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POLITICS

Expert group to monitor relations with Malaysia

President Susilo Bambang Yudhoyono flew to Malaysia on Thursday evening (10/01/08) for an annual dialogue that was expected to see the Indonesian leader take the Malaysian government to task for allowing abuse of Indonesian migrant workers, Agence France-Presse reported.

Malaysia's use of what Indonesia claims to be its cultural products had also annoyed Indonesians.

The visit achieved agreement on the establishment of a group of eminent persons – consisting of seven members each from Malaysia and Indonesia – which would monitor any issue that may lead to snags in relations between the two countries, *The Star* reported on Friday.

Malaysian Prime Minister Abdullah Badawi said the group would comprise representatives from different sectors such as the economy, religion and culture.

"I welcome this proposal from the president. We think it is important to have this group. They can meet anytime they want and their duty is to keep their surveillance or eye out for current events and development in ties that may bring about the deterioration of ties between the two countries.

"They can bring these issues for discussion with their respective groups or sectors and find a resolution. They can also give their opinions, which can then be channeled to the administration in both countries so decisions can be made on the way to resolve any complication or whether something should be implemented," he said.

President Yudhoyono said Indonesia wanted the mechanism or the policy to be in place for its workers as soon as possible.

"The mechanism at present is good but we hope to further strengthen it so that our workers can bring benefit to Malaysia. We are satisfied with the treatment and protection our workers received, and the prominence given to their cases," he said.

Chinese defense minister to visit

Chinese Defense Minister Cao Gangchuan is to visit Indonesia on January 15-20 as part of efforts to intensify defense cooperation within the framework of the strategic partnership signed between the two countries in April 25, 2005, Defense Minister Juwono Sudarsono said Wednesday (9/1/08), Antara reported.

During his visit, the Chinese defense minister would also focus on the realization of the Indonesia-China defense cooperation accord signed last November.

Sudarsono said defense cooperation between Indonesia and China would not lead to a defense pact but would focus on technical cooperation such as exchange of officers, education and training and joint development of defense industries.

He said the two countries had signed an agreement on bilateral defense cooperation, which was intended as a realization of the strategic partnership agreement.

So far, Indonesia and China had established defense and military cooperation in the education and training sector, exchange of officers' visits, defense industries, joint exercises, joint production, transfer of technology, intelligence information exchange and cooperation in the fields of technology and science and defense industries, Sudarsono said.

In the 2007-2008 budget year, the Chinese government had offered 21 kinds of education and training and courses for 23 officers from Indonesia.

Hopes for early settlement of EU air ban: Minister

The Indonesian government hopes the European Union (EU) ban on all Indonesian airlines will be lifted soon as it is posing a hindrance to political relations between the two sides, Foreign Minister Hassan Wirayuda said on Tuesday (8/1/08), Antara reported.

"We have agreed to settle this problem soon, particularly by increasing technical cooperation, so that it will no longer affect cooperation between Indonesia and the EU," he said.

Following the decision of the EU flight safety commission in July 2007, several countries postponed the signing of a partnership cooperation agreement with Indonesia. A planned visit by President Susilo Bambang Yudhoyono to a number of EU member states late last year was also cancelled in light of the flight ban.

Except for the flight ban, Wirayuda added, relations between Indonesian and the EU had been growing favorably over the past few years. "European countries are some of Indonesia's most important trade partners and sources of investment," he added.

Wanted terrorist on way to Malaysia: Report

Asia's most wanted terrorist is reportedly shuttling between Sulu and Malaysia to evade capture by pursuing government troops, *The Philippine Star* reported on Tuesday (8/1/08).

A highly placed military source told *The Star* that Jemaah Islamiyah (JI) bomber Dulmatin was reportedly last seen in one of the islands of Malaysia between November and December last year.

"The reports we have received (are) that he keeps moving between Sulu and Malaysia," the official said when asked about the whereabouts of the elusive terrorist leader, who has a \$10 million reward from the US on his head.

The source said Dulmatin constantly moves from one island to another to avoid detection even by local people.

"This might be one of the reasons why information on the whereabouts of Dulmatin in Sulu (is minimal) during certain periods or every time he slips (out of) the country," said the Army official, who has been spearheading the hunt for the terrorists in Sulu.

On the other hand, the official said he is sure that the top leaders of the Abu Sayyaf have remained in hiding in Sulu.

The military claimed the Abu Sayyaf has been providing shelter to the JI militants, including Dulmatin and his cohort Umar Patek, who analysts say is a far more dangerous figure than Dulmatin, though the US has only placed a \$1 million ransom on his head.

The two terrorists reportedly masterminded the 2002 bombing in Bali that killed 202 people.

