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REPUBLIC OF INDONESIA**

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Highlights

Politics

- President Yudhoyono says he will stand for re-election in 2009
- Parties demand more time to register candidates for April polls

Anti-Terrorism

- Bali bombers to be executed this year, Attorney General's Office spokesman says
- No remissions for jailed Bali bomb terrorists

Security

- New national police chief pledges reforms

Law & order

- Corruption Eradication Commission treading careful path, says expert

Health

- Stand-off between scientists and World Health Organization intensifies

Economy

- Reuters poll of analysts points to growth of 6.2% this year

Business briefs

Macroeconomy

- Tax revenue to decline as legal changes make life easier for taxpayers

Investment

- Mitsubishi confirms major investments in power, gas, automotive sectors

SOEs

- State asset company PT PPA pays \$1.84 billion to government in five years
- Construction company Waskita Karya looks to IPO in 2009

Private sector

- International Finance Corp. provides \$100 million loan for finance company
- PT Bakrie Plantation wins \$113 million in loans from Singapore bank

Banks

- Malaysia's Maybank purchases Bank Internasional Indonesia shares at discount
- Largest banks report 15.62% increase in net profit in first seven months

Power

- PT Bakrie Power plans to build three major coal-fired power plants
- Gas distributor PGN and Indonesia Power sign deal on gas supplies

Oil & gas

- Pertamina to use cash reserves to fund \$500 million of work at Cepu
- PT Medco Internasional to spend \$125 million on ethanol, oil and gas projects

Mining

- PT Hexindo Adiperkasa wins \$520 million contracting deal at Kaltim Prima Coal

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POLITICS

President announces re-election bid

President Susilo Bambang Yudhoyono has finally thrown his hat into the ring, all but ensuring that campaigning for next year's election will move into full swing, *The Straits Times* reported.

The President also indicated that he may run on a ticket with Vice President Jusuf Kalla, who is also the chairman of the Golkar party.

Asked if he was personally willing to be the president's running mate again, Kalla replied: "I'm ready, but it will all depend on the decision by Golkar."

"I'm ready with anyone, including with Yudhoyono. We have been together for four years developing the nation and making good progress for the people."

The election season is heating up, with many presidential hopefuls already campaigning furiously, spending millions of dollars on television and newspaper advertisements in a bid to lure voters.

Analysts say Yudhoyono, who made the announcement on September 27, remains among the strongest candidates, even though he has had to battle the stain of raising fuel prices and high inflation.

Opinion polls have indicated that Yudhoyono and former President Megawati Sukarnoputri are the only two candidates with a realistic chance of winning the election.

Parties demand more time to register

A preliminary list of candidates eligible to compete in next year's legislative elections was published on September 26, prompting many of the country's 38 registered parties to demand more time to name candidates, reported *The Jakarta Post*.

Some said they would call on the General Elections Commission (KPU) to extend the registration period so their rejected aspirants can complete relevant documents to be included on the list.

The Great Indonesian Movement (Gerindra) Party was one that wanted to submit new information on its disqualified candidates.

"We hope all our candidates pass the verification process. We are now collecting the required documents to be submitted to the KPU," Gerindra deputy chairman Fadli Zon.

He said time had not run out because parties were allowed to submit relevant documentation to the KPU until the poll body had publicly published the permanent list of candidates.

On the temporary list, announced on September 26, the KPU disqualified 2,152 submitted candidates, including 60 belonging to Gerindra.

The KPU said 11,868 candidates had been verified, and is expected to announce the final list of legislative candidates later this month.

N. Maluku inauguration goes ahead

Home Minister Mardiyanto installed Thaib Armaiyn and Gani Kasuba as the North Maluku governor and deputy governor in Ternate on Monday, ending a year-long process of claims and counter-claims over the winners of the regional election.

A protest by supporters of opposing candidates Abdul Gafur and Aburrahim Fabanyo ended peacefully, *Media Indonesia* reported.

The election dispute came to light after the General Elections Commission, the provincial legislative council and the Supreme Court failed to decide the winner of the election following disputed vote results in three North Maluku sub-districts.

At least 1,300 security personnel from both the Armed Forces and North Maluku Police were deployed to protect the inauguration.

Armaiyn called for the people of North Maluku to accept the government's decision and unite for the benefit of the province.

ANTI-TERRORISM

Bali bombers to be executed 'this year'

Three terrorists on death row over the 2002 Bali bombings which killed more than 200 people will be executed by the end of the year, Agence France-Presse reported.

No final date has been set for the execution but prosecutors have received key paperwork allowing it to go ahead, attorney general's office spokesman Jasman Panjaitan was quoted as saying by news website Detikcom on Friday.

Jemaah Islamiyah militants Amrozi, Mukhlas and Imam Samudra face a firing squad over the nightclub attacks on Bali which killed 202 people, mainly foreign holidaymakers.

