

THE COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

Main Building, Ministry of Finance, Jl. Lapangan Banteng Timur No.2-4 Jakarta Pusat
Tel: (021) 380-8384 Fax: (021) 344-0394 Website: <http://www.ekon.go.id>

Trade and Investment News¹, 18 February 2008

Highlights

Politics

- US Defense Secretary Robert Gates to visit for talks on maritime security
- China and Indonesia to sign extradition treaty

Regions

- Aceh conflict over coffee

Economy

- Growth recorded at 6.32% for 2007, its fastest pace in a decade
- Fitch Ratings raises country rating to BB

Business briefs

Macroeconomy

- Tax revenue up 19% in 2007 to Rp426 trillion (about \$46 billion)
- Finance ministry sells Rp1.05 trillion in five- and 10-year bonds

Investment

- Chamber of Industry and Commerce predicts investment flows from Middle East
- Australia's Quantum Group to invest \$250 million in biofuels

State concerns

- Chamber of Industry and Commerce projects 13% growth in non-oil and gas exports
- Government to provide Rp4 trillion for export-supporting agency

SOEs

- Government considers IPO for pawnbroker Pegadaian

Private sector

- Car sales jump 54% in January, motorcycle sales up 38%
- PT Samudra Indonesia orders two bulk carriers for \$97.6 million

Banks

- President nominates two candidates to lead Bank Indonesia
- Net profit at banks up 14.36% to Rp32.4 trillion (\$3.4 billion) in 2007

Power

- At least eight local banks keen to finance major power plant projects

Oil & gas

- Pertamina may seek to work with ExxonMobil on Natuna D-Alpha gas field
- Pertamina and Petrochina produce oil in West Papua

Mining

- PT Inco nickel output up 7% in 2007
- Straits Resources estimates coal resource up 276% from previous estimates

¹ *This Trade and Investment News is a publication of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia. Readers are welcomed to forward it in its original form but no reproduction is allowed without permission*

POLITICS

US Defense Secretary to visit

US Defense Secretary Robert Gates is slated to visit Indonesia later this month for talks on regional maritime security issues with his Indonesian counterpart Juwono Sudarsono, Xinhua reported.

"We will discuss regional maritime security issues and the supporting role to economic development in Southeast Asia, in particular Indonesia," Sudarsono was quoted as saying Thursday (14/2/08) by Antara.

He said the US government has donated five radar packages known as integrated maritime surveillance system to be installed along the Malacca Strait.

Indonesia is currently requesting a grant of used amphibious tanks from the United States, the minister added.

Meanwhile top Indonesian and American air force officials met Friday for talks on bilateral defense cooperation, which may lead to the purchase of US-made F-16 jet fighters and Hercules personnel carriers.

The Indonesian Air Force said in a press release Air Force chief Vice Marshal Subandrio received United States Under Secretary of the Air Force for International Affairs Bruce S. Lemkin for a meeting aimed at efforts to boost cooperation on the procurement of new defense equipment for Indonesia, particularly combat and personnel carrier planes.

"We'll consider purchases for the 2010-2014 period," Air Rear Marshall Soenaryo told Antara.

He said the latest version of the F-16 was a necessary replacement for the Air Force's aging fleet. The Air Force would be able to save maintenance fees allocated for 2008-2019 by having the new jet fighters.

Extradition treaty with China to be signed

The Indonesian and Chinese government will sign an extradition treaty as part of their efforts to enhance bilateral relations in the near future, Indonesian Ambassador to China Sudrajat said on Monday (11/2/08), Antara reported.

"In due time, the two countries' foreign ministers will meet. We hope it (the treaty's signing) will take place before the middle of this year," Sudrajat said after a meeting with President Susilo Bambang Yudhoyono.

He said the Indonesia-China extradition treaty would contain clauses whereby assets hidden in China by Indonesian corrupters would be returned to Indonesia.

The envoy also reported on developments in bilateral cooperation in the defense sector, especially those affecting educational and training cooperation programs including exchange of officers and cooperation in arms production.

Sudrajat said that China had also offered assistance for efforts to increase Indonesia's capacity to maintain security in the Malacca Strait.

BI Governor denies bribery allegations

Central bank governor Burhanuddin Abdullah, who has been named as a suspect by the Corruption Eradication Commission (KPK) in a bribery case, said Friday (15/2/08) he would let the investigation take its course and hoped for a quick and fair result, Reuters reported.

The KPK has named the governor and two other Bank Indonesia (BI) officials as suspects in a case in which a foundation linked to Bank Indonesia illegally paid members of parliament and funded legal assistance for top central bank officials.

The two officials were detained by KPK on Thursday evening following questioning. A spokesman for the agency said it expects to question Abdullah this week.

Abdullah, who appeared weary and subdued in an interview with Reuters on Friday, said he would follow the procedures and planned to prove his innocence.