In a trip to Sabah last December, Malaysian Deputy Prime Minister and Defense Minister Najib Rajak played down the entry of radicals to Malaysian territory. Two naval bases and troops stationed in Semporna and Sepanggar were major deterrents against terrorists transiting, he said.

REGIONS

Mimika police detain two tribal chieftains

Police in Mimika, Papua, have detained two tribal chieftains -- Pius Waker and Kamanial Waker from Kimbeli District, Tembagapura -- in an effort to prevent the widening of a war between two villages, Antara reported on Friday (11/1/08).

Mimika Police Chief Adjunct Senior Commissioner Godhelp C Mansnembra said Thursday the arrest was necessary to prevent the widening of a tribal war between residents of Kimbeli and Banti villages which began in September 2007.

The tribal war had so far killed nine tribesmen and injured tens of others.

"The two chieftains were arrested on Tuesday and are now being detained at the Mimika police office for further legal process," Mansnembra said.

Mimika police had also seized a number of weapons including at least 1895 arrows, 378 bows, 12 shotguns, 30 spears and two axes.

Local authorities and religious leaders have encouraged the conflicting parties to talk and make peace, he said.

Media centers to be set up in 10 provinces

Some 10 provinces in Indonesia will get media center facilities in connection with the implementation of the law on information openness which is being finalized by the parliament, a communication official told Antara on Thursday (10/1/08).

"Among the 10 provinces will be North Sumatra, Bangka-Belitung, Central Java, Bali, West Nusa Tenggara, Maluku, East Kalimantan and Papua," the head of the Public Information Agency of the Ministry for Communication and Informatics, Suparwoto, said.

He said the facilities to be provided for the centers were computers, servers, facsimiles and scanners that could be used by reporters in doing their jobs.

He said all the public services would be on-line by 2012 when the law on information openness was enacted.

Kings, sultans mark Islamic New Year together

As residents across the country celebrated the Islamic New Year on Wednesday (9/1/08), kings, queens, sultans and royal families from 104 kingdoms across Indonesia marked the holiday together for the first time.

A combination of the thick scents of sandalwood, jasmine and incense filled the air of Sasono Utomo at Taman Mini Indonesia Indah late on Wednesday (11/1/08), an inkling of the unusual ceremony that was about to take place.

The royal members from Indonesia's kingdoms then bowed their heads and prayed for the country's safety and prosperity, said the report from *The Jakarta Post* on Thursday (10/1/08)

"It's the first time 104 kingdoms and sultanates could make it to the gathering to mark Islamic New Year's Eve," said KRT Soebagyo Marto Bodropuro from the Surakarta Palace.

Seated around the room were men in royal gowns with loyal aides on their sides and women in traditional garb and glittering jewelry, an extraordinary backdrop to the packed hall.

Islamic New Year is also in the New Year in the Javanese calendar. People living in Central Java and Yogyakarta mark the day with various rituals, including praying at the Royal Palace's mosques, cleansing ritual implements such as sacred daggers and spears, or taking a silent evening stroll.

Wednesday's ceremony at Taman Mini however, saw a combination of rituals, ranging from a performance by Surakarta's royal dancers, a parade of *tumpeng* (coned-shaped rice dishes) and royal weaponry and midnight prayers.

"Our ancestors communicated with their creator through symbols. Modern-day people think this kind of ceremony is unworthy so they have let go of its legacy."

Speaking to reporters after the ceremony, the Cultural and Tourism Ministry's Director General of Cultural Values, Art and Film, Mukhlis Paeni, stressed the importance of reviving traditional cultural events, not only as part of the newly launched Indonesia Visit Year 2008 program to lure tourists but also to safeguard the country's cultural heritage.

"These kings and sultanates are guardians of our roots. We must encourage them to take active roles otherwise we will see more of our heritage claimed by other countries," he said, in a reference to recent rows between Indonesia and Malaysia over the origins of various cultural issues.

ECONOMY

Smelter deal kicks off investment

A preliminary deal between the government and India's state-run National Aluminum Co Ltd on Friday (11/1/08) for a \$3.2 billion project to build an aluminum smelter and power plant in Sumatra promises the start of a strong year for growth in Indonesia.

The announcement came after government data showed that foreign direct investment (FDI) rose 73% to \$10.3 billion last year, Reuters reported.

FDI rose from \$5.97 billion in 2006. FDI approvals surged to \$40.14 billion in 2007, from \$15.65 billion in the previous year.

Actual domestic investment rose almost 70% to Rp34.9 trillion (\$3.69 billion) in 2007.

