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**Trade and Investment News<sup>1</sup>, 7 January 2008**

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## POLITICS

### **Bali bombers expected to meet firing squads early February**

Three men convicted over the 2002 Bali bombers on death row are now expected to meet firing squads early in February, after an attempt was made to deliver to them the formal rejection of their last legal avenue of appeal, Antara reported.

Amrozi, Imam Samudra and Ali Ghufron, also known as Mukhlas, refused to receive a copy of their case review verdict from a team of prosecutors from the Denpasar and Cilacap District Courts on Wednesday (2/1/08).

I Made Sukarta, a junior state prosecutor, said the three inmates, who are being held at the Nusakambangan prison in Cilacap regency, Central Java, refused to meet with the team of prosecutors who were to hand over the verdict. "They didn't give any specific reason for the refusal," Sukarta said.

The Attorney General's Office set a one-month deadline following the delivery of the verdict for the three to seek clemency or face firing squads. They have said on a number of occasions they will not request clemency.

### **Court rejects Abu Dujana mistrial move**

The trial of the self-styled leader of the militant wing of Jemaah Islamiyah (JI), Abu Dujana, is to continue after the South Jakarta District Court ruled Thursday to reject a move for a mistrial, Agence France-Presse reported.

The court hearing Dujana's case, which began last month, rejected an attempt by the defense to quash the case on the grounds that it did not have jurisdiction to try it. Lawyers for Dujana said he should be tried near the place of the scene of his alleged crimes.

"South Jakarta District Court has the right to try the case. We have ordered prosecutors to continue the trial by hearing witnesses," Wahjono, the head of the panel of judges, told the court.

Dujana, whose arrest in June last year dealt a severe blow to JI, is charged with plotting terrorist activities, moving explosives destined for terror acts and sheltering terrorists. He could face the death penalty if found guilty.

The 37-year-old militant is not charged with direct involvement in any attack, though one of the men he is accused of protecting, Malaysian national Noordin M. Top, is believed to be linked to a slew of attacks aimed at Western targets.

A member of Dujana's legal team, Asludin Hatjani, told reporters that the case should have been tried in Central Java as that was where Dujana's alleged crimes occurred. "But we need to respect the judges' decision," he said.

"I'm ready to face this legal process. It will be a long process. The journey is still long, I cannot give any comment," Dujana told reporters. The trial will resume January 14.

### **President reaffirms Europe aviation stance**

A spokesman for President Susilo Bambang Yudhoyono reaffirmed on Thursday (3/1/08) that the president will not visit Europe while the flight ban imposed by the European Union (EU) is still in place, Antara reported.

Spokesman Dino Patti Djalal said that the president hoped to be able to visit Europe in February. He hoped that planned talks between the EU and Indonesian aviation authorities in January would progress so that the ban can be lifted, Djalal added.

An EU delegation is expected to visit Indonesia later this month for talks on airline flight safety with local aviation authorities.

The president, who only flies using aircraft of national flag carrier Garuda, decided last year to put off a planned visit to Europe after the EU banned Indonesian airlines from flying to European destinations following a couple of air accidents in Indonesia.

## REGIONS

### **No early end to weather woes: BMG**

The Meteorology and Geophysics Agency (BMG) says there is no early end in sight to bad weather that has been hitting the archipelago since before Christmas as the BMG issued new warnings of high waves at sea and severe weather .

According to a report in *Koran Tempo*, the BMG said it expected severe conditions to continue at sea at least until the end of January. "The high waves are being caused by low air pressure in waters off Australia and an unusual 19-year lunar cycle," said the agency's spokesman, Suratno. He warned passenger ships, tankers, and fishermen to cancel operations for the time being.

Four-to-five-meter waves are expected to occur in the South China Sea, Banda Sea and Kai and Tanimbar waters in Maluku, the Aru Sea, and off the south coast of Papua.

High waves will also occur in the Java Sea, in the Indian Ocean affecting Bengkulu and Lampung provinces and eastward across Java to East Nusa Tenggara.

"Four-meter waves will also hit Riau waters, Bangka-Belitung, Pontianak in West Kalimantan and the Makassar Strait up to Sangihe Talaud in North Sulawesi," Suratno said.

High waves were reported to have damaged the fishing port at Kerayaan Island, Kotabaru and South Kalimantan. Damage to the port has delayed food supply distribution to the island from the mainland.