"It's very human if you are worried," he said, adding that he would prove his innocence. "Let the process be followed. I'll follow the process and we'll see the end of the game."

Most of the money is alleged to have gone to members of the House of Representatives banking commission when they were deliberating amendments to the Law on the Central Bank in 2002.

REGIONS

Aceh conflict over coffee

Members of the Gayo ethnic group in the highlands of Aceh say they are annoyed by the insistence of a Dutch company that they cannot use the name of their area and people for their coffee.

According to a report in *The Sydney Morning Herald*, thousands of former rebels and sympathizers are being encouraged to harvest small coffee plots supplying local co-operatives.

The growing popularity of Gayo-grown coffee has created a conflict that has erupted over the rights to the Gayo name. A Dutch company, Holland Coffee, says it has trademarked Gayo in Europe and America, and is demanding other firms drop any reference to it or face legal action.

In Aceh, many are angry that others could claim ownership of a tribal and regional name, and the move is driving proposals for Indonesian laws to prevent the monopolization of geographic names.

Holland Coffee's owner, George Willekes, is unrepentant. "We have made Gayo Mountain famous worldwide and it stands for exceptional coffee. We have trademarked it and I believe people cannot market the name Gayo anywhere in the world."

"We think Gayo Mountain doesn't stand for an area. It stands for the quality we have established."

ECONOMY

GDP expands at fastest pace in a decade

The nation expanded at the fastest pace in 10 years as declining borrowing costs encouraged companies to invest and spurred consumer spending, Bloomberg reported Friday (15/2/08).

Gross domestic product (GDP) of the \$364 billion economy grew 6.25% in the three months ended December 31 from a year earlier, after expanding 6.5% in the third quarter, the Central Statistics Bureau (BPS) said. The economy grew 6.32% in the full year.

Record coal prices and surging income from sales of cocoa and cooking oil is encouraging spending on cars, motorbikes and mobile phones.

Private consumption, which represents about 70% of the economy, rose 5.6% in the fourth quarter, up from 5.3% in the third quarter and the fastest pace in almost four years.

Since December 2005, when Bank Indonesia raised its policy rate to 12.75%, inflation cooled and the rupiah gained.

Inflation rose 7.4% in January from a year earlier, down from a high of 18.4% in November 2005. The rupiah has risen 5.8% against the dollar since the end of 2005.

"Indonesia won't be immune from slowing global growth. The government cut its economic growth forecast for this year to 6.4% from 6.8," President Susilo Bambang Yudhoyono said Friday.

The business community was buoyed by moves by the government and the House of Representatives to cut corporate income tax to a single rate of 25% in an amendment of the income tax law.

A hearing on Wednesday (13/2/08) between officials from the Directorate General of Taxation and House Commission XI on financial affairs proposed implementation of the new rate for the 2009 fiscal year, *The Jakarta Post* reported.

Indonesia's credit rating was raised to the highest level since the 1997 Asian financial crisis by Fitch Ratings, Bloomberg reported.

Fitch lifted Indonesia's foreign-currency rating one level to BB, two levels below investment grade, from BBB-, the company said in a statement today. The outlook is stable, the credit assessor said.

"This is new ammunition for Indonesia that may help the country prevent getting affected from the global slowdown," said Winang Budoyo, an economist at Jakarta-based PT Bank Lippo. "This will improve investor perception."

The ratings hike came as analysts continued to discuss the possible impact of a global trade slowdown on the country, with most agreeing that the impact should be relatively benign, with only 11% of external trade with the US economy.

The Wall Street Journal also pointed to Indonesian assets as a useful hedge against global concerns, noting that while some areas of the economy would be affected, resource stocks and domestic market plays should remain strong.

"Indonesia is relatively immune to external shocks," the report quoted David Fergusson, head of Indonesian research at Citigroup Global Markets as stating.

In another sign of continuing confidence, sales of cars were up 54% in January on the same month a year earlier, while motorcycle sales were up 38%.

On the Indonesia Stock Exchange, the Jakarta Composite index closed the week at 2,688.19, half a percentage point on the day, after rising 2.5% on Thursday. The rupiah was trading at around 9,210/9,220 to the US dollar.

BUSINESS BRIEFS

MACROECONOMY

Tax revenue up 19% in 2007

Tax revenue rose 19% in 2007 from the previous year but was slightly below the target, local media said Friday (15/2/08), Xinhua reported.

Revenue rose to Rp426.23 trillion (about \$45.98 billion) from Rp358.05 trillion (\$38.63 billion) in 2006, leading economic daily *Bisnis Indonesia* reported, quoting data from the Ministry of Finance.

The government has targeted tax revenue of Rp432.6 trillion (\$46.67 billion) in 2007.

For 2008, tax revenue is projected at Rp523.85 trillion (\$56.52 billion).