In other positive news during the week, three major automotive and motorcycle financing firms all announced plans to increase lending this year, predicting that automotive sales would continue to rise through 2008.

Vehicle sales are estimated to have increased around 36% to 434,000 units in 2007, slightly above target.

State-owned PT Jasa Marga and Malaysia's MTD Capital Bhd also announced plan to borrow a combined total of some \$1.5 billion to build new toll roads, urgently needed to assist keep down the cost of business, particularly for exporters.

The government kicked off its fund-raising for the year with an ambitious \$2 billion bond sale that was one and half times oversubscribed.

"This is a big success considering the difficult conditions," said Rahmat Waluyanto, the Finance Ministry's Director General of Treasury, referring to the weak US dollar, the US sub-prime mortgage crisis and soaring global oil prices.

The central bank meanwhile left its key interest rate steady at 8.0% on Tuesday (8/1/08), wary of the threat of inflation due to both external and domestic pressures.

Central bank Senior Deputy Governor Miranda Goeltom said although the central bank decided to keep its key rate unchanged, there is still room for commercial banks to cut their lending rates over the next few months.

"Given tight competition among banks and continuing efforts to improve efficiency, there is still room for banks to cut their lending rates," she said.

Banks were also planning expansion of their credit portfolios, with Bank Central Asia stating that it was aiming to disburse Rp5 trillion (\$555 million) in new corporate credits this year.

Share prices closed 1.6% up Wednesday at a fresh record high on the back of gains made by PT Astra International, miners and plantation stocks, dealers said, according to Agence France-Presse.

Palm oil stocks such as PT Astra Agro Lestari and PT PP London Sumatra extended their rally on hopes the high price of crude palm oil will be sustained in tandem with crude oil's climb to the historic level of \$100 a barrel.

The Jakarta composite index closed up 44.64 points at 2,830.26. The market was closed on Thursday and Friday. For the week, the key index gained 65.07 points or 2.4%.

The rupiah was trading at 9,435/9,444 rupiah to the dollar.

BUSINESS BRIEFS

MACROECONOMY

\$2B bond sale oversubscribed

A \$2 billion government bond sale attracted solid demand, but paid a sizeable premium to reflect the risk aversion in Asian debt markets, Reuters reported Friday (11/1/08).

Indonesia attracted \$3.2 billion in orders for its 10-year and 30-year bonds on Thursday after agreeing to pay 3.06 percentage points and 3.29 percentage points over comparable US Treasuries respectively.

Just about a year ago, Indonesia had paid 1.9 percentage points over US debt for its 30-year bond sale, reflecting the extent to which Asian markets have come under pressure

Analysts expressed little surprise at the terms for the deal, which was also priced at about 0.3 percentage point over yields for existing Indonesian debt of similar maturities.

"That kind of premium is fair to investors, given the \$2 billion size as well as the recent market conditions," said Mark Lo, a credit analyst at BNP Paribas.

"It's easier for sovereign issuers to tap into markets because the growth in emerging markets will still be solid for this year," he added. "For much riskier high-yield issuers, it's a different story. Sentiment is really bad at this time for corporations."

Indonesia is paying a premium even as the country could see solid growth, with the Government expecting growth of 6.3% for 2007 -- the fastest full-year expansion in 11 years - - and growth next year of approaching 7%.

"This is a big success considering the difficult conditions," Rahmat Waluyanto, the Finance Ministry's Director General of Treasury, said, referring to the weak US dollar, the US sub-prime mortgage crisis and soaring global oil prices.

Central bank holds benchmark rate at 8.0%

The central bank left its key interest rate steady at 8.0% on Tuesday (8/1/08), wary of the inflation threat from soaring oil prices and the weakness of the rupiah, Reuters reported.

All 13 analysts in a Reuters poll last week had expected the central bank to keep its benchmark interest rate, the BI rate BIPG, unchanged.

Central bank governor Burhanuddin Abdullah suggested on Friday that there was still room to cut rates. He didn't elaborate but he made his comments after the government said it expected inflation to ease this year and in 2009.

Bank Indonesia meanwhile predicted that lending in Indonesia will grow 22-25% this year supported by a relatively low interest rate environment, Thomson Financial reported.

Deputy Governor Muliawan Hadad said the central bank is still waiting for banks to submit their business plans for the year, which are due at the end of this month.

Separately, central bank deputy governor Miranda Goeltom said although the central bank decided to keep its key rate unchanged at 8.0%, there is still room for commercial banks to cut their lending rates over the next few months.

"Given tight competition among banks and continuing efforts to improve efficiency, there is still room for banks to cut their lending rates," she said.