The agency had warned the vessels and fishermen in southern Papua coastline about four to six meters high wave that most likely will hit the area this week.

### **Less disadvantaged regions, minister says**

State Minister for the Development of Disadvantaged Regions Lukman Edy said Wednesday (2/1/08) that 28 regencies had been dropped from the list of 199 underprivileged regencies nationwide due to the significant progress they had made during the last three years.

"After three years of the United Indonesia Cabinet, we have made significant improvement in the development of disadvantaged regions with 28 regencies ... being declared developed regencies," Lukman told a media conference on the evaluation of the ministry's programs.

According to a report in *The Jakarta Post*, there are 457 regencies nationwide, with 199 divided into six categories based on their backwardness index which comprises local economics, human resources, infrastructure, regional budget, accessibility and regional characteristics.

"During the period of 2004 to 2007, 11 out of 199 regencies improved," Lukman said. As many as 183 regencies, however, have yet to make any significant progress.

## ECONOMY

### Budget 'on track' despite high oil prices: VP

The government is sticking to its budget deficit target for this year even though oil prices have touched \$100 a barrel, Vice President Jusuf Kalla said Thursday (3/1/08), Dow Jones Newswires reported.

"Our budget is not affected," he told reporters. "Fuel subsidy costs will increase, (but oil and gas) revenues will also increase."

Kalla also dismissed concerns that rising oil prices will hurt the rupiah, saying a weaker local currency will boost exports and hence bring in more foreign exchange into the country.

The government managed to keep the budget deficit at 1.2% of gross domestic product last year, below its 1.5% target even though fuel subsidies totaled Rp85.5 trillion (\$9.1 billion), compared with initial projections of Rp58 trillion.

A day earlier, President Susilo Bambang Yudhoyono told the opening of trading for the year at the Indonesian Stock Exchange that the government was optimistic about growth this year, saying the economy could grow by nearly 7%, Reuters reported.

Growth would be boosted by higher spending and investment in infrastructure, he said, while the impact of the US sub-prime mortgage loan crisis would likely be limited and oil prices could be weathered. The budget aims for 6.3% growth in 2007 and 6.8% in 2008.

"I expect growth to exceed 6% in 2007 and can reach nearly 7% in 2008," Yudhoyono said. "Consumption is likely to improve, amid a positive momentum in our economy. Investment has shown an increasing trend."

The president said the government intended to pump money into infrastructure projects between now and 2010.

Markets were meanwhile waiting for the central bank's decision on interest rates. While most analysts believed Bank Indonesia would leave its benchmark rate at 8.0%, Governor Burhanuddin Abdullah told reporters on Friday that the bank believed there was still room to cut interest rates. He declined to give a timeframe for a possible rate cut.

He was commenting after the release of monthly figures that showed inflation easing slightly in December, coming in at 6.6% against a year ago partly on higher food prices, Agence France-Presse reported.

December's figure was above the government's revised forecast of 6.0% but within the central bank's target of 5.0% to 7.0%.

The consumer price index rose 1.1% in December compared with November, at the upper end of expectations. Inflation was 0.2% month-on-month in November.

Exports meanwhile dropped 4.3% to \$9.81 billion in November from the preceding month, led by crude palm oil (CPO), the Central Bureau of Statistics reported.

Over the same period, imports rose 20.5% to \$7.54 billion, with the trade surplus narrowing to \$2.27 billion in November from \$3.99 billion in October.

Exports were down on lower CPO exports due to seasonal factors, while the increase in raw materials and equipment imports suggested stronger performance ahead from the manufacturing sector.

Unemployment fell to 9.1% in August 2007 from 10.3% a year before, but was still a far cry from the government's target of bringing it down to 5.1% by October 2009, when its term ends, Dow Jones reported.

The official Statistics Agency said Wednesday the number of jobless dropped to 10.01 million people in August from 10.93 million a year before. The labor force expanded to 109.95 million people from 106.39 million.

Minister of Agriculture Anton Apriyantono said flooding in Central and East Java was not expected to have a major impact on rice production.

"Flooding from October 2007 till now has drowned 68,277 hectares of paddy areas, of which 6,676 hectares will experience harvest failure," Dow Jones quoted him as saying.

Although rice production in January will be affected by the floods, Apriyantono said later months are expected to produce a surplus of rice.