Finance ministry sells Rp1.05T bonds

The finance ministry raised a total of Rp1.05 trillion (\$113.3 million) from an auction of five-year and 10-year treasury bonds on Tuesday (12/2/08), below its target of Rp3 trillion, Reuters reported.

The finance ministry also said it aims to raise Rp3 trillion from sales of two-year and five-year zero coupon bonds on February 19.

The ministry expects to issue treasury bills within the next two months and short-term debt regularly every month, a top ministry official said.

"We will again issue treasury bills. The markets, however, are in a difficult situation right now," said Rahmat Waluyanto, Treasury Director General at the ministry.

Waluyanto declined to elaborate on the maturity of the debt to be issued within the next two months.

Foreign reserves at \$56B

The nation's international reserves were down to \$56 billion on January 31 from \$57.04 at the end of December, central bank data showed on Monday (11/2/08), Reuters reported.

Bank Indonesia said on its Web site that base money fell to Rp332.44 trillion (\$35.99 billion) in the fourth week of January from Rp379.58 trillion at the end of December.

BI to sell longer term SBIs in April

The central bank plans to start auctions of six-month and nine-month central bank debt known as SBIs, in April, Senior Deputy Governor Miranda Goeltom said Monday (11/2/08), Reuters reported.

The central bank has said it plans to sell the paper as part of efforts to improve its monetary policy operations and reduce interest rate volatility in the interbank money market.

"The six-month and nine-month debt paper will be issued in April, so that we have more debt paper," Goeltom said. She declined to elaborate.

Currently, the bank sells one-month and three-month SBIs.

INVESTMENT

More investment likely from Middle East: Kadin

Indonesia expects strong investments from the Middle East following the creation of a massive fund by oil-rich leaders, the Indonesian Chamber of Commerce and Industry (Kadin) says, *The Jakarta Post* reported.

Kadin estimated Tuesday (12/2/08) that around \$1 billion of windfall oil proceeds from the Middle East would be invested in Indonesia this year.

"Most of the new investment will be allocated for infrastructure projects such as toll road development," said the head of Kadin's Middle East committee, Sudrajat.

He said Arab businessmen preferred to put their money in infrastructure projects because they could directly supervise the development process.

Last month, Jakarta's special envoy to the Middle East, Alwi Shihab, said the government expected to secure as much as \$5 billion in investment from the region.

The investment, he said, would be spent on financial services, natural resources, plantations, infrastructure and property projects.

Shihab said investors from the Middle East had invested about \$2.55 billion last year through joint ventures in the infrastructure, chemical and tourism industries.

Quantum to invest \$250M in biofuel in Sumba

The Quantum Group of Australia will invest up to \$250 million to develop 100,000 hectares of land in East Nusa Tenggara to grow cassava, *The Jakarta Post* reported Thursday (14/2/08).

The investment is also to set up four ethanol processing plants, employing as many as 60,000 local farmers.

A memorandum of understanding between Quantum Petroleum, a subsidiary of Quantum Group, and the Southwest Sumba administration was signed Wednesday.

Quantum chief executive officer Ralph Michael said the firm would start building the first plant in the fourth quarter of this year.

The firm will invest around \$200 million for building the four plants and \$50 million for the plantations.

BlueScope starts \$113M expansion

Australian steel producer PT BlueScope Steel Indonesia began work on its \$113 million expansion of its plant in response to rising local demand for steel, Antara reported.

A ground-breaking ceremony was held Tuesday (12/2/08) at Cilegon, Banten.

"The company plans to triple its factory capacity," Director General of Metal, Machinery, Textile and Industry Anshari Bukhari said.

Managing director and CEO of BlueScope Steel Ltd. Paul O'Malley, said the expansion, which would take 18 months, capacity to produce colored and zinc- and aluminum-coated steel would jump from 100,000 tons to 300,000 tons per year.

The expansion project is focused on meeting demand from the housing construction sector, the company said.

Bumiputera to construct highest building

The life insurance company Bumiputera 1912 plans to build the highest building in the country, with 63 floors, Asia Pulse reported. State-owned construction company will handle the project.

"We have conducted the ground breaking ceremony of Bumiputera Tower located east of the Wisma Bumiputera on Jl. Jend. Sudirman, Jakarta," president of AJB Bumiputera Soeseno Hario Saputro said Wednesday (13/2/08).

Bumiputera Tower which will be built on 100,000 square meters of land and meet all criteria of a Type A Premium office building.

The value of the land and building will reach more than Rp1.7 trillion (\$183 million), Seno said, adding that it will raise the 96-year-old company's assets significantly.

Sitra signs deal for new factory

Singapore furniture maker Sitra Holdings is buying a new factory in Indonesia to expand its capacity to produce sustainable wood products, *The Business Times* reported Tuesday (12/2/08).

The firm said its subsidiary, PT Jaya Raya Trasindo, has signed a purchase agreement for the new factory at a price of Rp13.5 billion (\$14.6 million).

