only to public vehicles and motorcycles to reduce growing fuel subsidies.

Suzetta said that from the reduction of Premium sales in Jakarta alone, the government could cut the fuel subsidy by Rp6 trillion a year (\$647.88 million).

Higher Exploration Spending in 2008

Indonesia expects contractors to spend up to \$2.2 billion on oil exploration next year, up from about \$1.8 billion in 2007, an official at energy watchdog BP Migas said on Friday (7/12/07), Reuters reported.

Indonesia has been offering new exploration rights and financial incentives for its oil fields in a bid to stem a steady decline in production.

The country had hoped to achieve some \$2.3 billion in exploration spending this year, but has fallen short of that target.

"We can't fulfill this year's exploration spending commitment. This year spending is around \$1.8 billion. But next year the spending will rise to \$2.2 billion," Achmad Luthfi, deputy chief of BP Migas, told Reuters.

"There are many obstacles, including difficulty in finding rigs, and that has caused some of the exploration activities to be delayed," he said.

Luthfi also said his agency has recommended that US oil major Chevron Corp go ahead with its development plan to produce natural gas from fields in East Kalimantan.

"We have recommended the development plan of Chevron East Kalimantan fields, but now it is up to the government to approve it," he said.

The first gas output from the fields is expected in 2013, reaching peak production of 800 million cubic feet per day in 2015, he said.

Chevron said previously that it planned to develop several gas fields in East Kalimantan, including Ghehem, Gendalo and Bangka, with a total investment of around \$6 billion.

Chevron currently produces gas from several other fields in East Kalimantan, but output at those fields is in decline.

Cooper Energy Strikes Oil at Kurnia 1 Well

Cooper Energy Ltd. said Monday its Kurnia-1 exploration well in Indonesia has encountered oil shows, Dow Jones reported Monday (3/12/07).

The Perth-based company said the well has encountered oil shows between the depths of 3,017 meters and 3,029 meters and that oil decanted from the drilling mud appears to be sweet and light.

"Onsite geological evaluation indicates that the formation is most likely the Kujung carbonate, which is the primary target for the well," Cooper Energy said in a statement.

The company now plans to drill ahead to a depth of 3,037 meters and then carry out production testing.

Cooper Energy had been targeting a find of up to 200 million barrels of oil and 256 billion cubic feet of gas in the success case at Kurnia-1.

PGN Sets Aside \$171.48M in Capex For 2008

State-owned gas distributor PT Perusahaan Gas Negara (PGN) said it will set aside \$171.48 million in capital expenditure next year, down from \$488.23 million this year, Asia Pulse reported Wednesday (5/12/07).

Expenditures this year are much larger especially for the South Sumatra-West Java (SSWJ) gas pipeline project for which it has spent \$408.96 million.

The SSWJ pipeline is to be fully operational in October, 2008 to transport around 960 million cubic feet of gas per day across the Sunda strait to Java, PGN director Bambang Banyudoyo said.

PGN already completed the part between Pagardewa to Bojonegoro via Labuhan Maringgai and the part between Labuhan Maringgai to Muara Bekasi.

Odira Ties with SCC in Green CDM Projects

Gas and energy company PT Odira Energy Persada is partnering with Sindicatum Carbon Capital (SCC) Ltd to carry out eight Clean Development Mechanism (CDM) projects, Asia Pulse reported Thursday (6/12/07).

The eight projects, according to a press release made available to Antara on Wednesday, are expected to help reduce 20 million tons of carbon dioxide emissions over the next 10 years.

It said the eight projects include four waste gas utilization projects, three projects to replace polluting fuels and one gas-fired power plant.

Odira president director Farouk Rais said the investment in the four projects totaled \$500 million.

Medco Energi Says Finds Oil in Libya

PT Medco Energi International said Thursday that it found oil and gas in Libya that will potentially increase its reserves, Dow Jones reported Thursday (6/12/07).

Indonesia's largest listed oil and gas company said in a filing to the Indonesia Stock Exchange that flow testing at the F1-47/02 new field wildcat exploration well yielded around 7,215 barrels of oil per day, and natural gas at a rate of 6 million cubic feet per day.

Meanwhile, flow rates at the F1-47/02 well showed 2,527 barrels of oil per day, and 2.4 million cubic feet of gas per day, Medco added.

"The maximum combined measured flow test rates...are not necessarily indicative of the ultimate production rate, and may be lower in any commercial development stage," it added.

MINING

Djarum to Expand into Coal Mining

The Djarum Group, a clove flavored cigarette giant and owner of around half of shares in second-ranked Bank Central Asia, said it will set aside up to \$1.5 billion to finance business expansion into the booming coal mining industry, Asia Pulse reported on Monday (3/12/07).