#### Indicators:

	October	November	Jan-Nov 07/ Jan-Nov 06	Trade surplus Jan-Nov 07
<b>Total exports</b>	\$10.25 billion	\$9.81 billion	\$103.07 billion	\$35.53 billion
<b>Non-oil &amp; gas exports</b>	\$8.27 billion	\$7.73 billion	n/a	
	November (y-o-y)	November (m-o-m)	December (y-o-y)	December (m-o-m)
<b>Inflation</b>	6.71%	0.18%	6.59%	1.10%
	Full year 2005	Full year 2006	1H 2007	3Q 2007
<b>GDP growth</b>	5.60%	5.5%	6.1%	n/a
	October	November	Growth/loss (m-o-m)	Growth/loss (y-o-y)
<b>Tourist arrivals</b>	351,400	398,983	8.6%	14%

Source: Central Statistics Agency

## BUSINESS BRIEFS

### MACROECONOMY

## Inflation slows on weaker rice price gains

Inflation eased to a four-month low in December due to weaker gains in rice prices, Bloomberg reported.

Consumer prices rose 6.6% from a year earlier, following a 6.7% gain in November, the Central Statistics Bureau (BPS) said on Wednesday (2/1/08).

"We had a delayed harvest that extended to November last year, which meant rice prices in December 2007 rose not as much as they did in the previous year," said Winang Budoyo, an economist at PT Bank Lippo.

From the previous month, consumer prices in December climbed 1.1%, five times the 0.18% pace in November. Core inflation, which excludes prices of administered prices, accelerated to 6.29% from 6.25%.

Bank Indonesia Governor Burhanuddin Abdullah and his seven deputies will next meet on January 8. The central bank unexpectedly lowered its key rate by a quarter of a percentage point to 8% on December 6. The first cut in five months followed slower inflation in November.

Finance Minister Sri Mulyani Indrawati said Thursday that the government aims to bring down inflation to between 3% and 5% in 2010.

For this year, the government is targeting an inflation rate of between 4% and 6%, she told a press conference. For next year, the targeted range is 3.5%-5.5%.

Bank Indonesia Governor Burhanuddin Abdullah said that the inflation targets will be achieved without "tightening the central bank's monetary policy."

Abdullah said that inflation in recent years had mainly been driven by supply and demand factors.

## **Exports, trade surplus fall in November**

The November trade surplus fell to \$2.27 billion from \$3.99 billion in October and \$3.07 billion a year earlier as imports rose and exports slowed, the Central Statistics Bureau (BPS) reported on Wednesday (2/1/08).

Imports rose to \$7.54 billion in November from \$6.26 billion a month earlier, whereas exports edged down to \$9.81 billion from a record high of \$10.25 billion in October, Dow Jones Newswires reported.

Import growth was driven by a 21% on-month increase in imports of raw materials and semi-finished goods for production of exports, to \$5.72 billion in November, suggesting that exports could rise again in the coming months.

A drop in crude palm oil production after the peak harvest period dragged the value of exports of the commodity from the world's largest producer down by \$1.1 billion in November from October, the agency said. It didn't provide a value for the month's crude palm oil exports.

A deficit was recorded in trade of oil and related products of \$1.32 billion in November, with imports valued at \$2.39 billion and exports at \$1.07 billion.

## **Slower growth in exports expected: Minister**

The country's non-oil and gas exports may grow at a slower pace of 14.5% this year compared to the 16-16.5% pace estimated for last year amid weaker global demand, Trade Minister Mari Pangestu said Friday (4/1/08), Thomson Financial reported.

The ministry had previously projected non-oil and gas exports would grow 14-18% this year from \$93 billion estimated for 2007.

Commodities that will drive export growth include copper, coal, nickel, crude palm oil (CPO), rubber, cocoa and electronic machinery and equipment, Pangestu said.

Demand from China, India and some neighboring countries may help offset expected weaker demand from the US, she said.

## **Unemployment down to 9.1% in August**

Unemployment in Indonesia fell to 9.1% in August 2007 from 10.3% a year before, Dow Jones reported Wednesday (2/1/08).

The Central Statistics Agency (BPS) said the number of jobless dropped to 10.01 million people in August from 10.93 million a year before. At the same time, the labor force expanded to 109.95 million people

from 106.39 million.