Jaya Raya is a wood products manufacturer in Indonesia which has achieved both Tropical Forest Trust (TFT) membership and certification from the Forest Stewardship Council (FSC).

TFT promotes sustainable forestry, while FSC provides credible independent assurance that source forests are well managed.

The firm said that some of its larger buyers have already begun to request sustainable certification.

Sitra said the projected capacity of the new factory is about 100 containers a month.

Combined with its existing capacity from Jaya Raya factory, it will help PT Jaya Raya Trasindo achieve a potential output of 130 containers a month.

Yamaha to invest \$50M in expansion

PT Yamaha Motor Kencana Indonesia (YMKI), the sole agent for Yamaha motorcycle, said it will invest \$50 million this year to expand its production capacity to 3 million units from 2.4 million units a year at present, *Asia Pulse* reported Thursday (14/2/08).

"We will have another production line with an annual capacity of 600,000 units," YMKI Vice President Dyonisius Beti said.

The company, which is pushing to take market leadership from Honda, has set a production target at 2.4 million units this year, up from 1.8 million last year.

Beti said Yamaha sales rose 20% in January from the same month last year, adding the increase was unexpected as normally sales in January were moderate.

STATE CONCERNS

Kadin tips non-oil and gas export growth of 13%

The Indonesian Chamber of Commerce and Industry (Kadin) predicted the country's non-oil and gas exports would increase by 13% to \$148.19 billion this year, chairman MS Hidayat said Tuesday (12/2/08), *Xinhua* reported.

"The prediction for exports is about 12 to 13% (in 2008). The recession in the United States will affect Indonesia's exports," he said.

President director of Bank Internasional Indonesia Henry Ho added that Indonesia's export could be shifted to the Asian region.

The United States is the second biggest export destination of Indonesia's non-oil and gas products. Japan ranked first, but many predict that the slowdown in the United States will also impact Japan.

The Association of Exporters (GPEI) said export growth is predicted to reach 12% this year from 13.09% last year, *Asia Pulse* reported Monday.

GPEI secretary general Toto Dirgantoro predicted demand for Indonesian commodities will be weaker with economic slowdown in the United States, one of the nation's largest trading partner.

Dirgantoro said exporters are more realistic in seeing export growth compared with the government, which has set a growth rate target of 14.5%.

He said Indonesian exports this year will continue to be dominated by agricultural commodities including palm oil, rubber and coal.

Govt. provides \$444M capital for export body

The government will provide an initial capital of Rp4 trillion (\$444 million) for the Indonesian Exports Financing Agency (LPEI) to be established, replacing Bank Ekspor Indonesia, Asia Pulse reported Thursday (14/2/08).

LPEI, aimed to bolster exports, will provide finance, underwriting and insurance to exporters, Finance Minister Sri Mulyani Indrawati said.

Indrawati said the capital will be derived from BEI, which by the end of last year had assets valued at Rp10.1 trillion.

She said that LPEI should have a sovereign status so it could fill the market gap not yet covered by commercial banks or financial institutions.

Govt. to remove import duty on hot roll coil

The government will remove the import duty on hot roll coil (HRC) in a bid to encourage the growth of the country's downstream steel industry, a minister said, Asia Pulse reported Wednesday (13/2/08).

"Import duty on HRC will be eliminated," Industry Minister Fahmi Idris said Tuesday. A 5% import duty had been charged.

Indonesia is still dependent on imported HRC as its largest steel maker, PT Krakatau Steel (KS), cannot yet fully meet domestic demand.

The volume of the country's steel imports is expected to reach 1.5 million tons per year, while domestic demand for steel is predicted to hit 6 million tons.

SOEs

Govt. considers IPO for pawnbroker

The government is considering turning the country's state-owned pawnbroker into a limited company ahead of a possible partial privatization, the *Financial Times* reported Monday (11/2/08).

Some 23 million Indonesians used Pegadaian last year to take out Rp23,300 billion (\$2.5 billion) in loans ranging from Rp20,000 to billions of rupiah.

The company reported pre-tax profits of Rp610 billion in 2007, up 22% on 2006, which in turn was up 52% on 2005. In 2006 Pegadaian had assets of about Rp6,000 billion.

"Pegadaian certainly has great potential so we're keen to restructure it," said state-owned enterprises minister Sofyan Djalil.

Last year Pegadaian began working with US financial services company Western Union to provide an additional outlet for Indonesian workers overseas to send money home.

PRIVATE SECTOR

Car Sales Jump, Exports to Rise

Nationwide car sales in Indonesia rose 54% to 41,380 in January from 26,830 a year ago, according to industry figures reported Thursday (14/2/08) by the country's largest car dealer PT Toyota Astra Motor (TAM), Thomson Financial reported.