Maximum deposit rates lowered

The state deposit insurance agency has cut its maximum rupiah and dollar guaranteed bank deposit rates by 25 basis points on expectations of an easing in inflation this year, Reuters reported Wednesday (9/1/08).

The state agency's decisions on maximum guaranteed bank deposit rates are closely watched by commercial banks because that rate affects the commercial banks' deposit and lending rates, critical for their profitability.

The deposit insurance corporation (LPS) set its maximum rupiah guaranteed deposit rates at 8.0% for January 15 to May 14, from 8.25% in the previous period of September 15, 2007 to January 14, 2008.

It also cut its maximum dollar guaranteed deposit rates for the same period to 4.25%, from 4.5% in the previous period.

INVESTMENT

India's NALCO signs smelter deal

India's state-run National Aluminium Co Ltd signed a preliminary deal with the Indonesian government on Friday (11/1/08) for a \$3.2 billion project to build an aluminum smelter and power plant in Sumatra, Reuters reported.

In the first phase, NALCO plans to build the smelter with an annual capacity of 250,000 tons and the coal-fired power plant with the capacity to generate 750 MW of electricity, B.L. Bagra, NALCO's finance director said.

The company will double the smelter capacity to 500,000 tons and add another 500 MW to the power plant in the second stage, Bagra said, without specifying a timeframe.

The project may start commercial operation within five years, he said after the agreement was signed.

The project will need 1 million tons of alumina a year once it is completed. The alumina will be supplied by NALCO in India.

Bagra said the South Sumatra government has allowed the company to explore the possibility of mining coal in the province, but if there is no coal available there the provincial government will arrange supplies from Tanjung Enim coal mine operated by state coal firm PT Tambang Batubara Bukit Asam.

"There will be a long-term contract with Bukit Asam because the life of the project is 30 years," he said.

NALCO's project would be another fresh investment in aluminum processing in the country.

Foreign direct investment up 73% in '07

Foreign direct investment (FDI) in Indonesia rose 73% to \$10.3 billion last year, government data showed on Wednesday (9/1/08), thanks to political stability and an improving outlook for the country, Reuters reported.

"The potential is there, given Indonesia's large population, while capacity utilization has also reached 70-80% which means we need new investment," said Thomas Dharmawan, the head of the association of Indonesian food and beverage firms (Gapmmi).

Government data showed FDI rose from \$5.97 billion in 2006. FDI approvals surged to \$40.14 billion in 2007, from \$15.65 billion in the previous year.

The data also showed actual domestic investment rose almost 70% to Rp34.9 trillion (\$3.69 billion) in 2007, while domestic direct investment approvals rose 16% to Rp188.9 trillion from Rp162.8 trillion.

The BKPM data does not cover industries such as oil and gas, banking and insurance.

Malaysia's MTD Capital to fund toll roads

Two joint-venture companies involving Malaysian engineering firm MTD Capital Bhd will borrow about \$420 million to build toll roads in Indonesia and the Philippines, MTD said on Friday (11/1/08), Reuters reported.

Several banks including IFC and Banco de Oro-EPCI Inc (BDO) would provide the funds, which would account for about 70% of total costs, he said, adding that the rest would be financed through equity.

MTD, Malaysia's second-largest toll road builder, through its joint venture firm in Indonesia, also planned to take a 10-12 year rupiah loan of about \$210 million to build a highway in Jakarta, Leow said, adding the lenders had not been finalized.

Rajawali to spend \$200M on oil palm planting

Rajawali Group said it will spend \$200 million for expansion in the plantation sector, especially in oil palm plantations, Asia Pulse reported Tuesday (8/1/08).

The group, which has stakes in various other sectors including hotels, tourist resorts, coal mining, cement manufacturing and transport sectors, will start planting oil palm seedlings over 50,000 hectares of plantations.

The group already has 200,000 hectares of land including 150,000 hectares in Kalimantan and 50,000 hectares in Papua, and of the total only 32,000 hectares have been cultivated, said company director Darjoto Setiawan.

With the new cultivation, the group will have 82,000 hectares of oil palm plantations by the end of 2008, said Setiawan.

He said the company also plans business expansion in the property and mining sectors this year.

Garment makers to invest \$122M

A number of textile companies plan to build new garment factories with a total investment of Rp1.1 trillion (\$122 million) this year, the Indonesian Textile Association (API) said, Asia Pulse reported Tuesday (8/1/08).

Growing demand has prompted the plan by six large companies - PT Sritex, PT Argo Pantes, PT Sari Warna Asli, PT Batik Keris Utama, PT Lucky Print Abadi and PT Apac Inti Corpora - and ten other smaller companies.

Each of the six companies will invest Rp100 billion to produce 12,000 garments annually, API chairman Benny Soetrisno said.