In order to create more jobs, the government has been working at improving the investment climate, including introducing tax exemptions on certain investments, simplifying investment procedures, and clamping down on rampant corruption.

## Tourist arrivals jump in 2007

The number of tourists visiting Indonesia jumped 14% in the first 11 months of 2007 compared to the same period a year ago, Central Bureau of Statistics data showed Wednesday (2/1/08), Agence France-Presse reported.

The 4.11 million arrivals were boosted by a resurgence of tourism in Bali, which saw a 32.3% increase to 1.59 million visitors in the January to November period.

Jakarta's Soekarno-Hatta airport recorded the second highest number of tourists at 1.05 million arrivals, little changed from 1.04 million in the same period in 2006.

In November alone, tourist arrivals through 15 entry points nationwide reached 398,983, up from 351,351 in October.

Data from the Tourism Ministry showed the 4.87 million foreign tourists that visited Indonesia in 2006 spent a total of \$4.45 billion.

## INVESTMENT

### Envoy expects \$5B in Middle East investment

Indonesia's special envoy to the Middle East, Alwi Shihab, says he expects up to \$5 billion in investment from the region this year, *The Jakarta Post* reported on Saturday (5/1/08).

He said agreement on a \$1 billion investment fund with the Qatar Investment Authority late last year should unlock other commitments.

He added that in 2007 countries from the region had already invested some \$2.55 billion through joint venture companies operating in infrastructure, chemical products and tourism.

Committed investments include a \$600 million hotel and resort for Lombok in West Nusa Tenggara from Algeria's Emmar.

Shihab said Indonesia needed a more flexible taxation system and regulations on shariah-based financial services to further support efforts to attract more Middle East investors.

### Royal Doulton to build new factories

PT Doulton Indonesia, a subsidiary of British ceramic producer Royal Doulton, will build new factories in Indonesia with a total investment of \$28 million in February, *Asia Pulse* reported Friday (4/1/08).

The construction of the factories is part of a plan to relocate production units from Britain and Germany to Indonesia, said Deny Maskat, Doulton Indonesia manager.

Currently Doulton Indonesia is building a factory in Balaraja, Tangerang. Construction of the factory started in September and it is to be completed in the middle of this month and will be commercially operational in February, he said.

Construction of the second factory will follow soon, he said. The second factory will bring the production

capacity of Doulton Indonesia to 22.5 million pieces of ceramic products a year.

## **BAT raises stake in Indonesian unit**

UK-based British American Tobacco (Investment) Ltd, a subsidiary of British American Tobacco Plc, said Friday (4/1/08) it has bought 5.04 million additional shares equal to a 7.6% stake in unit PT BAT Indonesia for \$3 million, Thomson Financial reported.

Prior to the transaction, which took place last month, BAT already owned 71% of PT BAT Indonesia.

In a statement to the Indonesian Stock Exchange, BAT Indonesia said the sellers of the shares were New York-based First Eagle Overseas Fund and First Eagle Overseas Variable Fund.

## **More Chinese financial firms expected to invest**

A number of Chinese financial companies and banks are expected to open more branches in Indonesia this year, paving the way for closer financial cooperation between the two countries, Indonesian Ambassador to China Sudrajat said Thursday (3/1/08), Asia Pulse reported.

"At the moment Chinese companies are aggressively expanding their businesses, including in the financial sector. As a matter of fact, a number of Chinese financial companies have acquired Indonesian companies and have invested in Indonesia," he said.

The Industrial and Commercial Bank of China Limited (ICBC) had already opened a branch in Indonesia last year and more Chinese banks were expected to follow suit.

"I think there will be an upsurge in Chinese investment in the Indonesian financial and banking sectors," he said.

### **STATE CONCERNS**

## **Floods may delay rice harvest but stocks sufficient**

Floods in parts of main rice-growing areas may delay the rice harvest but will not disturb the country's rice stocks, a senior agriculture official said on Friday (4/1/08), Reuters reported.

"Some 29,000 of 100,000 hectares of rice fields were seriously damaged by the flood in Central and East Java but we are going to replant the fields," said Sutarto Alimoeso, Director General of Food Crops at the Agriculture Ministry.

Alimoeso said the floods, which also inundated some rice fields in West Kalimantan and Aceh, may postpone the February-March and March-April harvest season but would not affect the country's rice stocks.

