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REPUBLIC OF INDONESIA

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POLITICS

Indonesia to Join Palestine Conference

In an interview with *The Weekend Australian* published on Saturday (17/11/07), President Susilo Bambang Yudhoyono said that visiting Palestinian President Mahmoud Abbas had requested Indonesia participate at a US-sponsored meeting in Annapolis, Maryland later this month.

"I told him that I would always be willing to be helpful to the peace process," Yudhoyono said. "There is a small window of opportunity now that must be harnessed. I hope that the Annapolis meeting will be able to revive the peace process in the Middle East that we desperately need."

The president said he had not yet received an invitation, but Foreign Minister Hassan Wirayuda said that Israel also supports Indonesia's presence at the conference and an invitation is expected.

Diplomatic sources quoted by *The Australian* said US President George W. Bush discussed the Middle East situation with Dr. Yudhoyono when they met at APEC in September.

Democracy Award for President

Indonesia has been hailed for proving that Islam and democracy can co-exist by establishing and maintaining the only functioning democracy in Southeast Asia, *The Age* reported on Tuesday (13/11/07).

The Indonesian people and President Susilo Bambang Yudhoyono were awarded the Democracy Medal by the International Association of Political Consultants on Monday.

Before delegates in Bali and most of his cabinet, Dr Yudhoyono said Indonesia had transformed itself in less than a decade and would never return to repression.

Although skeptics had claimed Indonesia would splinter or radicalize, "the heart and soul of Indonesia remains moderate and progressive," the President said.

"In Indonesia democracy, Islam and modernity go hand in hand. Democracy in Indonesia has reached a point of no return," he said.

"Indonesia is a shining example of hope," said Ben Goddard, president of the association." The most populous Muslim nation had demonstrated that Islamic values were compatible with democracy, he said.

Life Expectancy Jumps

Life expectancy in Indonesia has increased from 66.2 years in 2004 to 69.4 years in 2006, President Susilo Bambang Yudhoyono said Wednesday (14/11/07), Xinhua reported.

The president said that the rise was due to the improvement of health and nutrition condition of the world's fourth most populous country.

"The life expectancy in our country rises from 66.2 years in 2004 to 69.4 in 2006," he said in a speech to mark national health day.

Infant mortality had decreased from 36 per thousand in 2003 to 32 in 2006, he said, adding that the government would continue to work "all-out" to improve health facilities.

Indonesia: Myanmar Must Respect ASEAN Charter

Myanmar will be expected to uphold commitments to democracy and human rights included in a Southeast Asian charter set to be signed this week, an Indonesian presidential spokesman said on Thursday (15/11/07), Reuters reported.

Myanmar and Indonesia alongside other countries in the 10-nation Association of Southeast Asian Nations (ASEAN) are due to sign the charter on November 20 in Singapore.

The charter should transform the association into a regional body and give it a legal identity, with an emphasis on progressive values including democracy and human rights, spokesman Dino Patti Djalal told reporters.

"A new ASEAN charter will be signed and Myanmar will be part of the charter," Djalal said.

"The countries who sign this charter are expected to uphold and apply the values mentioned in the charter, including Myanmar."

ASEAN has been criticized for failing to bring the country into the democratic fold despite its 10-year-old policy of engaging the nation through dialogue.

Indonesia, the largest member of ASEAN, has been increasingly critical of Myanmar's foot-dragging on reforms. "This is not a blank piece of paper ... this contains advanced value for ASEAN, including democracy, human rights and openness." Djalal said.

Since the junta's bloody suppression of pro-democracy protests, ASEAN has voiced "revulsion" at the military crackdown, but rejected calls to expel Myanmar from the group or to enforce sanctions, preferring to stick to its policy of engagement.

Djalal said the new charter would not change ASEAN's policy. "ASEAN does not work with sanctions. For instance, in the case of Myanmar, engagement is the best approach albeit its limitation and weaknesses and the fact that it has not yielded maximum results yet."

He said Yudhoyono has corresponded with junta leader Senior Gen. Than Shwe, urging an "inclusive process" in Myanmar's bid for democracy to ensure stability.

Meanwhile the US Senate unanimously adopted a resolution Friday urging the upcoming ASEAN summit to suspend Myanmar from the group, Agence France-Presse reported.

"It is now time for ASEAN to back its words with actions," said Democratic Senator Barbara Boxer from California. "I appreciate the strong comments from ASEAN member nations condemning the junta's violent suppression of peaceful protesters in Burma (Myanmar)," said Boxer, chairwoman of a Senate panel on East Asian and Pacific affairs.

Pope Praises Terror Stance

Pope Benedict XVI praised the commitment of Indonesian authorities to fight terrorism when Jakarta's new ambassador to the Holy See presented his credentials on Monday (12/11/07), Agence France-Presse reported.