In 2007, the country exported 380,000 tons of garment valued at \$5.97 billion or an increase of 13.2% from the previous year.

STATE CONCERNS

Flood damage to rice fields limited: Minister

Floods that hit parts of Java and outer islands in recent weeks have caused only limited damage on the country's overall rice production, agriculture minister Anton Apriyantono said Monday (7/1/08), Thomson Financial reported.

Apriyantono said that out of 12 million hectares of rice fields, only 43,000 hectares have been affected by floods - less than 1%.

"We're still optimistic our (rice) production target is intact," he said, without elaborating.

SOEs

PT Telkom to spend \$2.2B in 2008

The country's largest telecommunications company PT Telkom said it will set aside Rp20 trillion (\$2.2 billion) for capital spending in 2008, Asia Pulse reported Tuesday (8/1/08).

Around 5% of the fund will be used for business innovation and to acquire information technology, company vice president Edy Kurnia said.

Kurnia said some of the funds will be borrowed but internal funds will make up the largest portion.

He said the state-owned company will build 3,000 new base transceiver stations (BTS) this year.

He also said Telkom is finalizing negotiations on the acquisition of PT Sigma Cipta Caraka and the final deal is expected to be signed in mid February.

Jasa Marga seeks loan for toll projects

Toll road firm PT Jasa Marga is seeking more than Rp11 trillion (\$1.16 billion) in loans to finance its toll road projects over the next few years, its president director said on Wednesday (9/1/08).

Frans Sunito, told Reuters the company was aiming to finalize deals with domestic lenders in the second half of this year.

"From a total Rp16 trillion that we need, we have set aside Rp4.8 trillion, while the rest will come from loans. We will seek financing from domestic banks," Sunito said.

He had said earlier the company prefers bank loans as it can tailor the disbursement schedule according to the progress of projects compared to bonds where the money is received all at once.

Jasa Marga controls around 496 km of toll roads in the country, or around 75% of the total length of toll roads.

The government owns 70% of the company's stake, after an IPO last November that raised Rp3.5 trillion. Part of the proceeds will be used to develop new toll roads.

Sunito said earlier this month that the company is expecting revenue to rise 20% this year to Rp3.18 trillion on the back of higher earnings from new toll road sections opened last year.

Jamsostek posts \$23M in net profit

State-owned workers insurance company PT Jamsostek posted Rp910 billion (\$23.1 million) in un-audited net profit in 2007, Asia Pulse reported Tuesday (8/1/08).

The net profit came mainly from the management of an investment fund of Rp58.69 trillion, said company president Hotbonar Sinaga.

Sinaga said the company reported Rp5.6 trillion in investment proceeds and Rp5.2 trillion in gross profit in 2007.

This year, Jamsostek aims to manage investment funds valued at Rp68.5 trillion, a move that is expected to turn out Rp1.17 trillion in net profit.

The company, with assets at Rp70.3 trillion will increase its investment allocation in shares from 18% to 20%, with investment in mutual funds remaining at 5% and bonds up from 42% to 46%, he said.

Krakatau Steel to cut steel exports

State steel firm PT Krakatau Steel plans to cut exports of hot-rolled coil and cold-rolled coil by 50% this year to meet rising domestic demand, a company official said on Wednesday (9/1/08) Reuters reported.

Krakatau Steel plans to export 125,000 tons of hot-rolled coil and cold-rolled coil combined this year, compared with 250,000 tons in 2007, said Irvan Kamal Hakim, Krakatau Steel's marketing director.

"We may cut steel exports by half this year because domestic demand is rising."

He said the rise in local demand will come from a number of national projects such as power plants and ship-building projects.

Hot-rolled coil is used in construction, ship building, and oil and gas pipelines while cold-rolled coil is often used in products such as automobiles and pipelines.

Hakim said the company planned to increase production capacity to 5 million tons a year in 2010, from 3.1 million tons.

Lack of raw material at home has forced the company to import iron pellets from South America and it plans to import pellets from India and Australia in 2010, Hakim said.

PRIVATE SECTOR

Bakrie & Brothers looks for \$5B in fresh funds

Publicly listed holding company PT Bakrie & Brothers will launch a rights issue and seek loans to raise Rp45 trillion (\$5 billion) in fresh funds to buy shares in affiliated companies, Asia Pulse reported Tuesday (8/1/08).

Sources told the newspaper *Bisnis Indonesia* the planned rights issue would be the largest ever in the country and was expected to be launched toward the end of June this year.

Until now the largest rights issue was launched by PT Barito Pacific raising Rp9.26 trillion followed by Bank Negara Indonesia's Rp8.1 trillion last year.