"It's not in writing yet when they will be executed, but what is certain is that it will be this year," Panjaitan said.

No sentence reductions for jailed terrorists

Inmates imprisoned for their involvement in the 2002 and 2005 Bali bombings did not receive sentence reductions for Idul Fitri, *Kompas* reported on Friday.

The nine are Maskur Abdul Kadir, Junaedi, Adri Oktavia, Erlambang, Ernanto, Dwi Widiarto, Anief Solaudin, Cholili and Abdul Azis.

It had previously been recommended that the nine receive sentence remissions of between one and two months.

However, a letter from the Department of Justice and Human Rights detailing prisoner remissions did not mention remissions for the nine convicted terrorists.

"There were 102 prisoners who received remission, while the nine involved in the bombings did not," said Kerobokan Prison Governor Yos Suharyono.

Across the country, the government granted sentence cuts to 53,322 prisoners.

According to Government Regulation No. 28/2006 on prisoners convicted of terrorism, drugs and corruption crimes, the awarding of remission is undertaken by the Minister for Justice and Human Rights, said Anak Agung Anom the Head of the Registry at the provincial office of the Department of Justice and Human Rights.

SECURITY

New National Police chief sworn in, pledges reforms

Gen. Bambang Hendarso Danuri was officially sworn in by President Susilo Bambang Yudhoyono at the State Palace on Tuesday as the new National Police chief, reported *The Jakarta Post*.

Danuri, who attained his four-star promotion a day earlier, replaces Gen. Sutanto, who also retired on Tuesday. Danuri will serve as National Police chief until 2010.

After the ceremony, the 56-year-old general reaffirmed his commitment to push for institutional reform within the police force, particularly in improving the force's image.

"Internal reform is at the top of my concerns. Disciplining disgraced police officers is our top priority," Danuri said, adding stricter sanctions will be imposed on such officers with no exceptions, regardless of rank.

Danuri said internal reform was needed to raise police performance in general. Such internal reform, he said, should start with monitoring police performance on the streets and in public service centers, where illegal fees are often levied.

"Scrapping (bad) practices in these areas would prevent other unwanted behavior," he said.

He explained he would set up a special team, comprising the police's intelligence unit and professionalism and security division, to tackle the problem of illegal fees.

Danuri also said he would continue programs started by Sutanto, including tackling gambling, illegal logging, illegal fishing, illegal mining, corruption, drug abuse and security threats.

"I will not tolerate a gambling center like that in the Genting Highlands resort (in Malaysia)," he stressed.

Danuri will take up office after a transfer of command from Sutanto on October 9 in a ceremony at the Mobile Brigade headquarters in Kelapa Dua, Depok, south of Jakarta. Until that time, police chief duties will be undertaken by deputy chief Comr. Gen. Makbul Padmanegara.

Danuri, who previously served as chief of the National Police's Criminal Investigation Unit, has handed over the reins of the unit to Deputy Insp. Gen. Paulus Purwoko.

The only candidate nominated by the president to lead the National Police, Danuri secured support from all 10 factions at the House of Representatives' Commission III.

A graduate of the National Police Academy in 1974, Danuri's track record includes arresting former State Intelligence deputy chief Muchdi Purwopranjono as a suspect in the 2004 murder of human rights activist Munir Said Thalib.

While serving as North Sumatra Police chief, Danuri drew praise for successfully ordering the arrest of major illegal logging suspect Adelin Lis.

LAW AND ORDER

KPK 'careful' in dealing with House cases

The Corruption Eradication Commission (KPK) is being very careful in its handling of a series of corruption cases involving the conversion of a protected forest in South Sumatra's Tanjung Api Api, a legal expert said, reported *The Jakarta Post*.

According to the first indictment handed down, lawmaker Sarjan Tahir of the Democrat Party faces up to 20 years in prison for his involvement in a graft case implicating Al Amin Nur Nasution, a lawmaker from the United Development Party (PPP).

"Tahir was indicted for having received a bribe along with several other members of the House of Representatives' Commission IV (overseeing forestry, agriculture and fisheries). So, the KPK is probably waiting for the court's verdict on Tahir before taking other lawmakers to court," Romli Atmasasmita, a legal expert from the Bandung-based Padjadjaran University, said.

Tahir, along with Yusuf Erwin Faishal of the National Awakening Party (PKB), Hilman Indra of the Democratic Pioneer Star, Azwar Chesputra and Fachri Andi Laluasa (both of the Golkar Party) and other members of the commission received Rp5 billion (\$532,878) from businessmen in 2006 to accelerate the approval of converting protected forests at Pantai Air Telang in Banyuasin, KPK prosecutors said in their indictment.