"Certainly at present one of the gravest threats to Indonesia's cherished ideal of national unity is the phenomenon of international terrorism," the pope told Suprpto Martosetomo, according to a Vatican statement.

"I deeply appreciate your reaffirmation of the government's position of condemning terrorist violence under whatever pretext it occurs, (particularly) when the holy name of God is invoked as a justification for such acts."

The pope added: "Indonesia, as a multi-religious country with the largest Muslim population of any nation in the world, plays an important and positive role in promoting inter-religious cooperation, both within its borders and in the international community."

The pope also praised what he called "growing instances of cooperation between Christians and Muslims in Indonesia, aimed particularly at the prevention of ethnic and religious conflicts in the most troubled areas."

Marine Project Launched with China

Indonesia and China launched Monday (12/11/07) a joint marine scientific expedition to learn unique ocean-atmospheric interactions that result in a climate mode known as the Indian Ocean Dipole (IOD), Xinhua reported.

The expedition is part of collaboration between the Indonesian Ministry of Marine Affairs and Fisheries and China's State Oceanic Administration.

For the next three years, researchers from both countries will study the climate mode that occurs inter-annually in the tropical parts of the Indian Ocean. The IOD results in climate anomaly, a periodic oscillation of sea-surface temperatures between the ocean's western and eastern parts, whose respective surface becomes warmer and cooler at the same time.

The project follows the signing of a defense cooperation agreement between the two countries a week earlier, in line with a bilateral strategic agreement signed by the leaders of the two countries in 2005.

Security Treaty with Australia Ratified

The House of Representatives ratified on Wednesday (14/11/07) a key security treaty with Australia, a year after both nations signed off on the historic pact, Australian Associated Press reported.

The so-called Lombok Treaty - covering 10 areas including cooperation on defense, law enforcement, counter terrorism, maritime security, aviation safety, intelligence, energy, and emergency aid - is the first formal security agreement since 1999.

It was passed by Indonesia's parliamentary Commission 1, which handles security and foreign affairs matters, with the support of nine of 10 political factions. The other faction was absent from the parliamentary session.

A debate of more than eight hours preceded the vote. "It's a new historical pillar in building a stronger relationship framework for these two neighboring countries," Foreign Minister Hassan Wirayuda told Antara.

REGIONS

Seven Years to End Illegal Logging: Minister

It may take at least seven years to halt illegal logging and deforestation in the world's third-largest tropical rainforests, according to Minister of Forestry MS Kaban, Bloomberg News reported.

He said in an interview that he is seeking additional powers to catch and prosecute illegal loggers and may grant more rights to indigenous tribes.

The government also plans to prod companies to replant trees by enforcing the terms of existing plantations licenses, he said.

"We are committed, we have a replanting program and we are proposing a law," Kaban said. "We hope by 2014 the natural forest will not be disturbed."

Bintan Casino Plan Ruled Out

Indonesia will not set up a casino or any other gambling facility to attract foreign tourists, despite attempts by Bintan regency in Riau Islands province to grant a local permit, said a senior official.

Henky Hermantoro, secretary to the director general of marketing at the Culture and Tourism Ministry, said it was against the law to operate gambling facilities in the country, *The Jakarta Post* reported.

He said the country has many tourism sites and a rich culture to attract tourists without gambling.

Fauzi Bowo Signs 100-day Pledge

New Jakarta Governor Fauzi Bowo and his senior officials signed a pledge Saturday (17/11/07) promising to complete a series of improvements in his first 100 days in office, *The Jakarta Post* reported.

Included in the agreement are penalties for officials who fail to complete their tasks within the specified timeframe, from October 8 to January 15.

Bowo said the agreement details 19 priority programs which will, "help create a more comfortable Jakarta for everyone".

The initiative came as the Jakarta governor, who was deputy to outgoing Sutiyoso, came under fire for fresh flooding in the capital and worsening traffic chaos, with the central government looking at the traffic problem in a recent limited cabinet meeting.

The 19 programs include dealing with traffic congestion, preparing for the development of the Mass Rapid Transit project, developing flood mitigation strategies and providing better public facilities for disabled people.

The governor said work on the Mass Rapid Transit system, which will eventually stretch more than 14 km from South Jakarta's Lebak Bulus to Central Jakarta's Dukuh Atas, would begin by the end of the year.

Funding for the project, which is expected to cost Rp8.3 trillion (\$910 million), will be provided by the Japan Bank for International Cooperation in the form of soft loans.

The city administration is also currently working to finish the acquisition of land required to construct the East Flood Canal, which is expected to help reduce annual flooding in the capital.