The sources said the capital market watchdog Bapepam-LK has been informed of the right issue plan of the widely diversified corporation.

A banker said Bakrie & Brothers want to acquire 40% stake in the affiliated companies operating in property, mining and energy sectors.

After the rights issue, Bakrie & Brothers, which has become holding company for various business units including in steel making, telecommunications service, plantation, mining, property sectors will become a private equity investment company, the source said.

2007 vehicle sales above target

Vehicle sales are estimated to have increased around 36% to 434,000 units in 2007 as the industry recovered from a slowdown following a hike in fuel prices, an industry executive said on Monday (7/1/08), Reuters reported.

Jodjana Jody, head of sales at Toyota Astra Motor, said that domestic sales probably rose over 20% in December to between 37,500-38,000 units, from 31,177 units a year ago.

The 2007 sales figure is slightly higher than industry forecasts of 430,000 units. Total 2006 sales stood at 318,904 units.

Finance companies to expand lending

Three leading automobile and motorcycle finance companies, PT Adira Dinamika Multifinance, PT Astra Sedaya Finance and PT Tunas Ridean, are preparing to expand their lending this year in expectation of buoyant market conditions.

Adira will spend Rp12.5 trillion (\$1.38 billion) on financing business this year, up 20% from last year's target of Rp10.5 trillion, Asia Pulse reported Tuesday (8/1/08).

The company would achieve the target barring drastic change in the government policy in the energy sector, finance director Hafid Hadeli said.

Hadeli said the company overshot its target in 2007 with financing of almost Rp11 trillion.

PT Astra Sedaya Finance will offer Rp1 trillion of bonds in late February to raise working capital, the company said on Wednesday, Reuters reported.

PT Indo Premier Securities, DBS Vickers Securities Indonesia and Mandiri Sekuritas, have been appointed to underwrite the bonds, which will be offered between February 27-29, Astra Sedaya said in a published prospectus.

The bonds will be divided into six series with maturities ranging from 370 days to 42 months.

The company, a unit of General Electric Co, has not decided the coupon rate for the bonds.

General Electric Services owns 47% of the company, PT Astra International 44.3% and PT Sedaya Multi Investama the rest.

Astra Sedaya has more than Rp2 trillion worth of outstanding bonds, which will mature between March 2008 and June 2011.

PT Tunas Ridean will offer a Rp750 billion (\$79.40 million) bond issue in February, its president director said on Wednesday (9/1/08), Reuters reported.

The proceeds from the bonds will be used to support its plan to extend Rp2.4 trillion in financing this year, about 30% up from last year's estimated Rp1.8 trillion.

Tunas will offer an indicative coupon rate of between 9.80 and 11.40% for the debt.

Standard Chartered Securities, Danareksa Sekuritas and PT Lautan Dana Securities have been appointed to handle the issue.

Metropolitan to raise \$200M via IPO: Report

Property developer PT Metropolitan Kentjana plans to sell 20% of its enlarged capital to raise approximately \$200 million in the first semester, *Bisnis Indonesia* reported on Tuesday (8/1/08), citing unnamed investment bankers.

Metropolitan owns a number of shopping malls in Jakarta, including Pondok Indah Mall in South Jakarta.

The company also owns Puri Indah Estate, Wisma Metropolitan I and II office buildings, as well as the World Trade Center in Central Jakarta.

Metropolitan is 47.5% owned by diversified PT Berca Indonesia.

Excelcom subscribers jump 63% in 2007

Mobile phone operator PT Excelcomindo Pratama's subscribers jumped 63.2% last year, driven by lower prepaid rates and cheaper handset prices, Reuters reported.

Excelcom, 67% owned by Telekom Malaysia, said in a statement on Friday (11/1/08) it ended 2007 with 15.5 million subscribers compared with 9.5 million in the previous year.

The increase in the number of subscribers pushed the third-largest mobile phone operator's fourth-quarter revenue up over a fifth from the previous three months, but the firm did not give financial details.

In the three months ended September 30, Excelcom's revenue was slightly over Rp2 trillion (\$213.2 million). In anticipation of higher growth in the sector, Excelcom plans to raise up to \$950 million of new funding, which will be used to pay for this year's capital spending and refinance its \$350 million bonds in January .

"At this moment, XL already has Rp6.7 trillion in place and expects to lock in another \$150 million within this month," the company said.

In December, Excelcom reached an agreement to borrow Rp4 trillion from the country's largest lender, PT Bank Mandiri.

Emirates Telecommunications (Etisalat), a Middle East firm, said in December it was buying a 16% stake in Excelcom from Rajawali Corp for \$438 million.