Expert Atmasasmita said the KPK's decision to wait for a guilty verdict in Tahir case before proceeding with indictments for other lawmakers was most likely a deliberate and careful strategy.

"There's a possibility Tahir will be found innocent by the court. If that's the case, there's no use in bringing his colleagues to court," Atmasasmita added.

Tahir's trial might reveal more facts, which could corroborate the evidence of others' involvement in the case, he said.

"It will be a long process, but it's worth it to make the sure the fight against corruption succeeds."

Indonesian Democratic Party of Struggle (PDI-P) chairman Tjahjo Kumolo said his faction had yet to determine what stance it would take toward members of the party implicated in the alleged bribery.

"We will presume the innocence of faction members allegedly involved in this case," Kumolo said.

To date, Mindo Sianipar, Mardjono, I Made Urip and Djoemad Tjiptowardoyo, among others from PDI-P, have been declared witnesses by the KPK, he added.

"We will wait and see what action the KPK takes regarding them," he said.

Democrat Party faction chairman Syarief Hassan shared a similar view, saying his party would fully cooperate with the KPK.

"Before the case was brought to court, we questioned members who were implicated and clarified whether they really received money or not," Hassan said.

HEALTH

Scientists, WHO face off in virus row

It's a David and Goliath battle that could affect the world's ability to monitor diseases and develop lifesaving vaccines. The key issue: Should Indonesia and other developing nations have a say over crucial genetic data about their own deadly viruses?

According to a report from The Associated Press, an international network of top influenza scientists says yes, arguing that is the best way to speed development and research, but they are running into resistance from within the World Health Organization, which opposes letting countries keep intellectual property rights to virus samples they provide for research.

The intensifying standoff was triggered in part by revelations that the WHO, for years looked upon as the protector of the poor, had been keeping coveted information about bird flu and other viruses in a private database in Los Alamos, New Mexico, and making it available to just 15 laboratories.

Some foreign governments, led by Indonesia, called for a boycott of the global body's 55-year-old virus-sharing system, which had obliged them to freely hand over samples and data.

The problem with that system, they say, is that developing countries give up intellectual property rights to their virus samples when they provide them to the WHO. The virus samples are then used by private pharmaceutical companies to make vaccines that are awarded patents -- and sold at a profit at prices many poor nations can't afford.

Acknowledging a need for change, the WHO agreed to work with developing nations to make sure they had better access to lifesaving medicine, an intensely bureaucratic process that is about to enter its second year with no clear end in site.

In the meantime, leading influenza scientists and health experts came up with their own solution to alleviate the basic concerns of transparency for developing nations, one that appears to be making some at the WHO nervous.

The scientists' nonprofit organization, which goes by the name of GISAID, launched a publicly accessible online database that -- for the first time ever -- offers basic intellectual property rights to those who submit genetic information.

That has encouraged many countries including Indonesia, China, Russia and others to again start sharing information about their viruses, turning GISAID into the world's largest and most comprehensive influenza database in just four months.

"I'm in favor of what works. If nothing is working, we have to come up with something new," said Bruce Lehman, who served as Commissioner of Patents and Trademarks under US President Bill Clinton.

However, the WHO appears to be going to extreme lengths to stand in GISAID's way, including withholding funding that has been pledged for the database.

The World Health Organization, meanwhile, is seeking \$10 million for its own database and virus tracking system, even though its own scientists are already using GISAID's free-of-charge site almost exclusively, including for last month's virus strain selection for the annual flu shot, said Masato Tashiro, director of WHO's collaborating center at Japan's National Institute of Infectious Diseases.

Because many scientists played a key role in helping design the system to meet their needs, they are befuddled at the WHO Secretariat's refusal to embrace them.

David Heymann, the global body's top flu official, said the reason was simple.

For the first time in decades, developing countries are looking at the global body with mistrust, and officials cannot afford to be partial to any group, he said, adding this was a direct order from WHO Director General Margaret Chan.

Heymann supports keeping viruses in the public domain -- something that effectively strips countries of ownership rights-- and, until recently, other top officials in Geneva maintained it was important some genetic data remained behind closed doors.

In the most recent dispute over GISAID's free database, the WHO has refused to hand over \$450,000 provided by the US Centers of Disease Control for the database's development well over a year ago.

Developing nations, which have a key stake in the project, meanwhile allege that a WHO-commissioned report comparing five databanks, from GenBank to Los Alamos, carried out by the global body's four collaborating centers was deliberately kept secret.

Scientists ranked GISAID superior on almost all levels, from the amount and type of information included to functionality, but several member states said, when requesting an update, they were told no assessment had been carried out.

ECONOMY

Poll sees marginal growth in 2008

A Reuters poll of economic analysts sees slower but nevertheless reasonable growth at an average of 6.2% for the year, while a senior legislator said the 2009 budget will aim for 6.3% growth.