Indonesia has been struggling to increase rice output in its 10-12 million hectare fields, but lack of good quality seeds and fertilizer have hampered production.

Mustafa Abubakar, head of state logistics agency Bulog, said the country's rice stocks stood at 1.6 million tons and would be sufficient for the next eight months.

"We have 680,000 tons of rice ready to be distributed until February. Some rice imports are also arriving in the country," Abubakar said.

## **Riau Islands to get container port**

Karimun District administration in Riau Islands province will soon build a container port on a 70-hectare

plot of land only 25-minutes sailing from Singapore and Malaysia, Asia Pulse reported Friday (4/1/08).

The container port is badly needed to meet market demand as well as to support the operation of the special economic zone (KEK) and to prepare a free trade era, said Nurdin Basirun, Karimun's district head.

"The container port will be built beside a planned 300-hectare reclamation industrial area in Tebing subdistrict, in the northern part of Karimun Besar island," he said.

A road leading to the container port project had already been built in 2007 as an indication that the local government is serious to meet market demands, said Basirun.

Meanwhile, Cendra, head of the district transportation office, said the first-stage construction fund of Rp27 billion (\$2.9 million) will be taken from the 2008 national budget.

## **Govt. increases loan for textile makers**

The government will increase financial credit for the restructuring of the country's textile industry by 56.8% to Rp400 billion (\$43 million) this year, up from Rp255 billion in 2007, *The Jakarta Post* reported Friday (4/1/08).

Ansari Bukhari, Director General for Metal, Machinery, Textile and Miscellaneous Industries at the Industry Ministry said Wednesday this year's assistance would be executed in parts.

Rp338 billion would be allocated for large-scale textile companies under one scheme, and Rp50 billion would to help SMEs under a second, while the remaining Rp12 billion was for promotion activities and surveys.

The assistance comes in the form of loans for the country's textile makers, most of whom are having a hard time expanding production capacity due to aging machinery and equipment.

Executive secretary of the association Ernovian G. Ismy said the country's textile exports were expected to grow by 10% this year in line with improvements in production facilities.

President of the Indonesian Textile Association (API) Benny Soetrisno said Indonesia was strong in the garment sector as its exports increased by 13.2% to \$5.97 billion last year. By comparison, exports of fabrics declined by 2% to \$1.44 billion.

SOEs

## **Jasa Marga to start work on three toll roads**

State-owned company PT Jasa Marga has set itself the target of starting the physical construction of three toll roads in Java in 2008, a spokesman said Wednesday (2/1/08), Asia Pulse reported.

Work on the 4 km Sentul-Kedung Halang section of the Bogor Ring Road will begin in the first quarter of 2008, while work on the 11 km Semarang-Ungaran section of the Semarang-Solo toll road and the 12 km Gempol-Rembang section of the Gempol-Pasuruan ring road will begin in the second semester of 2008, said Frans Sunito, PT Jasa Marga president director.

The contractors and supervisory consultants for each of the three projects had already been appointed through tenders and the process of clearing the required land would be initiated soon, he said.

Through an initial public offering (IPO) last November 12, PT Jasa Marga raised Rp3.9 trillion (\$417 million) in funds to strengthen its equity in the three projects.

PT Jasa Marga has also won the tender for two sections of Phase II of the Jakarta Outer Ring Road (JORR), Sunito said.

#### PRIVATE SECTOR

### **Bakrie Sumatra raises stake in Agri Resources**

PT Bakrie Sumatra Plantations said Wednesday (2/1/08) it has raised its stake in Agri Resources BV to 25% after acquiring an additional 5% stake for \$8.24 million, Thomson Financial reported.

Agri Resources BV, which is incorporated in the Netherlands, is a joint venture between Bakrie and Singapore's Agri International Resources Pte Ltd, which is owned by equity investors.

Agri Resources BV was created as a vehicle to acquire palm oil plantations in Indonesia. The acquired estates will then be managed by Bakrie Sumatra.

Bakrie Sumatra also has an option to raise its stake to 51% in Agri Resources BV this year.

Meanwhile, Antara reported that for 2008 the company has allocated funds amounting to \$20 million for capital expenditure and is planning to plant oil palm trees on a total of 5,000 hectares of land in several areas.