TAM said its own brand sales totaled 13,751 vehicles during the month, an increase of 44% from 9,530 in January last year.

Meanwhile PT Toyota Motor Manufacturing Indonesia (TMMIN) is projecting to increase its completely built-up (CBU) car exports in 2008 by 40% to 66,000 units compared to the previous year, a spokesman said, Asia Pulse reported.

"So far, the global economic slowdown has not impeded TMMIN's export plan. In fact, demand for CBU cars is on the rise," Irwan Priyantoko, head of the company's planning division, said.

In order to achieve the target, the company would rely on exports of Toyota Avanza cars, which were projected to increase to 27,000 units this year, while Toyota Fortuner cars were projected to increase to 22,000 units.

Export destinations are Thailand, Brunei, South Africa, Mexico, the Phillipines, and Middle Eastern and Oceania countries, he said.

January motorcycle sales up 38%

Nationwide sales of motorcycles rose 38% to 473,060 bikes in January from a year earlier, supported by low interest rates, the Indonesian Motorcycle Industry Association (AISI) said on Monday (11/2/08), Thomson Financial reported.

Comparative sales in January last year totaled 342,773 motorcycles. The January 2007 figure was 20% higher than the level achieved in the preceding month.

Samudra Indonesia orders bulk carriers

Publicly-listed sea transportation service company PT Samudra Indonesia has put an order with South Korea's STX Shipbuilding for two bulk carriers worth \$97.6 million, Asia Pulse reported Monday (11/2/08).

The company placed the order for the two 57,700 dwt ships through its subsidiary, Foremost Maritime Pte Ltd, Samudra Indonesia's corporate secretary Diana P. Iskandar said.

The two ships were scheduled for completion in the first half of 2011, she said, adding that the addition of the two ships was expected to increase the subsidiary's capability to meet a boom in the demand for bulk carrier services.

PT Fastfood posts 24% increase in sales

Publicly listed restaurant operator PT Fastfood Indonesia said its sales were estimated to increase 24.5% last year to Rp1.59 trillion (\$176.5 million) from the previous year, Asia Pulse reported Monday (11/2/08).

Its net profit was estimated to rise 46% to Rp100 billion, based on the record in the first nine month of that year, company director Justinus Dalimin Juwono said.

Juwono said the company, which operates Kentucky Fried Chicken restaurants, plans to distribute a dividend this year 25-30% larger than the dividend distributed last year.

This year, the company plans to open 30 new outlets in various areas using internal funds, he said.

Summarecon to issue \$55.5M in bonds

Publicly listed property company PT Summarecon Agung said it will issue bonds valued at around Rp500 billion (\$55.5 million) this year to raise fund to build a property project, Asia Pulse reported Tuesday (12/2/08).

Bonds and bank loans are options to raise fund to finance company's projects this year, company president Johanes Mardjuki said.

Mardjuki said the company is building a township project in Bekasi, some 30 km east of Jakarta.

Construction of the township will be completed in 10 years, he said.

The company has built townships such as Kelapa Gading in Jakarta and Bumi Serpong in Serpong some 30 km west of Jakarta.

Tunas Financindo to sell Rp600B worth of bonds

Consumer finance company PT Tunas Financindo Sarana (Tunas Finance) will sell Rp600 billion worth of fixed-rate bonds to expand its consumer financing business, the company said Tuesday (12/2/08), Thomson Financial reported.

The bonds will be offered February 13-15 and be listed on the Indonesian stock exchange on February 21.

The company has appointed PT Standard Chartered Securities Indonesia, PT Danareksa Sekuritas and PT Lautandhana Securindo, a Tunas Finance affiliate, to underwrite the issue.

BW plantations to raise Rp1T via IPO

PT BW Plantations expects to raise Rp1 trillion (\$108 million) through an initial public offering later this year, *Bisnis Indonesia* said Tuesday (12/2/08).

"We expect the IPO will be completed in the third quarter of this year. But, the plan is subject to the global equity market situation," the report quoted officials at PT Danareksa Sekuritas and BNP Paribas, the underwriters of the IPO, as saying.

BANKS

Two candidates for new BI governor

PT Bank Mandiri's chief executive Agus Martowardojo and Raden Pardede, the deputy director of state asset company PT Perusahaan Pengelola Aset (PPA) have been named by President Susilo Bambang Yudhoyono as his choices for the new governor of Bank Indonesia.

Kompas reported Saturday (16/2/08) that the president has sent the names of his two recommended candidates to the House of Representatives. The president can propose as many as three candidates to parliament.

Parliament will select the governor by May 17, when the five-year term of current Governor Burhanuddin Abdullah ends.

Banking industry chalks up \$3.4B in net profit

The net profit of the banking industry peaked at Rp32.4 trillion (\$3.4 billion) in 2007, up 14.36% from Rp28.33 trillion in the previous year, Bank Indonesia said Tuesday (12/2/08), Asia Pulse reported.