The predictions came as international markets continued to shudder as a result of the US-led economic crisis.

Sales of Japanese cars in the US tumbled in August as the credit crunch dried up financing for car loans. The downturn in sales of these and other products from Japan, Indonesia's largest export market, in the US, its second largest market for exports, will inevitably impact the Indonesian economy.

With some predicting that the US could be headed for a general downturn in which job losses will mount, Japan's economy is also heading into what is expected to be a long recession along with other global economies, inevitably impacting Indonesia's economic performance.

Nevertheless the Reuters poll showed consensus that the Indonesian banking system was largely unaffected by the global concerns and analysts predicted better-than-expected bank loan growth and bigger budget spending ahead of elections next year.

Analysts, however, expected global demand for the country's commodities and mining products, which accounted for a major share of its exports, to weaken in the second half of this year amid a worsening credit crisis in some major economies.

Higher domestic interest rates would also tend to dampen growth. Bank Indonesia (BI) has raised its benchmark interest rate by a total of 125 basis points this year to 9.25%.

Vice President Jusuf Kalla, quoted by Antara, remained optimistic, stating that Indonesia could well absorb the impact of the US woes on the back of strong exports of commodities.

"It's impossible that the world does not need our commodities," Kalla said Wednesday. "Regardless of the degree of the crisis in the US, the world still needs oil, coal, textiles and palm oil."

Meanwhile Harry Azar Azis, deputy chairman of parliamentary budget committee, told reporters that the 2009 budget will aim for 6.3% economic growth and inflation of 6.2%, Dow Jones reported.

His committee had agreed to limit the budget deficit to 1.7% of gross domestic product, slightly lower than the government's proposal of 1.9%, he said.

Overall, the opinion appeared to be that while there will be some relative winners in the global repositioning expected to follow the US financial crash, every nation will to some degree be affected.

Bruce Gale, in a column in, Robert Broadfoot of Hong Kong-based Political & Economic Risk Consultancy, quoted in Singapore's *The Straits Times*, said the result could be like the Gunfight At The OK Corral - but with the major difference that no one will emerge completely unscathed.

"No one stands to gain. Everyone is going to lose," said Broadfoot, adding that some groups are nevertheless well-positioned to ride out the storm. "Some of the big players to emerge out of this are going to be Asian," he said.

Broadfoot however struck a positive note for Indonesia, which he said looks far more attractive. "It is more politically stable than many ASEAN countries, and its policymakers have already shown a willingness to adjust," he said.

BUSINESS BRIEFS

MACROECONOMY

Tax revenue predicted to decline in 2009

State tax revenues are predicted to decline next year following amendments to a number of taxations laws, Taxation Director General Darmin Nasution said on Friday, Asia Pulse reported.

Tax revenues are predicted to fall 9% or by Rp47 trillion (\$5.1 billion) in 2009 compared with 2007, he said.

Nasution said taxation revenue could have increased by as much as 29.5% without amendments to the laws on general taxation stipulation, income tax, value added tax and luxury sales tax.

However, the government is optimistic tax revenue will reach the target of Rp624 trillion set for 2009, the newspaper *Investor Daily* said.

First govt. retail sukuk set for April

The government aims to sell its inaugural government retail sukuk, or Islamic bond, in April next year, ahead of the presidential election, a finance ministry official said, according to Dow Jones.

"We will hold summits (to introduce the notes to investors) in the major cities," Rahmat Waluyanto, the ministry's Director General for Government Debt, said on September 25.

The reason for scheduling the sale before the election is because election time will be "crowded" with public events, he said.

The government sold Rp4.7 trillion of its maiden rupiah-denominated sukuk last month, and aims to sell \$1 billion or more of US dollar-denominated global sukuk offshore before the end of the year.

It has said it aims to sell retail sukuk, project-financing sukuk and other types of Islamic notes on the domestic market in the future.

Sukuk adhere to shariah law, which forbids the charging of interest, and generate returns via profit-sharing or lease arrangements.

Migrant worker remittances forecast at \$12B

Remittances by Indonesian workers abroad are forecast to reach up to \$12 billion this year, the labor recruitment and protection agency said on Friday, Asia Pulse reported.

Agency chief Jumhur Hidayat said remittances by Indonesians working abroad have continued to

increase.

Jumhur told the newspaper *Bisnis Indonesia* remittances were expected to increase ahead of the Islamic Idul Fitri holiday celebrations.

Remittances from workers, mainly in Malaysia and Saudi Arabia, are forecast to reach around Rp15 trillion (\$1.63 billion) ahead and during Idul Fitri, he added.

INVESTMENT

Mitsubishi reports increased investment

Mitsubishi Corporation's chief Yorihiro Kojima reported an investment increase in the past three years in Indonesia to President Susilo Bambang Yudhoyono, Antara reported.