### **Samko Timber to raise \$125M in Singapore IPO**

Indonesian wood product manufacturer Samko Timber Ltd. is planning a Singapore initial public offering that will raise about \$125 million to finance expansion and pay down debt, according to a company document seen Wednesday (2/1/08), Dow Jones Newswires reported.

A marketing campaign for the deal will begin in mid-January and pricing is expected on January 25, the document said.

Samko Timber has logging operations across the country, where it also operates facilities producing plywood and glue.

The company has rights to log 450,000 hectares of natural forest and also controls about 125,000 hectares of industrial forest plantations. Credit Suisse is the sole bookrunner for the deal.

#### BANKS

### **Govt. to sell 10% of BNI to 'reputable' partner**

The government plans to sell a further 10% stake in PT Bank Negara Indonesia (BNI) to a reputable and experienced bank with a good track record, a minister said Friday (4/1/08), Dow Jones Newswires reported.

"We expect to complete the stake sale (of BNI) in the first half of 2008," Minister of State Enterprises Sofjan Djalil said.

"We will open a tender that is expected to be attended by a short list of three to four best banks," he said.

He said the World Bank's financial arm International Finance Corporation has expressed interest in buying the BNI stake.

Djalil didn't reveal at what price the government will sell the stake in BNI, the nation's third-largest lender

by assets. The government has a 76.83% stake in BNI.

## **More Middle East banks to expand operations**

Four Middle-east banks will expand operations to Indonesia this year, said a presidential special envoy, Asia Pulse reported Friday (4/1/08).

Qatar National Bank, Abu Dhabi Islamic Bank, National Bank of Abu Dhabi and Kuwait Finance House KSC will open a representative office or will operate fully in 2008, said Alwi Shihab.

Two other Middle-east banks, Al Barakah Bank, which is owned jointly by Saudi and Bahrain investors, and Asia Finance Bank of Qatar opened representative offices in Indonesia in 2007.

Shihab said Al Barakah and Asia Finance Bank have prepared programs to open fully fledged banks in Indonesia in two to three years, adding they plan to acquire local banks to support their business expansion in the country.

Meanwhile, a Middle East bank is eyeing a majority stake in publicly listed PT Bank Century in negotiations now underway. The negotiation is still in the early stage, Bank Century president Hermanus H Muslim said, without giving the bank's name.

Muslim said other banks have also indicated interest in acquiring the shares of his bank.

## **All banks met minimum capital limit: BI**

All banks succeeded in meeting the minimum capital limit of Rp80 billion (\$8.6 million) by the end of 2007, Bank Indonesia (BI) said, Asia Pulse reported Thursday (3/1/08).

The central bank has ruled that a bank must have a minimum capital of Rp80 billion by the end of 2007 and Rp100 billion by the end of 2010 under its Indonesian Bank Architecture.

All small banks have paid additional capital, bank research and supervision director Halim Alamsyah said.

A number of small banks facing difficulties to meet the capital requirement have been sold to other banks including foreign banks.

## **Khazanah announces merger of Lippo, Niaga**

Khazanah Nasional, the Malaysian government's investment arm, confirmed it will merge Lippo Bank and Bank Niaga in Indonesia, creating the country's sixth largest bank by assets to comply with competition regulations, *The Financial Times* reported Monday (31/12/07).

The merger will bring Khazanah into line with Indonesia's single presence policy (SPP), which obliged companies that own more than one bank to announce by the end of last year whether they plan to merge them, reduce their controlling stakes or create a single holding company.

In a statement, Bank Niaga said that Khazanah planned to take the first option "to the extent that the merger can be completed on commercially viable and legally permissible terms".

Bank Niaga is Indonesia's second largest mortgage lender while Lippo Bank has focused on commercial loans and consumer savings accounts. Based on September figures, the merger would create a company with assets of about Rp85.6 trillion (\$9 billion).

The merged bank would have more than 600 branches. Standard & Poor's, the credit rating agency, said it expected the proposed merger to create a bank with stronger market position and competitiveness with significant potential synergies.

The SPP is part of a reform package introduced by Bank Indonesia, the central bank, to streamline and strengthen the fragmented banking industry, which now includes about 130 banks.

## UOB plans holding co for Indonesia units

Singapore's United Overseas Bank Ltd plans to set up a holding firm for its two Indonesian units to meet a central bank ruling limiting control to no more than one bank, one of the units said on Friday (4/1/08), Reuters reported.