The increase was attributable to more aggressive credit expansion in 2007 when credits grew 25.5%, bringing outstanding credit to Rp1,045.7 trillion, data at the central bank show.

The country's 130 banks recorded assets valued at Rp1,986.5 trillion by the end of 2007, an increase of 17.3% a year before with operating income at Rp35.09 trillion and pre-tax profit at Rp49.86 trillion.

The loan to deposit ratio was 69.2%, the highest since the 1997/1998 financial crisis that badly hit the country's banking industry.

State-owned Bank Rakyat Indonesia recorded the largest net profit of Rp4.4 trillion in the first 11 months of 2007, exceeding its profit of Rp4 trillion in the whole of 2006.

The highest growth in net profit was recorded by state-owned Bank Mandiri, with net profit at Rp3.8 trillion in the first 11 months of 2007 as against Rp2.42 trillion in the whole of 2006.

BCA leads in credit growth rate

Publicly listed Bank Central Asia (BCA), 51.19% owned by US Farallon Capital, recorded the highest growth of 34.05% in credits among the five largest lenders in the country in 2007, Asia Pulse reported Friday (15/2/08).

State-owned Bank Negara Indonesia (BNI) recorded the second highest increase of 32%, followed by state owned Bank Rakyat Indonesia (BRI) 26.65%.

Third was Bank Danamon 24% followed by state-owned Bank Mandiri, the country's largest lender, with 15.4%.

The credit expansion brought BCA's outstanding credit to Rp82.50 trillion (\$9 billion) by the end of 2007, fourth largest after Bank Mandiri's Rp125.28 trillion, BRI's 114.36 trillion and BNI's 87.77 trillion. Danamon came fifth with outstanding credit of Rp51.1 trillion.

Nominally BRI led with new credits totaling Rp24.07 trillion, followed by BNI with new disbursement of Rp21.28 trillion.

BNI to sell stake in Finconesia to Charoen

State-owned Bank Negara Indonesia (BNI) has agreed to sell its 48.51% stake in PT Bank Finconesia for Rp127 billion to Thailand's Charoen Pokhpan Group, Asia Pulse reported Friday (15/2/08).

An agreement was signed late December, 2007, BNI corporate secretary Adams Katoppo confirmed.

Charoen already owns 51% of Bank Finconesia through its subsidiary PT Dian Intan Perkasa, which acquired the stake last year from Commerzbank Aktiengesellschaft of Germany at \$588 million.

The newspaper *Bisnis Indonesia*, quoting company sources said the Thai agribusiness company wants to make Bank Finconesia focus more on small- and medium-agribusiness-related businesses.

Leading banks to open more branches

Six leading banks including the country's largest and second largest banks, Bank Mandiri and Bank Rakyat Indonesia (BRI), plan to open a total of 675 branches this year, Asia Pulse reported Monday (11/2/08).

BRI plan to open 250 new branches, followed by Bank Mega with 90 branches, Bank Danamon 78 branches and Bank Mandiri 70 branches.

State-owned Bank Mandiri said the new branches will increase the number of its branch offices to more than 1,070 units.

Data at Bank Indonesia showed in November 2007 that the country's 130 banks altogether had 9,697 branches.

Bank Danamon net profit up 58%

PT Bank Danamon Indonesia on Thursday (14/2/08) said 2007 net profit surged 58% due to strong lending growth and higher net interest income, Dow Jones Newswires reported.

Net profit for the year ended December 31 rose to Rp2.1 trillion from Rp1.33 trillion in 2006.

Bank Danamon chief executive Sebastian Paredes attributed the increase to higher net interest income, which rose 26% to Rp7.14 trillion.

"Strong lending growth has a very important impact on our net interest income," Paredes said.

Outstanding loans at the nation's fifth-largest lender by assets were Rp53.33 trillion, up 24% from Rp42.99 trillion a year earlier.

Danamon plans to raise Rp1.5 trillion (\$162.1 million) in bonds in the first half of this year to fund loan growth, its chief said Thursday (15/2/08), Reuters reported.

It aims to boost its lending by 22% this year from Rp53.33 trillion at the end of 2007, slightly slower than loan expansion of 24% last year.

Bank Danamon is controlled by a consortium including Singapore's state investor Temasek and Deutsche Bank.

BRI offers \$444M in credit for state cos

State-owned PT Bank Rakyat Indonesia (BRI) said it has set aside Rp4 trillion (\$444 million) to finance working capital of seven state companies this year, Asia Pulse reported Thursday (14/2/08).

Approval has been given for Rp2.6 trillion of the credits to finance a number of strategic projects, BRI director Asmawi Syam said.

He said among the credit recipients are aircraft maker PT Dirgantara Indonesia, plantation company PT Perkebunan Negara, railway company PT Kereta Api Indonesia, and locomotive maker PT Industri Kereta Api.