Industry Minister Fahmi Idris, who accompanied Kojima at the meeting with the president on Tuesday, said the company's investment in the country rose to \$13 billion this year from \$4 billion in 2005.

"He just now reported Mitsubishi's investment in various sectors including oil and gas in 2005 was recorded at \$4 billion. This year its investment reached \$13 billion," Idris said, adding that the largest investment of \$5-\$6 billion is in the oil and gas sector.

Besides the Tangguh project in Papua, Mitsubishi also invested in the Kangean field in Madura and Senoro and Donggi fields in Central Sulawesi.

"Mitsubishi also invested in the 10,000-MW program of increasing electricity supply," he said, while investments in the automotive sector created 200,000 workers.

Telkom to build new satellite

The country's largest telecommunications company, PT Telkom, will build a new communications satellite at a cost of around Rp1.86 trillion (\$199 million), according to a report in *Investor Daily*.

The new satellite Telkom-3 will have 48 transponders, up from the 24 originally planned, company president Rinaldi Firmansyah said, adding that the price include the cost of launching.

Rinaldi said the state-owned company is preparing tender with bidders from the United States and Europe to build the satellite, which is expected to be launched in 2011.

He said between 30% and 40% of the transponders will be leased and the rest will be used by Telkom. The company's most recent satellite - Telkom 2 - was launched in 2005.

Kadin applauds MSME loan deal

The Indonesian Chamber of Commerce and Industry (Kadin) expressed optimism over a deal reached with banks to provide loans to micro, small and medium enterprises (MSMEs), *The Jakarta Post* reported on Tuesday.

Head of Kadin's permanent committee for MSMEs Sandiaga S. Uno said he hoped 30% of the nearly 40 million MSMEs in the country would have access to the Rp40 trillion (\$4.25 billion) fund to be made available this year.

"With the agreement we've reached with the banks, I expect MSMEs to have a lot more access to loans... Some MSMEs have even collapsed due to lack of access to additional capital," he said.

Based on existing regulations, MSMEs are defined as enterprises with annual sales below Rp50 billion.

According to Uno, Kadin will sign a partnership agreement with five state lenders: Bank Mandiri, Bank Mandiri Syariah, Bank Negara Indonesia, Bank Rakyat Indonesia and Bank Tabungan Negara. Private Bank Bukopin will also be involved in the deal.

The banks will officially become part of the government-initiated lending program during Kadin's national coordinating meeting on October 21.

The program, launched in November 2007, is aimed at providing MSMEs with greater access to financing options through a maximum Rp500 million (\$53,191) loan per enterprise with a maximum interest rate of 16%.

Uno said Rp9 trillion has been channeled to MSMEs to date.

Bourse bans short selling for October

The Indonesia Stock Exchange banned short selling of stocks for October due to unstable global market conditions, the bourse said on Monday, Reuters reported.

Normally the stock exchange allows investors to short sell about 50 major shares traded on the bourse, and the list of these shares are published every month.

"Due to unstable global and regional markets, Indonesia Stock Exchange decided not to publish a list of shares that can be short by investors," the bourse said in a statement on its website.

Regulators worldwide have imposed temporary bans on the short selling of mostly financial shares as they seek to stem the turmoil in financial markets.

The Indonesian market was closed from Tuesday and resumes trading on Monday. It has dropped more than 35% since hitting a historic high of 2,838.5 points on January 14.

SOEs

PT PPA pays \$1.84B to state treasury in 5 years

State-owned asset management company PT Perusahaan Pengelola Aset (PT PPA) said it has paid Rp17 trillion (\$1.84 billion) to the state treasury in the past five years, Asia Pulse reported.

PT PPA president M Syahrial said the amount includes Rp800 billion in dividends and Rp650 billion in taxes every year.

PT PPA replaced the Indonesian Bank Restructuring Agency, established to take control of assets taken over by the government from banks and private companies in compensation for debts sustained in the wake of the monetary crisis in 1997/1998.

Syahrial said the company will offer to sell property assets in November including, land plots, houses, house shops and office buildings in various areas and cities in Java.

PPA had already auctioned off 1,568 units of property assets valued at Rp1.1 trillion in June, the newspaper *Investor Daily* said.

Waskita Karya aims to launch IPO next year

State-owned construction company PT Waskita Karya said it hopes to launch an initial public offering next year selling 35% of its shares, Asia Pulse reported.

The company will launch the IPO if market conditions and its financial performance improve, its president M. Choliq said.

This year the company is targeting a 30% increase in income to Rp2.99 trillion (\$320 million) from Rp2.3 trillion last year, Cholic said.

The company wants to be healthier financially before it launches IPO next year, he was quoted as saying by the newspaper *Investor Daily*.