PT Bank UOB Buana said in a statement that its Singapore parent company expects to complete the process of setting up the holding firm, which will control both UOB Buana and sister company UOB Indonesia, by 2010.

"UOB Singapore Ltd plans to set up a holding firm which will be domiciled in Indonesia's territory," Bank UOB Buana said in a statement.

## POWER

### PLN may spend \$1.5B for power-for-all project

State-owned electricity firm PT PLN plans to invest up to \$1.5 billion this year to finance a project aimed at providing electricity to every citizen nationwide by 2020, a company executive said, *The Jakarta Post* reported Wednesday (2/1/08).

The project would include the construction of new power plants and the development of 26,000 km of transmission cables and networking facilities in Sumatra and Java.

PLN president director Eddie Widiono said Monday the company would invest up to 25% of the \$6 billion needed to realize the project, while the other 75% would come from other parties, including the private sector.

"We will also ask the government and city administrations to provide funds for the project so that people across the country can have access to electricity," said Eddie.

Currently, about 44% of the country's total population of more than 220 million lives without electricity, mostly those who reside in remote areas.

### Pertamina to drill 26 geothermal wells

PT Pertamina Geothermal Energy said it hopes to invest \$130 million on drilling of geothermal wells this year under its program to develop geothermal power, *Asia Pulse* reported Friday (4/1/08).

The subsidiary of state-owned oil and gas company PT Pertamina will drill 26 geothermal wells in various areas, mainly in South Sumatra and Lampung, operations director Suryadharma said.

The company also hopes to finish development of a 40-MW geothermal power plant, a third unit of PLTP Lahendong. The new power plant is expected to come on stream in August.

### Bank Mandiri finances three power projects

The country's largest lender PT Bank Mandiri and three other Indonesian banks will provide a loan of Rp4.3 trillion (\$460 million) to build three coal fired power projects, *Asia Pulse* reported Thursday (3/1/08).

Corporate director Abdul Rachman said the state-owned bank alone will provide Rp1.2 trillion and PT Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI) and Bank Central Asia together will provide Rp3.1 trillion.

The three power projects - PLTU Rembang, PLTU Labuan and PLTU Indramayu, which will have a generating capacity of 2,000 MW of power, will also use a loan of \$1.1 billion from foreign financiers.

## OIL & GAS

### **Natuna talks 'near completion': minister**

Negotiations between the government and ExxonMobil on the extension of the company's contract in the Natuna D-Alpha gas block, are nearing a conclusion with the former set to secure a larger share of the production split, Energy and Mineral Resources Minister Purnomo Yusgiantoro said Wednesday (2/1/08), *The Jakarta Post* reported.

The negotiations had "progressed well and were on track for completion," he was quoted as saying, although the report added that no mention of a likely date for a completion of a deal was mentioned.

Yusgiantoro did say the discussions had reached an agreement on the division of production, but he did not mention specific figures.

"The split will also depend on the price we are offered from potential buyers. We are currently negotiating with neighboring countries; Malaysia, Thailand and Vietnam; which have showed an interest in the gas," Yusgiantoro said.

The government said previously that gas derived from the Natuna D-Alpha block could be sold for \$16 per million British thermal units (mmbtu) -- far higher than the market price (\$9 per mmbtu) due to the high costs involved in the development of the block.

The Natuna block, which has been reported to have the biggest natural gas reserve in Southeast Asia, is estimated to have some 46 trillion cubic feet of recoverable gas reserves.

### **Oil production in 2007 reaches 962,811 bpd**

Oil production in 2007 was recorded at 962,811 barrels per day (bpd) higher than estimates provided by the finance minister, said Dody Hidayat, deputy chief of the Upstream Oil and Gas Regulatory Body (BP Migas), on Monday (1/1/08), *Asia Pulse* reported.

"If this production figure is different from that of the Finance Ministry, it is possibly because of different ways used in recording the data," Hidayat said.

BP Migas's figure was based on the volume of oil pumped up directly from wells, while the ministry took the data after the oil had arrived on transport vehicles.

In addition, the ministry's period of calculation was from December 2006 to November 2007, while that of the BP Migas was from January to December 2007.

"There was relatively a big volume of additional production in December from BP West Java which ranged between 17,000 and 26,000 bpd," he added.