Bank Sri Partha to resume operations in March

Bank Indonesia said the almost defunct Bank Sri Partha Bali will resume operations next month after the conclusion of its acquisition by US financial agency Merci Corp, Asia Pulse reported Tuesday (12/2/08).

The head of the Denpasar branch of the central bank, I Gusti Viraguna Bagoes Oka said that toward the end of 2007 that Bank Sri Partha was facing a downgrade in status with capital below the minimum limit set by the central bank.

The central bank has ruled all Indonesian banks are required to have a minimum capital limit of Rp80 billion (\$8.64 million) this year and Rp100 billion in 2010.

Merci Corp saved the bank by guaranteeing a capital injection after acquiring 68% of its shares, Oka said.

Bank Panin to sell subordinated bonds

PT Bank Pan Indonesia (Bank Panin), the country's tenth largest bank, said on Monday (11/2/08) it plans to sell 10-year subordinated bonds worth Rp600 billion in late March, Thomson Financial reported.

While the coupon rate has yet to be fixed, Bank Panin said the coupon for the sixth to tenth years will be higher than it will be for the first five years.

The bonds will be sold on March 26-28 and will be listed on the Indonesian Stock Exchange on April 3.

The bank has appointed PT Indo Premier Securities, PT Evergreen Capital and PT Bahana Securities to underwrite the bond sale.

Bank Panin is 44.9% owned by PT Panin Life. The remaining stakes are held by Votrait No. 1103 Pty Ltd with 30% and the investing public with 25.1%.

POWER

Banks vie to fund power plants in Paiton, Suralaya

At least eight banks have indicated strong interest in financing the construction of coal fired power plants in Suralaya in Banten and Paiton in East Java, Asia Pulse reported Thursday (14/2/08).

PT Bank Mega, BCA, Bank Mandiri, BNI, BRI, Bank Bukopin, Bank Niaga and Bank Panin want to take part in financing the Rp1.34 trillion (\$148 million) projects, the newspaper *Bisnis Indonesia* reported.

BCA vice president Jahja Setiaatmadja said his bank has been asked to join a syndicate to finance the two projects.

The two projects are part of the crash program of state electricity company PLN to build coal-fired power plants with a total capacity of 10,000 MW to be completed before 2010.

OIL & GAS

Pertamina may cooperate with Exxon on Natuna

State oil and gas firm Pertamina may cooperate with ExxonMobil Corp over the disputed Natuna D-Alpha gas field after negotiations with the US firm halted, a Pertamina official said on Monday (11/2/08), Reuters reported.

The government has said talks with Exxon have stopped on the offshore gas project, estimated to need investment of about \$40 billion, due to disagreements on how to split gas output.

State oil firm Pertamina currently has 24% stake in the block. Exxon Mobil has 76%.

"Pertamina may cooperate with Exxon Mobil to develop Natuna. But Pertamina is waiting for the official statement from the government on this issue," Pertamina spokesman Wisnuntoro said.

"This is a big project and needs big funds. Pertamina cannot handle such a project alone," he said, adding that Exxon had the technology and financial capabilities.

The Natuna D-Alpha block has around 222 trillion cubic feet (tcf) of gas reserves, of which about 46 tcf

are thought to be commercially recoverable.

The government has said it wants Pertamina to be the majority shareholder in Natuna. The state oil firm has said that it wanted to increase its stake to 50%.

JOB Pertamina-Petrochina strikes oil in West Papua

A Pertamina-led joint venture struck oil in West Irian Province, upstream oil and gas regulator BP Migas, said Monday (11/2/08), Dow Jones reported.

It said that a test conducted by JOB Pertamina-Petrochina Salawati on the Bagong 1 well showed that daily production at the site will likely be 1,206 barrels.

Pertamina has a 50% stake in the joint venture, Petrochina Oil Co.(PTR) 16.8%, Lundin Indonesia BV 14.5% and Pearl Oil Ltd. 18.7%.

The discovery will help Indonesia boost oil output, which is now slightly above 900,000 barrels a day.

Libya to supply Banten refinery

State oil and gas company PT Pertamina has secured the remaining 150,000 barrels of oil (per day) supply it needs to feed its refinery plant from a Libyan company, an official says, *The Jakarta Post* reported Thursday (14/2/08).

The plant is currently under construction in Banten. It is expected to have a fuel processing capacity of 300,000 barrels per day (BPD), making it the country's second largest refinery after the refinery in Cilacap, West Java.

Energy and Mineral Resources Minister Purnomo Yusgiantoro said that Libya's National Oil Corp (NOC) had agreed to provide the crude supply for the Banten refinery.

The deal was part of broader agreements signed by the two companies under which NOC will supply Pertamina with a minimum of 50,000 bpd from the moment the refinery comes on stream, and will increase the supply to 200,000 bpd by 2013. The agreement will last for 20 years.