The company is taking part in the construction of a number of major projects such as the country's longest bridge spanning between Surabaya and the island of Madura in East Java and the new Kualanamu international airport serving North Sumatra.

New Makassar airport opens

A new airport in Makassar, the capital of South Sulawesi province, was officially opened by President Susilo Bambang Yudhoyono on Friday, paving the way for an increase in tourism and trade in Indonesia's eastern islands, Reuters reported.

The government has said it needs to spend billions of dollars modernizing and building new infrastructure, including roads, ports, power plants and airports in order to increase economic growth.

The Sultan Hasanuddin airport in Makassar can handle up to 7 million visitors a year, or twice the expected number for 2007, and was built at a cost of about Rp1.3 trillion (\$139 million).

With the opening of a longer runway by the end of next year, bigger aircraft will be able to land, paving the way for more international flights. The new runway is 3,100 meters in length, compared to the current runway's length of 2,600 meters.

"The seven million passengers target can be achieved next year," said Akhmad Munir, spokesman for PT Angkasa Pura I, the state firm which operates 13 airports in Indonesia including Sultan Hasanuddin.

That will make it Indonesia's third-largest airport, after Jakarta's Soekarna-Hatta and Bali's Ngurah Rai, based on the number of visitors, he said.

"This airport is the most luxurious one in the eastern part of Indonesia. Hopefully, the airport can stimulate other sectors to grow," said Eddy Amiruddin, the airport's air traffic director.

Malaysia's AirAsia Bhd is currently the only airline offering international flights to Makassar, from Kuala Lumpur.

PRIVATE SECTOR

Federal Finance wins \$100M in loan from IFC

PT Federal International Finance (FIF) said it has received a loan of \$100 million from the World Bank's subsidiary International Finance Corp. (IFC), Asia Pulse reported.

FIF finance director Arieta Adrianti said the fund will be used to strengthen its financing capacity this year.

The company, which offers to finance the purchase of motorcycles, has raised its financing target to 90,000 units of new motorcycles this year up from the previously set target of 80,000 units, Arieta said.

However, its financing target for second hand motorcycles was revised down to 20,000 units from 23,000 units, the newspaper *Investor Daily* said.

Adrianti said FIF has so far used loans for 80% of the funds it used to finance its business such as from PT Bank Mandiri, PT Bank Mega, PT Bank Permata and foreign lenders Bank Trust of China and Commonwealth Bank.

Bakrie Plantation secures \$113M loan pledge

Plantation company PT Bakrie Sumatera Plantation has received a loan pledge of \$75 million and Rp350 billion (\$38 million) from a Singaporean bank, Asia Pulse reported.

Company president Ambono Janurianto said the funds will be used to finance expansion of oil palm plantation to cost around \$244 million.

The total cost will be covered with \$100 million in equity and \$144 million in bank loans, Januarioanto said.

This year the company hopes to produce 420,000 tons of crude palm oil (CPO) and 30,000 tons of rubber.

In the first half of this year the company posted Rp1.58 trillion in income or an increase of 140% from the same period last year, the newspaper *Bisnis Indonesia* said.

Chemical company Unggul Indah gets \$55M loan

Publicly traded Indonesian chemical company PT Unggul Indah Cahaya has secured a loan of Rp515.9 billion (\$55 million) to repay a debt in bonds maturing in October, Asia Pulse reported.

The company, which produces alkylbene, a basic material for detergents, signed the loan agreement at the end of September with Rabobank, PT Bank Central Asia, Bank Ekonomi Raharja and Standard Chartered Bank, its president Yani Alfien said.

The five-year loan will carry an interest rate based on the London Interbank Offered Rate, Alfien said.

Most of the loan will be used to repay the bond debt of Rp487 billion and the rest will be used to strengthen working capital, the newspaper *Bisnis Indonesia* said.

Indofood acquires 100% of Drayton's shares

PT Indofood Sukses Makmur (INDF) has bought 100% of Drayton Pte. Ltd.'s shares, including Drayton shareholders' claims amounting to \$100.5 million, an Indofood spokesperson said, Antara reported.

"On September 22, 2008, INDF signed a conditional sales-and- purchase agreement with Pastila Investment Limited on 100% of Drayton's shares , including \$100.5 million worth of shareholders' claims," Marianty Setiawan, INDF's corporate secretary, said.

She said Drayton was a Singaporean company controlling 68.57% of Indolakto shares which would be acquired by INDF.

Indolakto is a producer of milk and milk products circulating in Indonesian markets under such brand names as Indomilk, Cap Enaak, Tiga Sapi, Orchid Butter and Indoeskrim.

The transaction to acquire Indolakto is valued at \$350 million of which 15% (\$52,5 million) would be paid at the signing of the purchase agreement and the rest (\$297.5 million) on the settlement date which would be seven days after fulfillment of all acquisition terms.