ECONOMY

Govt. to Push Spending

In a week in which the Central Bureau of Statistics (BPS) reported third-quarter growth of 6.5%, the finance ministry said the government will push funds into the economy in the final quarter to further boost economic activity.

The Investment Coordinating Board (BKPM) announced on Tuesday (13/11/07) that actual foreign investment had doubled in the first 10 months while actual domestic investment rose by 144%.

The Finance Ministry said in a statement that Indonesia expects to accelerate budget spending in the fourth quarter to meet its budget target of a 1.5% surplus over GDP.

The ministry said the government posted a budget surplus of Rp17.6 trillion (\$1.92 billion) in the first 10 months of the year, Reuters reported.

As of October, the government had spent Rp506.6 trillion against targeted full-year spending of Rp752.4 trillion, while revenue stood at Rp524.3 trillion compared to a full-year target of Rp694.1 trillion.

Coordinating Minister Boediono underlined the need for more spending on infrastructure in order to maintain competitiveness. In an interview with Bloomberg, he said that "from the supply side, it is a key" to keeping inflation under control.

"I think the main issue here is how to beef up our capacity to prepare good projects. This is key," he said.

The finance ministry estimated in a statement full-year growth at around 6.2-6.3%, the country's fastest economic growth rate in 11 years. The economy expanded at 5.5% last year.

The ministry also forecast the rupiah would average 9,170 per dollar in the fourth quarter and 9,125 per dollar for the full year.

At week's end, Bank Indonesia Deputy Governor Hartadi Sarwono stirred market interest when he said there was room for a rate cut as inflation is expected to ease in November, Dow Jones Newswires reported.

"Historically, (prices) fall after Idul Fitri festivities," Sarwono said in response to a question from a reporter, without giving a specific forecast. Earlier, bank officials had said they remained cautious on the country's benchmark rate.

The World Bank remained strongly upbeat. "We are projecting 6.3% growth this year and are expecting it to pick up a bit further to 6.4% next year," the bank's East Asia and Pacific lead economist Milan Brahmbhatt said in Washington via a video linkup Thursday.

Milan said that Indonesia would be able to weather short-term global volatility arising out of the US sub-prime mortgage crisis and the renewed surge in oil prices through increased domestic consumption and investment, which would continue to sustain growth, *The Jakarta Post* reported.

The Bali conference on climate change next month continued to emerge as a major global event, with plans for a meeting of finance ministers in conjunction with the conference.

Finance Minister Sri Mulyani Indrawati said the ministers will meet on December 10-11 to try to agree on ways to pave the way for developing and developed countries to agree on a "common objective on the financial issues of climate change," the *Post* reported.

The share market ended down 1.4% on the week as investors took profits after strong rises earlier in the week. The Jakarta Stock Exchange composite index closed at 2,668.70. The rupiah was trading at between 9,320 and 9,325 to the dollar at the end of the week.

BUSINESS BRIEFS

MACROECONOMY

Q3 Growth at 6.5%

The economy grew a faster than expected 6.5% from a year earlier in the third quarter and is on track for its fastest growth in more than a decade this year thanks to strong commodity exports and low interest rates, Reuters reported.

The economy expanded by a revised 6.34% in the second quarter from a year ago, the Central Statistics Bureau (BPS) reported on Thursday (15/11/07).

Compared to 2007's second quarter, the economy expanded by 3.9% to Rp2,901.3 trillion (\$322 billion), with a pick-up in fixed investment during the three months to September.

Exports and investment rose by 7.8% and 8.8% respectively in the third quarter from a year earlier, topping overall growth, but consumer spending also showed a healthy 5.3% rise, largely thanks to a sharp fall in borrowing costs.

Transport and telecommunications led among industrial sectors with growth of almost 12.5% in the third quarter from a year ago.

"The agriculture sector contributed the largest portion to economic growth in the third quarter," said Rusman Heriawan, chairman of BPS.

Heriawan said the sector grew 10.2% from the previous quarter and 8.9% from the third quarter of last year.

The World Bank also hiked its projection for growth next year to hit 6.4%, in line with other East Asian economies, expected to grow steadily at least through to the end of next year, and Indonesia's growth will increase to 6.4% in 2008 after an estimated 6.3% this year, Dow Jones reported.

The economy could grow by as much as 8% if the government managed to attract more foreign investment to improve infrastructure, World Bank economist William Wallace told reporters.

Global Export Share Rises: WTO

Indonesia improved its share of world trade last year thanks largely to a surge in the prices of the country's main commodities, according to the latest report from the World Trade Organization (WTO), *The Jakarta Post* reported on Friday (16/11/07).

The country's share of total global exports increased to 0.9% from 0.8% in 2005, with year-on-year export growth jumping by 19% from \$86.2 billion to \$103.5 billion.