Previously, Finance Minister Sri Mulyani said that Indonesia's oil lifting in 2007 was only about 899,000 bpd, below the target of 910,000 bpd.

### **Donggi Senoro LNG obtains \$60M project funding**

PT Medco LNG Indonesia, a subsidiary of PT Medco Energi Internasional, has put up \$60 million in equity capital for PT Donggi Senoro LNG, which will build a new liquefied natural gas (LNG) plant in

Central Sulawesi, Asia Pulse reported Thursday (3/1/08).

The LNG plant, which is 20% owned by the Medco Group, 51% by Mitsubishi Corp. and 29% by Pertamina Energy Service Pte Ltd, will have an annual production capacity of two million tons of LNG.

The three shareholders are to pay \$300 million in equity capital for the \$1 billion project, to be operational in 2010.

The remaining \$700 million will be in loans. Medco Energy president Hilmi Panigoro said a loan was expected from the Japan Bank for International Cooperation.

The LNG project will use natural gas from the Senoro gas field and Matindok block in nearby areas owned by Medco and PT Pertamina EP, a subsidiary of state-owned oil and gas company PT Pertamina.

## **Elnusa Set for IPO in February**

PT Elnusa, a unit of state oil and gas company PT Pertamina, is set to sell 20% of its stock through an initial public offering (IPO) in February, its president director said on Friday (4/1/08), Reuters reported.

The IPO was previously planned for December and a company source said in October the share sale could raise as much as \$100 million.

The firm will offer 1.46 billion shares between January 25-29 and the listing on the Indonesia Stock Exchange will be on February 4.

"The proceeds will be used for capital expenditure, business expansion, loan repayment and working capital," said Elnusa's president director, Eteng Salam.

The company's net profit increased by almost 30% to Rp105 billion in 2007 and it is aiming for 10% revenue growth this year from Rp2 trillion in 2007.

Elnusa, in which Pertamina has a 51.38% stake, has appointed Mandiri Sekuritas as underwriter.

The other large shareholder in the company is PT Tri Daya Esta with 46.44% stake.

## **MINING**

### **Keen interest in coal-bed methane projects**

The government has received 49 proposals to develop coal-bed methane (CBM) projects, Energy and Mineral Resource Ministry Director General for Oil and Gas Luluk Sumiarso said Friday (4/1/08), Thomson Financial reported.

Indonesia is estimated to have coal-bed methane reserves of around 453.3 trillion cubic feet (tcf), according to Sumiarso.

Some of the proposals were submitted by existing holders of mining contract of works (CWs) and oil and gas production-sharing contractors, he said.

Among companies that have expressed interest are state-owned oil and gas company Pertamina, Medco Energi International, Ephindo and Royal Dutch Shell, he said.

Under existing regulations, contracts that are awarded will allow the participating companies six years for exploration, with a chance for an extension of up to four years, and exploitation for up to 20 years.

Separately, R Priyono, director of upstream oil and gas development at the ministry, said around 40 oil

and gas working areas will be offered this year through open tenders and direct appointments.

## **Aneka Tambang plans gold purchases**

State-owned nickel and gold mining company PT Aneka Tambang plans to acquire several gold mining companies in the first quarter of this year, *Investor Daily* reported Wednesday (2/1/08), citing president director Dedi Aditya Sumanagara.

"Aneka will likely fund the acquisitions with the company's own cash," Sumanegara said.

"Aneka has drawn up a list of 10 mining companies to choose from," finance director Kurniadi Atmosasmito added.

## **Malaysia's MSC inks JV pact to start tin mining**

Tenaga Anugerah, a subsidiary of Malaysia Smelting Corp., and Sarana Marindo, have entered a tin mining cooperation agreement, the company said Wednesday (3/1/08), *Platts Commodity News* reported.

Malaysian tin smelter MSC owns 60% of Tenaga Anugerah through its wholly owned company, MSC Indonesia.

The capital investment required to implement the offshore mining venture is estimated to be \$5.5 million, including an upfront payment of \$4.7 million to Sarana Marindo for acquiring mining rights.

Based on the 60% shareholding, MSC's contribution towards the investment will be \$3.257 million.

Sarana Marindo has mining concessions covering 1,020 hectares. Based on past drilling results, the mining concessions are estimated to contain some 7,000 metric tons of tin resources, with a mine life of up to eight years.

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