Setiawan said the funds for the acquisition would come from internal sources and a bank loan. "We plan to complete the acquisition process in December 2008," she said.

She also said the transaction was a material one and thus it had to be approved by an Indofood extraordinary general shareholders' meeting.

Holcim set to show jump in income

Publicly listed cement maker PT Holcim Indonesia said it is set to chalk up a 30% increase in income to Rp4.88 trillion (\$530 million) this year from Rp3.75 trillion last year, Asia Pulse reported.

The company is optimistic it will perform better in the second half of this year than in the previous six months, company official Rusli Setiawan said.

The company posted Rp2.05 trillion in income in the first half of this year, an increase of 28% from the same period last year.

Cement consumption has continued to increase and is expected to continue in the rest of this year, he said.

The country's cement consumption is predicted to reach 38 million tons this year and the Indonesian unit of Swiss Holcim Ltd hopes to have a 16% market share, the newspaper *Investor Daily* said.

Telkomsel year-end subscriber target in sight

PT Telekomunikasi Selular (Telkomsel), Indonesia's biggest mobile-phone operator, said it expects to meet its year-end cellular-phone user target this month, helped by lower tariffs, Bloomberg reported on Friday.

The company, which is 35% owned by Singapore Telecommunications Ltd., expects total users to rise 15% to 60 million users by September 30, from 52.4 million at the end of June, president director Kiskenda Suriahardja said.

Telkomsel cut call charges, helping the company add users in the third quarter at double the pace it did in the first three months of the year. The company will spend \$1.5 billion next year to expand and accommodate new users, Kiskenda said.

"The growth nowadays is exceptional after the price war and the quite steep decline in prices," Suriahardja said. "We have to get more customers to compensate for the lower prices."

The company expects to add 10 million new users next year, Kiskenda said.

BANKS

Maybank takes BII stake at discount

Malaysia's largest lender Maybank finally sealed a controlling stake in Indonesia's Bank Internasional Indonesia (BII) following a discount on the deal, Maybank said in a statement on Wednesday, Agence France-Presse reported.

It paid 4.26 billion ringgit (\$1.2 billion) for a 56% stake after a 759 million ringgit discount from Singapore's state-linked investment firm Temasek and South Korea's Kookmin Bank, which own the shares through a holding firm.

Temasek subsidiary Fullerton Financial Holdings had originally offered Maybank a \$165.9 million discount on the deal, which was rejected by the state-owned Malaysian bank.

Maybank said in March it would buy the 56% stake in BII for \$1.5 billion and would offer another \$1.2 billion for the rest of the company, valuing the deal at a total \$2.7 billion.

But the price was reduced after Malaysia's central bank -- which regulates financial institutions -- said the original price was too high.

With the discount, the price for the 56% holding has been cut to Rp433 per share but the tender offer for the remaining BII shares will be maintained at Rp510 per share.

"It has been an intensive process to bring this transaction to a close but we are happy that we have all now come to agreement," Maybank president and CEO Abdul Wahid Omar said in a statement.

"This acquisition expands our presence in Indonesia which we have always recognized as a key market for us."

Largest banks post 15.62% increase in net profit

The net profit of the 13 largest banks in Indonesia rose 15.62% to Rp10.94 trillion (\$1.18 billion) in the first seven months of this year compared to the same period last year, Asia Pulse reported.

The net profit was 16.96% larger than it was in the first half of this year.

State-owned lenders Bank Rakyat Indonesia and Bank Mandiri respectively led with net profit of Rp3.34 trillion or up Rp520 billion in a month and Rp3.09 trillion up Rp480 billion.

Chairman of the National Banking Association Sigit Pramono said the banking business grew in the first half of this year but it was unlikely the trend could be maintained until the end of this year.

Bank Mandiri, the country's largest lender in assets has revised down its credit target growth to 18% cent this year from 20% set previously, *Investor Daily* noted.

The association had no data about the performance of Bank Central Asia (BCA), the country's largest private bank, which was the third largest in net profit in the first half of this year.

Niaga - Lippo merger completed in mid-2009

The merger between Niaga CIMB and Lippo banks into Niaga CIMB is expected to be completed in mid-09, Bank Niaga CIMB president director Hashemi Albakri said, Antara reported on Monday.

"Everything will be under a single system by that time. There is no change for now. This is a large bank so it is impossible to leave Lippo, to leave Niaga," he said.

Up until the two banks are completely merged they will operate as usual, he said, adding that the merger would bring the total assets of Niaga CIMB to Rp93.7 trillion as the fifth largest bank in Indonesia. Its branch offices would increase to 526.

The two banks will merge to comply with the central bank's single presence policy. Investors with more than one bank were required to merge, divest additional bank holdings or establish a holding company.