The country's 2006 trade performance was largely due to higher global prices for key commodities, such as oil, minerals, palm oil, rubber and iron.

An increase in volume, although slight, also contributed to the growth, said the report.

10-Month Tax Revenue at 76.8% of Target

State tax revenues received up until October this year totaled Rp377.8 trillion (\$42 billion) or 76.8% of the whole year's target of Rp492 trillion, Finance Minister Sri Mulyani Indrawati said, according to Asia Pulse.

Non-tax revenues totaled Rp145.7 trillion as against the whole year's target of Rp198.3 trillion, she said.

The tax revenues include income tax from the non oil/gas sector, value added tax, luxury sales taxes and land and building taxes.

Income from excise totaled Rp37.1 trillion or 88.33% of the target of Rp42 trillion, import duties totaled Rp13.6 trillion and export tax totaled Rp2.8 trillion.

Other taxes totaled Rp2.3 trillion as against the target of Rp2.7 trillion, the minister told the Jakarta city council.

INVESTMENT

Jan-Oct Foreign Investment Doubles

Foreign direct investment (FDI) doubled in the first ten months from the same period a year ago, partly due to strong investment in sectors such as telecoms and transportation, the state investment agency (BKPM) said on Tuesday, Reuters reported.

Actual foreign investment rose 103% to \$9.08 billion in January-October.

Analysts cited by Reuters said the increase came amid improving investor confidence and against a backdrop of falling interest rates and a largely stable currency.

Actual investment in the transportation, warehouse and telecommunications sector was worth a total of \$3.3 billion.

FDI approvals rose 177% to \$36.75 billion in January-October from the same period last year.

Actual domestic investment rose 144% to Rp32.98 trillion (\$3.60 billion) in January-October from a year ago. Domestic investment approvals rose 22% to Rp175.56 trillion in the same period.

The paper and printing industries contributed Rp14.55 trillion to the total of actual investments.

"The (total) actual investment during the January-October period was a record high," *Bisnis Indonesia* quoted BKPM chairman quoted Muhammad Lutfi as saying.

Altimo Still Keen on Indonesia

Russian telecommunications group Altimo is continuing with plans to invest up to \$4 billion in Vietnam and Indonesia, vice president Kirill Babayev said, Bloomberg reported.

"We signed a strategic agreement with one of the Vietnamese operators, so that we can take part in the privatization of mobile phone companies," Babayev told reporters in Istanbul on Thursday (15/11/07).

"In 2008 we'll sign a big deal in Indonesia. We are ready to spend up to \$2 billion in each of these countries."

The Moscow-based company would consider setting up new operators in Indonesia as well as seeking acquisitions, Babayev said.

Taiwan Shoemakers to Relocate

Around 20 Taiwanese footwear companies will move their operations from China to Indonesia with a total investment of \$4 billion, an official of the industry ministry said, Asia Pulse reported.

Multifarious industries director Nugraha Sukmawidjaya said an extension of anti-dumping sanctions on Chinese footwear products in the European Union prompted the relocation of the factories from China.

The rising value of the yuan against the US dollar and increasing labor costs in China has also influenced the companies, Nugraha said.

The Taiwanese investors have asked the Investment Coordinating Board (BKPM) to provide land

STATE CONCERNS

UNEP Applauds Plan to Ban CFCs

The United Nations Environment Program (UNEP) applauded Indonesia's plan to ban the importation of chlorofluorocarbons (CFCs) and methyl bromide starting next year, saying the move should be copied by other countries in the region.

The chemicals are widely suspected of damaging the ozone layer and aiding climate change.

UNEP Asia Pacific official Atul Bagai said Saturday (17/11/07) that the step would put Indonesia two years ahead of the 2010 schedule for the phase-out of ozone-depleting substances under the Montreal Protocol, Antara reported.

Bagai told participants of a UNEP-sponsored meeting, the Special Dialogue on Potential Actions for Controlling and Monitoring ODS (Ozone Depleting Substance) Trade that Indonesia was one of the first few countries in the region to meet the deadline ahead of schedule.

Achim Steiner, UN Under Secretary General and UNEP executive director said that Indonesia's announcement on its ODS import ban was a further good signal, among many positive signals this year, that governments could move on the climate change challenge.

"The phase-out of CFCs was agreed on in order to protect the ozone layer. But new research has shown that this phase-out has had the double environmental and economic benefit of also helping to combat climate change. CFCs it emerges are also powerful greenhouse gases," he added.

With support provided by the Protocol's Multilateral Fund, Indonesia reduced consumption of CFCs from 9,000 tons in 1996 to 2,000 tons in 2005, used mostly by refrigeration, air conditioning and automotive sectors.

Consumption of methyl bromide, used for soil treatment and fumigation, has dropped from 140 tons in 1994 to 32 tons in 2005.