BANKS

BCA to disburse Rp5T in corporate loans

PT Bank Central Asia (BCA), the country's largest private lender, said it aims to disburse Rp5 trillion (\$555 million) in new corporate credits this year, Asia Pulse reported.

The oil and gas and telecommunication sectors would be the main targets of credit expansion, corporate director Dhalia Ariotedjo said.

She was optimistic the target would be reached with improvement in economic conditions.

The country's fourth largest lender by assets and credits based on data in 2006, had Rp85 trillion in outstanding credit by the end of 2007, up from Rp61.59 trillion a year before.

Dhalia said the bank is negotiating with PT Aneka Tambang on large credits needed by the state mining company.

The bank has also agreed to finance construction of toll road projects and power generating projects worth trillions of rupiah.

Bank Ekonomi's IPO 22 times oversubscribed

An initial public offering (IPO) by PT Bank Ekonomi Raharja to sell 10.11% of its shares, has been 22 times oversubscribed, Asia Pulse reported.

The foreign exchange bank raised Rp291.6 billion (\$32.3 million) from the sales of 270 million shares listed on the Indonesian Stock Exchange Tuesday (8/1/08).

Market demand was strong with 65% coming from institutional investors and the rest from retail investors, underwriter PT Dinamika Ushahajaya said.

Investors have been encouraged by good performance of the bank, which has focused credit expansion mainly on small and medium enterprises, Dinamika president Kris S Widjojo said.

The bank was estimated to post Rp172.7 billion in net profit and this year profit is predicted to rise to Rp214.57 billion.

BI to sanction acquisition of four banks

Bank Indonesia (BI) is expected to approve proposals by four investors to acquire four small banks, Asia Pulse reported Monday (7/1/08).

Licensing Director Yang Ahmad Rizal said the central bank is still processing the proposals by state Bank Mandiri, Wishart Investment Inc Singapore, US non-profit company Mercy Corp and PT Bank Pan Indonesia (Panin). Bank Mandiri is to acquire Bank Sinar Harapan Bali, Wishart proposes to acquire Bank Anglomas Internasional, Mercy Corp. to acquire PT Bank Sri Partha and Bank Panin to acquire Bank Harfa.

Meanwhile, the central bank is expected to soon issue the license for the merger of PT Bank Harmoni Internasional and PT Bank Index Selindo.

The central bank has encouraged merger or acquisition of small banks not having enough fund to meet the minimum capital limit of Rp80 billion (\$8.8 million) this year and Rp100 billion in 2010 under its Indonesian Banking Architecture.

POWER

Chubu Elec, J-Power to advise PLN

Chubu Electric Power Co. and Electric Power Development Co., or J-Power, said Thursday (10/1/08) they will provide consulting services for power utility PT PLN on its thermal power station expansion project, Jiji Press reported.

In the 700-million-yen contract, Chubu Electric and J-Power, in cooperation with British and Indonesian electric power consulting firms, will advise on PLN's project to build a natural gas-fired power facility at a thermal power station in Palembang in South Sumatra.

Construction of the facility is slated to start in the second half of 2009 for the start of commercial operations in mid-2011.

Japan's yen loans will cover 9.7 billion yen of the project's costs totaling 11.5 billion yen.

China Shenhua gets OK for coal-fired plant

China Shenhua Energy Co., China's largest integrated coal producer by output, received approval from Beijing's National Development and Reform Commission to invest in a coal-fired power plant in Indonesia, Dow Jones reported Tuesday (8/1/08).

A statement posted on the NDRC Web site said Shenhua Energy will invest the power plant through a joint venture, but didn't give the name of the partner or investment details.

OIL & GAS

Elnusa Eyes \$66M from IPO: Underwriter

PT Elnusa, a unit of state oil firm PT Pertamina, plans to raise as much as Rp620.5 billion (\$65.75 million) from the sale of a 20% stake through an initial public offering, its underwriter said on Tuesday (8/1/08), Reuters reported.

Wayan Gemuh, director for investment banking at Mandiri Sekuritas, which is handling the offering, said the oil product retailer planned to price its shares at between Rp330-425 each. The company plans to sell 1.46 billion shares.

Energy minister Purnomo Yusgiantoro said in March last year that Pertamina planned to launch IPOs of some of its subsidiaries and Elnusa would be the first in line. Pertamina controls 51.38% percent of Elnusa.

The shares will be offered between January 25 and 29 and listed on the Indonesia Stock Exchange on February 4.

Elnusa's net profit is estimated to have risen by almost 30% to 105 billion rupiah in 2007 and it is aiming for 10% revenue growth this year from an estimated Rp2 trillion in 2007.