The widely diversified corporation hopes to acquire a number of coal mining companies in Kalimantan this year, a company official said.

"We hope to thrash out negotiations with a number of coal mining companies before the end of this year," the source told the newspaper *Investor Daily*.

He said Djarum wants to make coal mining industry one of its core businesses beside cigarette manufacturing.

Djarum has long prepared expansion to the coal mining industry and the growing demand for coal has encouraged it to move fast to take a share of the booming business, he added.

Indonesia is major coal supplier exporting 75% of its production of around 375 million tons every year.

Anil Dhirubhai Ambani Eyes Berau Coal

India's Anil Dhirubhai Ambani Group is interested in acquiring Indonesian coal firm PT Berau Coal, the *Business Standard* reported Monday (3/12/07), citing unnamed sources.

"We are looking for coal assets across the globe, particularly in Indonesia," a spokesperson of the Anil Dhirubhai Ambani Group said in the report.

JSW Energy, the unlisted unit of JSW Steel Ltd. is also evaluating a proposal to bid for an Indonesian company, the report added.

PT Timah to Produce 60,000 Tons of Tin in 2008

Publicly-listed tin mining company PT Timah has set itself the target of producing 60,000 tons of tin next year compared to the 2007 production forecast of 57,000 to 59,000 tons, Antara reported Tuesday (4/12/07).

"The 2007 production represents a significant increase if compared to our production target of 50,000 tons for that year. This is due to high demand for the commodity on the global market," the company's finance director Krishna Syarief said.

PT Timah expected its profit in 2008 to increase by 20% from its target of Rp1.5 trillion for this year, he said.

Syarief said income in 2007 was estimated at Rp7.5 trillion.

Antam to Issue Bonds for Gold Move

State-run mining firm PT Aneka Tambang (Antam) said it will issue bonds valued more than \$100 million

early next year to finance its acquisition plans, Asia Pulse reported.

The publicly-listed company plans to acquire up to seven gold mining companies in the country and abroad with a total production capacity of 15 tons of gold a year.

Antam director Kurniadi Atmosasmito said Wednesday (5/12/07) the company had completed a road show to a number of countries to offer the bonds.

Kurniadi said Antam had already made available funds including Rp4 trillion (444 million) in internal funds and \$1 billion in loans from local banks to finance the acquisition.

The acquisition of some of the seven gold mines in the plan was expected to be completed in 2008.

The company, which also produces copper, ferronickel and nickel in matte, is planning the acquisitions as its gold reserve in Pongkor, West Java, will soon be depleted.

The company also said it expects its ferro-nickel output to rise by 6.3% next year as it gradually lifts the output of its damaged smelter, Reuters reported.

Astra Eyeing New Coal Mining Company

PT Astra International said it is ready to acquire coal mining company PT Gunung Bayan Pratama Coal in East Kalimantan, which is valued at around \$650 million, Asia Pulse reported Thursday (6/12/07).

Astra Director Johnny Darmawan, however, said the widely diversified corporation is still awaiting the results of a due diligence study of Gunung Bayan.

It is still in the early stage of negotiations, Darmawan said Wednesday.

Gunung Bayan hopes to produce 9 million tons of coal this year from its 10,000 hectares concession in the regency of Kutai, East Kalimantan.

The Astra Group already has stake in coal mining after the recent acquisition of PT Dasa Eka by PT Pamapersada Nusantara, a subsidiary of PT United Tractors, which is owned by the Astra Group.

Pamapersada wholly acquired Dasa Eka, which has coal mine in South Kalimantan with an annual production capacity of 3.5 million tons, at a price of \$84.5 million.

Petrosea Wins \$390M Coal Service Contract

Mining contractor PT Petrosea, a unit of Clough International Singapore Pte Ltd, said Monday (3/12/07) it has secured a contract worth \$390 million from start-up coal mining company PT Ilthabi Bara Utama to operate and provide coal hauling services, Thomson Financial reported.

Petrosea will handle all aspects of the mining operations at Ilthabi's Pakar coal mine project in East Kalimantan. These included mine development engineering and construction, and all mining operations in a pit-to port total service solution for five years.

Petrosea will also be handling coal hauling services from the Pakar mine to the river port, said the coal processing and port handling services company.

The Pakar mine is expected to produce thermal coal at an initial rate of 5 million metric tons annually starting March next year.

The Pakar coal project has proven and probable coal reserves of 274 million tons and an overall coal resource of approximately 3.3 billion tons.

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