Budget Boost for Less Developed Regions

The government will allocate some Rp30 trillion (\$3.3 billion) next year for the development of less developed regions, a sharp increase from Rp9 trillion in 2007, an official said Friday (16/11/07).

State Minister for the Development of Less Developed Regions Lukman Edy said the fund was expected to cover the development of some 50,000 underdeveloped villages across the country through empowerment programs.

"Around 70% of underdeveloped villages don't have basic supporting infrastructure. People live in isolated areas without access to electricity, clean water and irrigation," Antara quoted Lukman as saying in the East Kalimantan capital of Samarinda.

He said the empowerment program involved local people in all stages areas of the development process; from planning to building.

Each village would be allocated a fund of up to Rp250 million and the residents would be allowed to decide how they would use the money to develop their area.

SOEs

Jasa Marga Earns \$378M in IPO

State-owned toll road company PT Jasa Marga made its debut on the Jakarta Stock Exchange (JSX) on Monday (12/11/07), wrapping up an initial public offering (IPO) process that earned the company Rp3.5 trillion in proceeds, *The Jakarta Post* reported.

The shares closed at Rp2,050 Monday, up by 21% from the offer price of Rp1,700.

The company, which operates 78% of Indonesia's 650 km of toll roads, sold 30% of its shares to the public.

President director Frans Sunito said 90% of the proceeds would be used to finance five new toll roads, which would be managed by the firm's subsidiaries.

"The remaining money will be used to pay maturing bonds due next March amounting to Rp150 billion, and also to strengthen our working capital," he said.

The five planned toll roads are the Bogor Ring Road, the Gempol-Pasuruan and Semarang-Solo toll road, the Jakarta Outer Ring Road W2 North as well as the Cengkareng-Kunciran and the Kunciran-Serpong Ring Roads.

The new expressway projects will stretch for a total of 174 km.

The shares were 470% oversubscribed. Bahana Securities, one of the underwriters, said 80% had been allocated to institutional investors.

Semen Gresik to Build Cement, Power Plants

State-run PT Semen Gresik is to seek approval from shareholders to build two new cement plants and five coal-fired power plants at a total cost of \$1.24 billion, an official said Monday (12/11/07), Agence France-Presse reported.

The two cement plants will each have an annual capacity of 2.5 million tons and will be built on Sulawesi and Java, said the chairman of the Indonesian cement companies association, Urip Timuryono.

Gresik's annual production capacity currently stands at 16.92 million tons.

Construction of both plants will start next year, while production at the Sulawesi plant will start in 2011 and at the Java facility a year later, Timuryono said.

Building the cement plants was necessary in anticipation of a supply shortage due to rising demand from government infrastructure projects, while building the power plants was aimed at reducing costs, he said.

Thirty percent of the project's cost will be financed by equity and the rest through debt.

Meanwhile Reuters reported that industry data showed that domestic cement consumption rose 10.9% in October to around 2.5 million tons.

October's sales took year to date cement demand to 27.7 million tons, up 7.1% from the same period last year.

Five State Firms Expected to IPO in 2008

The government expects five state-owned companies to float their shares in the capital market next year, State Enterprises Minister Sofjan Djalil said on Monday (12/11/07), Asia Pulse reported.

"Actually, 16 state firms are the target of our revitalization and privatization program but at present only five have sufficient potential to enter the capital market," Djalil said.

He said his office would select which state-owned companies were ready to offer their shares to the public. "The important thing is that we want many state firms to go public."

State firms engaged in the plantation sector were among those with potential to enter the capital market. "But this all depends on the companies themselves," he said.

"We are holding discussions with the House of Representatives to get the plan approved," he said.

Garuda Indonesia Plans Bond Issue

National flag carrier PT Garuda Indonesia plans to issue convertible bonds to help repay debts totaling \$750 million, Minister of State Enterprises Sofyan Djalil told reporters on Friday (16/11/07), Dow Jones Newswires reported.

"I expect Garuda will launch a bid invitation to market its convertible bonds soon," said Djalil. He did not mention the size of the planned bonds, but said they would eventually be converted into shares when the airline goes for a public listing in 2009.

He said that the government has so far received a letter of interest from three investors for the bonds.

Mandiri to Fund Petrokimia Gresik Projects

PT Bank Mandiri, Indonesia's largest bank in asset terms, said Wednesday (14/11/07) it will extend a working capital loan facility worth Rp604 billion (\$65.3 million) to fertilizer manufacturer PT Petrokimia Gresik, Thomson Financial reported.

Bank Mandiri corporate secretary Mansyur Nasution said the loan will be used by Petrokimia Gresik to build three new fertilizer plants and a coal-fired power plant.