Meanwhile Elnusa president director Eteng A. Salam said the company had recently procured three contracts for oil and gas projects in Brunei Darussalam worth a combined \$15.1 million, *The Jakarta Post* reported. The contracts, for seismic operation, each ran eight months, Eteng said.

The Brunei projects are a start, he said. "We plan to expand our seismic services abroad, especially for oil and gas operators in the Asia Pacific region."

Hendri S Suardi, Elnusa finance director, said the company had also placed a bid for an oil and gas project in Vietnam.

Pertamina to buy 8 tankers for \$400M

State-run oil firm PT Pertamina plans to buy eight tanker ships, including two from China, for between \$300 million and 400 million, an executive said Tuesday (8/1/08), Xinhua reported.

The company expects to receive two used tanker ships in the first quarter of the year, Pertamina finance director Frederick Siahaan said.

The purchase will include two new tankers from China for deliveries in the next three or four years, he said without elaborating.

Pertamina has not decided where to buy the remaining four ships, he said.

Rigging, testing facility for Batam

Aqua-Terra Supply is to set up a rigging and testing and certification facility on Batam, Singapore's *Business Times* reported Tuesday (8/1/08).

The facility will be run under PT MH Global Indonesia, which is a subsidiary of Aqua-Terra unit Marinehub.

It will serve the needs of the increasing number of oil-and-gas and marine companies now operating in Batam.

Marinehub holds 99% of the equity while Kabil Industrial Estate owner PT Kabil Indonusa Estate takes up 1%.

Total investment in the company will be over \$3 million, Aqua-Terra said in a statement.

Aqua-Terra's new facility will enable it to expand its rigging and testing and certification services from its current operations in Singapore to meet the needs of its customers in Batam.

MINING

Newmont to divest stake in Batu Hijau gold mine

PT Newmont Nusa Tenggara, owned by US mining giant Newmont Mining Corp., hopes to soon finalize the sale of a 2% stake in its copper and gold mine project in Batu Hijau, West Nusatenggara to the regency of Sumbawa, Asia Pulse reported Tuesday (8/1/08).

Company's Director Martiono Hadianto said he was optimistic that ongoing negotiations between the company and the Sumbawa administration would end with an agreement by the end of this month.

The 2% stake share is part of 7% divestment planned but failed in implementation in 2007 by the company.

The company is to gradually divest 51% of its stake to local partners under its contract over a certain period.

Coal association sees higher 2008 exports

Coal exports can still exceed 150 million tons this year due to higher supply, despite fears that the government may curb exports to protect domestic demand, a senior industry figure said Tuesday (8/1/08), Reuters reported.

Record high prices have prompted producers to boost output in 2008 and new coal producers to speed up construction of their mines, said Soedjoko Tirtosoekotjo, executive director of the Indonesia Coal Mining Association.

"Producers are preparing to raise output to benefit from price gains," Tirtosoekotjo said.

Output from Indonesia, the world's top thermal coal exporter, is expected to reach 234 million tons this year while domestic demand could reach 55 million tons, leaving the remainder for exports, the association said in December.

Indonesia produced an estimated 215 million tons in 2007, up from 193 million tons in 2006.

It exported an estimated 165 million tons of coal in 2007, up from 145 million tons in 2006.

Export growth may slow in coming years as the government plans to limit them to a maximum of 150 million tons, starting in 2009, in order to meet surging demand from domestic buyers, producers said.

"But the government has said the 150 million tons limit is not fixed. If domestic demand is fulfilled, the remaining can be exported," Tirtosoekotjo said.

Oxiana mulls spin-off of gold assets

Australian diversified miner Oxiana Ltd. said Friday (11/1/08) it is considering spinning off its gold assets into a separate IPO as the price of bullion soars on world markets, Dow Jones reported.

The potential 500,000 ounce-a-year venture could be valued at more than A\$1 billion as investors look for fresh exposures to the rising gold price.

Oxiana Chief Executive Owen Hegarty said that he has been approached by a "number" of local and international investment banks on the proposal.

"We will look at all the options of getting the inherent value that is in the gold out there to our shareholders," he said.

Interest in the proposal grew after Oxiana approved its \$310 million Martabe gold development in December, and intensified in recent weeks because of gold's rally to record highs.

Martabe, in Sumatra, is predicted to become the "nucleus" of Oxiana's gold unit when it starts production in 2010, Hegarty said.

The mine is expected to produce 200,000 oz of gold and two million oz of silver per year over an initial nine years, based on the Purnama deposit, which will be the first deposit to be mined at Martabe.

The development is contingent on final Indonesian government permits, due to be received by April. Oxiana hopes to start construction by July.

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