Currently, Indonesia has 10 operating refineries with a total capacity of 1.190 million barrels of oil per day.

Elnusa wins contracts worth \$24.2M

Publicly-listed energy contractor PT Elnusa in the second week of February won contracts worth \$24.2 million for the provision of services in the upstream oil and gas sector, its president director said, Asia Pulse reported Thursday (14/2/08).

"Given the contracts, Elnusa has earned 73% of its income target for 2008," Eteng A Salam said.

The subsidiary of state oil and gas company Pertamina has set itself the target of earning Rp1.4 trillion from upstream oil and gas services this year.

Meanwhile, income from all its businesses was projected to reach Rp2.2 trillion.

MINING

Inco '07 nickel output hit 76,675 tons

PT International Nickel Indonesia said on Monday (11/2/08) its nickel output in 2007 rose 7% to 169 million pounds, or 76,675 tons, from a year ago despite a workers' strike in November, Reuters reported.

The output was higher than the target of 165 million pounds.

"There was no maintenance work on our facilities last year. We were able to maintain sufficient power supply. So, we managed to boost output despite strikes," said Indra Ginting, Inco's investor relations officer.

PT Inco, wholly owned by Brazil's Companhia Vale do Rio Doce through Canada's Inco Ltd, produced 157.9 million pounds, or 71,700 tons of nickel in matte, in 2006.

Nickel output from Vale's Indonesia unit accounts for about 29% of its total output, estimated at 260,000 tons in 2007.

The company also said it had cancelled a plan to build a new nickel processing facility in Bahodopi, Central Sulawesi, but it proposed to build the facility at its mining site in Soroako, South Sulawesi.

Straits Resources: Sebuk coal resource up 276%

Australia's Straits Resources Ltd. said Thursday (14/2/08) the total coal resource at its Sebuk mine in Indonesia has increased 276% to 387 million metric tons, Dow Jones reported.

The company's Singapore-listed subsidiary Straits Asia Resources Ltd. said the increase was due to the acquisition of the northern leases in December last year and substantial resources defined in shallow waters between the Sebuk and Laut islands.

The Sebuk mine is currently being expanded to annual capacity of 6 million tons a year, to be achieved in 2009.

Straits said it is likely the large resource base at Sebuk could now support a significantly higher production rate.

Sumatra Coover to exploit gold deposits

A British company, Sumatra Coover and Gold Ltd, will cooperate with a local partner, PT Nusa Palapa Minerals, to exploit gold deposits in three districts in Jambi province, a provincial mineral resources official said, Asia Pulse reported Thursday (13/2/08).

Head of Jambi's Mining Office Hermansyah Herman said the two companies, which will partner in exploiting Jambi's gold deposits, had been awarded a principal license.

The gold deposits were scattered in three districts, namely Sarolangung, Merangin and Kerinci, he said.

The districts of Merangin and Kerinci host the Kerinci Sablat National Park and Sarolangung district, the Bukit Dua Belas National Park.

Herman said the exploitation of gold deposits in the three districts would not disturb the parks and their sustainability.

The volume of gold deposits in the three districts was still being studied, he said.

Singapore's Tin Industries opens smelter

Singapore's Tin Industries Pte Ltd (STI) on Thursday (14/2/08) inaugurated a tin smelter on Bangka islands, Reuters reported.

The Rp425 billion (\$45.93 million) smelter can produce up to 15,000 tons of refined tin a year, company director Petrus Tjandra said. Capacity will gradually increase to 18,000 tons a year, he said.

"The metal will be exported to consumers such as Japan, Europe and other countries that have electronic industries," Tjandra said. "It also aims at meeting tin demand from industries in Singapore."

The new smelter brings to 16 the number of smelters operating on Bangka, giving an annual production capacity of over 190,000 tons.

STI has set up the smelter jointly with local firm PT Bangka Global Mandiri Internasional.

The firm -- a joint venture between China's main producer, Yunnan Tin Ltd., and tin firm KJP International Pte. Ltd -- has an installed capacity of 36,000 tons a year.

Avocet Mining expands exploration presence

Avocet Mining said Wednesday (13/2/08) that it has expanded its exploration presence in Indonesia by signing a Memorandum of Understanding (MoU) with a local party in northeast Kalimantan, Dow Jones reported.

The MoU gives it the right to earn an interest of up to 80% in an advanced gold project by funding the project through to a decision to mine.

The MoU was signed with PT Sago Prima Pratama on the Seruyung property.

Sago is an Indonesian company that owns 100% of Seruyung through a *Kuasa Pertambangan Explorasi*, or national exploration license, covering an area of 40 km².

The MoU with Sago allows Avocet to earn a 51% beneficial interest in the property by funding a \$800,000 exploration program.

Avocet can earn a further 29% by funding the project to a decision to mine.

===***===