"The construction of the coal-fired power plant is in anticipation of higher oil prices," Arifin Tasrif, president director of Petrokimia Gresik said in a statement received by Reuters.

He said the coal-fired plant would reduce the company's oil use and cut operating costs by Rp100 billion a year.

Semen Padang Considers Expansion

PT Semen Padang, a unit of Indonesia's largest cement producer, PT Semen Gresik, is considering building a new cement plant with a production capacity of 2.5 million tons per year, finance director Epriliyono Budi said, according to Thomson Financial.

"We're considering building a new cement plant to anticipate rising cement demand in Sumatra," he told a hearing at the House of Representatives.

The company is conducting a feasibility study, he said, adding that an initial study indicated the cost of a plant could be \$250 million.

PRIVATE SECTOR

Barito to go Ahead with Chandra Asri Acquisition

Plywood producer PT Barito Pacific said Friday (16/11/07) its shareholders have approved the proposed acquisition of petrochemical company PT Chandra Asri, Thomson Financial reported.

Market regulator Bappepam-LK earlier gave its approval for the planned rights issue by Barito, which would be the fourth biggest rights issue in Indonesia's history.

Barito is proposing to acquire a 70% stake in Chandra Asri from several shareholders for Rp9.77 trillion (\$1.05 billion) in a move in which owner Prajogo Pangestu will almost abandon the forestry operations of the company.

He told reporters at the AGM that his company is planning to focus on the petrochemical, mining, plantation and property businesses.

Shareholders also approved other items including a proposed Rp9.16 trillion rights issue to finance the acquisition.

Excelcomindo to Spend \$650M on 2008 Capex

PT Excelcomindo Pratama plans to spend \$650 million on 2008 capital expenditure, which will include development of fiber optic networks and base transmission system across Indonesia, Dow Jones Newswires reported.

"To finance the capex next year, we plan to issue either bonds or seek bank loans," Hasnul Suhaimi, president director and chief executive of the nation's third-largest telecommunications company by subscribers, told reporters.

He didn't provide further details on the bond issue plan.

He said fresh funds are needed to support the company's plan to add around four million new subscribers by the end of next year. Excelcom has said it expects its subscribers to hit 14 million by the end of 2007, up from around 10.5 million in 2006.

Lion Air to Acquire Stakes in Six Airlines

Budget carrier pioneer Lion Air said Wednesday (14/11/07) it was preparing funds to acquire shares in airlines in six Asian countries as part of the company's ambition to boost its global presence, Asia Pulse reported.

Lion Air will buy stakes in airlines in Thailand, Vietnam, Malaysia, the Philippines, Bangladesh and South Korea at the amount permitted under their respective laws.

"We have been collecting funds from internal and external sources. The budget ranges from \$50 million to \$100 million per airline," Lion Air spokesman Hasyim Alhabsi told reporters.

He said the regional expansion was the consequence of the purchase of 120 brand new Boeing 737-900ERs for deliveries in the next five years.

The nearest aim was to buy airlines in Thailand, Vietnam and Bangladesh, he said without elaborating.

BANKS

BCA Plans 2-for-1 Stock Split

The country's second largest lender by assets, PT Bank Central Asia, plans a 2-for-1 stock split in an effort to boost its trading liquidity, a senior company official said on Tuesday (13/11/07).

The bank plans to hold an extraordinary shareholders meeting on November 28 to seek approval for the plan, Raymon Yonarto, BCA's corporate secretary, told Reuters.

Investment firm Farallon Capital Management has a 7.82% stake in Farindo while Bambang Hartono and Robert Budi Hartono own 92.18%.

BCA's share price has risen by 30.8% since the start of the year, underperforming the overall Jakarta Composite Index, which has gained 48% so far in 2007.

Meanwhile BCA officials told Bloomberg News that the bank forecast 2007 loan growth will reach 20%, accelerating for the first time in three years as it grabs a bigger share of the mortgage market.

Bank Central Asia's loan growth last year was 13.8%, after a doubling of fuel prices in 2005 drove inflation to a six-year high and led the central bank to raise its benchmark rate to 12.75%. Loans expanded 30.8% in 2005 and 38.7% in the previous year.

Bank Ekonomi Confirms IPO Plan

Bank Ekonomi Raharja, a small-sized lender controlled by the Wings Group, said on Monday (12/11/07) it plans to sell 10.11% of its enlarged share capital via an initial public offering in December, Reuters reported.

The bank said it plans to use most of the proceeds from the offering of 270 million shares between December 17-19 to expand lending and a small portion to open new branches and improve its information technology infrastructure.

The bank did not say how much it planned to raise from the IPO. PT Dinamika Usahajaya will underwrite the offering.

As of August, Bank Ekonomi had total assets of Rp15.05 trillion (\$1.65 billion). It posted a net profit of around Rp125 billion in January-August and a net interest income of Rp354.9 billion.

The bank did not give comparative figures from a year ago but in 2006 it booked a net profit of Rp150 billion and a net interest income of Rp453 billion.

The bank's parent, Wings Group, started as a laundry detergent maker around 60 years ago but has since expanded into food and beverages and banking.

Eddy William Katuari, son of the founder of the Wings Group, is ranked by *GlobeAsia* Magazine as Indonesia's seventh richest individual with total wealth of \$1.1 billion.

ICBC Starts Operations Under New Name

Industrial and Commercial Bank of China Limited (ICBC) started operation officially in Indonesia on Tuesday (13/11/07) after the completion of the process of acquiring PT Bank Halim, Asia Pulse reported.

The largest bank in China also changed the name of Bank Halim to ICBC Indonesia.

President of ICBC Indonesia Yuanbin said his bank will be ready to serve as mediator for Chinese investors seeking to invest in Indonesia and for Indonesian investors wanting to do business in China.

ICBC acquired 90% of Bank Halim, leaving 10% in the hands of the old owner, PT Intidana Wijaya.

OIL & GAS

Govt. to Privatize Pertamina in 2012: Minister

The government plans to privatize oil and gas company PT Pertamina in 2012 via an initial public offering, Minister of State Enterprises Affairs Sofjan Djalil said Tuesday (13/11/07).

Starting in December, Pertamina's management will adopt all regulations issued by the government's capital market watchdog Bapepam in running the company. "We need five years to increase Pertamina's value," Dow Jones quoted Djalil as telling a press conference in Bali.

Some of Pertamina's subsidiaries may sell shares to the public over the next one to two years, Djalil said, though he declined to provide further details.

He did not give details on the amount of money that would be raised from the IPO or the size of the stake that will be listed.

Pertamina's unit, PT Elnusa, had said it plans to offer 20% of its shares in an initial public offering in December, which could raise as much as \$100 million, to repay some of the company's debt and finance its expansion plan.

Indonesian companies have raised more than \$3 billion so far this year in initial public offerings and follow-on equity sales, according to Thomson Financial, marking a record for Jakarta's stock market.

Pertamina, Total, ConocoPhillips See Higher Output

State-owned PT Pertamina and several major foreign oil and gas companies operating in Indonesia said Wednesday (14/11/07) they are projecting higher output in 2008, Thomson Financial reported.

In a parliamentary hearing, Pertamina said its oil production may grow to an average of 138,840 barrels of oil per day (bpd) in 2008 from 117,535 bpd estimated for this year. In the first 10 months, the company's average oil output was 109,354 bpd, said Sukusen Soemarinda, a Pertamina director.

Pertamina is projecting gas output to increase to 1.32 billion cubic feet per day from 1.11 billion cubic feet, he said.

Pertamina is the second biggest oil producer in Indonesia after ChevronTexaco Corp unit PT Chevron Pacific Indonesia. Pertamina is also the second largest gas producer after Total E&P Indonesia, a local unit of France's Total.

At the hearing, Total Indonesia said its gas production is likely to grow slightly to 2.6 billion cubic feet per day in 2008 from 2.58 billion cubic feet estimated for this year.

ConocoPhillips projected its oil and gas output will increase to 260 barrels of oil equivalent per day in 2008 from 210 barrels estimated for this year.

Chevron Pacific said it is expecting oil output to decline to 415,000 bpd in 2008 from 423,000 bpd of estimated for this year.

Hess Puts \$700m into Ujung Pangkah Field

US major Hess will spend \$700 million on the second phase of development at the Ujung Pangkah field in East Java, company planning manager Anggoro Kasyanto told *Platts Commodity News* Thursday (15/11/07).

The second phase is expected to produce 25,000 b/d of oil and condensate as well as 6,000 b/d of LPG by 2009.

"We will spend \$700 million during April 2007 to March 2009 to develop the second phase of Ujung Pangkah. The phase II development will be comprised of an onshore oil treatment facility and LPG facility," Kasyanto said.

Oil production is expected to come on stream by Q2 2009, and the LPG will start to produce by Q3 2009, Kasyanto adds.

Hess spent \$230 million to develop the first phase of the project, focused on producing and processing the 440 Bcf of contract gas reserves committed to state-owned power utility company PLN, according to Kasyanto.

Pangkah block currently produces 100 million cu ft/d of gas and 1,800 b/d of condensate. Hess is the operator, with a 75% stake in the Pangkah block, and Kuwait Foreign Petroleum Exploration Co holds 25%.

Petronas Hopes to Build Petrochemical Facility

Malaysia's Petronas hopes to expand its operations in the petrochemical industry in Indonesia as it faces difficulty to increase its domestic production capacity, Asia Pulse reported on Friday (16/11/07).

Petronas has operated at full capacity with production estimated to reach 10 million tons this year but additional facilities in Malaysia will not be feasible, Iqbal G. Abdullah, a senior general manager of the company said.

The company will be interested if it is offered an opportunity to build a new facility abroad such as in Indonesia, India and China, Iqbal told *Bisnis Indonesia* on the sideline of the ASEAN Chemical Industries Council Conference in Kuala Lumpur on Wednesday.

Currently exports contribute 35% to the income of Petronas, which also has core business in upstream oil and gas industry.

MINING

Bumi's Coal Prices May Rise 28% on Demand

PT Bumi Resources, Indonesia's biggest coal producer, expects prices of the fuel from its mines to rise as much as 28% next year as global supply fails to meet surging demand from China.

"If China continues to import their coal, you will see a significant shortfall," Nalinkant Rathod, a commissioner at the company, told Bloomberg on Thursday (15/11/07).

Bumi's prices may rise \$10 to \$12 a metric ton from the average of \$43 a ton this year, he said. The miner expects to produce 65 million tons of coal next year.

"Coal prices used to be half of oil prices, but now the gap is much smaller," said Christine Salim, Jakarta-based head of research at PT Samuel Sekuritas Indonesia, who has a "buy" recommendation on Bumi's stock. "Buyers are scared they can't secure supply."

Bumi will sell 56 million tons of coal this year, lower than a revised October estimate of 57 million tons after heavy rains hampered mining operations.

Bauxite Miner, China Co in Talks to Build Refinery

PT Harita Prima Abadi Mineral, Indonesia's largest bauxite producer by volume, is in talks with a Chinese alumina producer to build an alumina refinery in West Kalimantan, Dow Jones Newswires reported on Tuesday (13/11/07).

The plant would be built near PT Harita's mine, said a company official, who wished to remain anonymous. "We're negotiating with them to open an alumina plant," he said.

PT Harita has been seeking a partner to build a refinery in case the Indonesian government imposes a limit or ban on exports of bauxite, an ore used to produce alumina, the primary input for aluminum.

Indonesia's exports of bauxite have soared in recent years to feed Chinese demand. In January to May, Indonesia exported 3.95 million tons of bauxite, according to the latest available data from the Trade Ministry. That's more than exports in all of 2005, which totaled 2.5 million tons.

China's alumina industry, led by rapid expansions by private alumina producers in the coastal province of Shandong, has grown heavily dependent on imported bauxite.

Nearly 60% of private alumina refineries, including Shandong Xinfra Aluminum & Electricity Group Co., Weiqiao Aluminum Co. and Shandong Nanshan Aluminum Co., rely upon imports, with about 70% coming from Indonesia, according to Macquarie Research.

PT Harita is a subsidiary of PT Cipta Panelutama, a Jakarta-listed company. Its output in 2007 is expected to be about 3 million tons, nearly double the next biggest producer, PT Aneka Tambang, although no official figures are available.

Freeport Pays \$434 Million in Taxes in 3Q

Mining giant Freeport Indonesia announced Monday (12/11/07) that it paid the Indonesian government \$434 million in taxes, royalties and dividends in the third quarter of this year, Agence France-Presse reported.

Freeport said it had paid a total of \$1.4 billion to the government in the first nine months of this year, up from \$1.1 billion in the same period of last year. The company said the amount fluctuated due to changes in sales, commodity prices and metal production levels.

Freeport said it had paid a total of \$6.5 billion to Jakarta from 1992 to 2007, in line with fulfilling its financial obligations under a 1991 contract with the Indonesian government. The company is believed to be the country's largest taxpayer.

In August, the government said it was planning on seeking higher royalties from the company as the purity level of gold mined in the last few years had improved.

Berau Aims to Boost Coal Output

PT Berau Coal plans to lift its output by 16% next year, as it pushes to exploit coal resources in the Kelai area of Kalimantan, the firm's president said on Wednesday (14/11/07).

Bob Kamandanu, Berau's president director, also said that the firm's parent, PT Armadian Tritunggal, was weighing up whether to launch an initial public offering in the first quarter of 2008. Previously some sources had said that Berau itself was planning an IPO.

"We will start the exploration within one month and it will take up to two years. Hopefully we will get about 100-180 million tons mineable," Reuters quoted Kamandanu as telling reporters, referring to the Kelai area, which he said had more than 700 million tons in coal resources.

The company aims to produce 14.5 million tons next year, up from an estimated 12.5 million tons this year. The official said the company was looking at ways to upgrade its coal quality as its "portfolio is not as good as Kaltim Prima Coal and Arutmin."

Kamandanu declined to comment when asked whether the firm was in talks with any potential investors.

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