The majority shares in both Lippo and Niaga are controlled by Malaysian government investment vehicle Khazanah Bhd.

Bank Mandiri forecasts upbeat 2009

PT Bank Mandiri expects its loans portfolio to have grown by up to 25% by the end of 2009 from a year earlier as part of its efforts to achieve a better earnings performance, said the top executive at the nation's largest bank by assets, Dow Jones reported.

"We expect new lending next year to grow by between 20% and 25%," bank president director Agus Martowardojo said on September 25.

By the end of 2008, Bank Mandiri expects total outstanding loans to reach Rp163 trillion.

Martowardojo also said his bank has got approval from shareholders to buy a 51% stake in consumer

financing company PT Tunas Financindo Sarana.

UOB Intl offers to buy stake in UOB Buana Bank

Singapore-based UOB International Investment Pte. Ltd. said it plans to buy a 38.87% public stake that it doesn't own in its Indonesian unit, PT Bank UOB Buana, via a tender offer between September 22 and October 21, Dow Jones reported.

UOB said in a prospectus that it will buy 2.59 billion public shares in the mid-sized bank at Rp1,638 a share, or a total Rp4.24 trillion (\$452 million).

The tender offer will enable the bank to go private and delist its shares from the Indonesia Stock Exchange, according to offer prospectus.

Bank Muamalat to open 500 financial co-ops

The country's first Islamic bank PT Bank Muamalat said it will set up 500 small cooperatives to serve as financial agency for small businesses, Asia Pulse reported.

The units, expected to contribute to an expansion program of the bank, will be opened in 17 provinces toward the end of this year, its director Andi Buchori said without giving more details.

Buchori said the opening of the units is part of the bank's plan to expand sharia banking operation in the predominantly Muslim country.

The bank reported Rp200 billion (\$21.6 million) in net profit in the first eight months of this year or 66.7% of its whole's year's target of Rp300 billion.

The company's assets were valued at Rp12 trillion with total sharia financing at Rp10 trillion, the newspaper *Investor Daily* said.

Barclays sells stake in Berlian Laju

British bank Barclays has sold most of its 6.12% stake in Berlian Laju Tanker, the shipping firm said, Reuters reported.

Barclays now holds just 0.02% of Berlian Laju, which is listed in Jakarta and Singapore.

The UK bank did not disclose the selling price, but the stake should be worth about Rp386 billion (\$41 million) based on the Indonesian firm's closing price of Rp1,380 a share.

POWER

Bakrie to build three coal-fired power plants

PT Bakrie Power plans to build three coal-fired power plants (PLTUs) with a total capacity of 2,710 MW, its president director said, Antara reported.

Bakrie power director Pandam Pandyono said work on the construction of PLTU Tanjung Jati A would be started late in 2009 and is scheduled for completion in 2014.

He said the company was in the middle of holding a tender for the construction of the projects, with participation from Chinese and Japanese investors.

Besides Bakrie, he said, British investor International Power and Toyota Tsosho of Japan also held stakes in PLTU Tanjung Jati A.

He said Bakrie Power would also take part in the construction of a geothermal power plant with a capacity of 30 MW in Ende, East Nusa Tenggara province.

PGN, Indonesia Power ink gas contract worth Rp1.7T

State gas utility company PT PGN and electricity supplier PT Indonesia Power have signed a gas sales contract worth Rp1.7 trillion (\$181.24 million) to help secure power supply in West Java, *The Jakarta Post* reported on Monday.

PGN's corporate secretary, Heri Yusup, said the deal would allow PGN to supply 30 million cubic feet of gas per day to Indonesia Power's power plant in Tanjung Priok, North Jakarta, for the next three years.

"The gas is coming from South Sumatra and it will be supplied to Tanjung Priok power plant via the South Sumatra-West Java gas pipeline," Yusup said in a statement.

PGN and IP will immediately build infrastructure and other facilities to support the gas distribution activity, he said.

"The gas delivery will begin as soon as the two firms complete the infrastructure project."

He said the deal was part of PGN's commitment to secure gas supply for power plants in West Java.

Indonesia Power, which owns 127 power plants with a total capacity of 8,888 MW, is a subsidiary of state electricity firm PT PLN.

PLN has frequently declared it will boost its gas usage next year to reduce production costs. The state company will boost gas use at its power plants by 65,701 billion British thermal units (BBtu) in 2009, president director Fahmi Mochtar said on September 15.

PLN expects this program to reduce its oil-based fuel consumption by 955,993 kiloliters per year, which would lighten the 2009 electricity subsidy by Rp5.33 trillion.

Mochtar said the subsequent reduction in production costs would see PLN increase its profit from electricity sales by 7%.

PGN will also supply gas to the Muara Tawar and Cilegon plants, Kompas.com reported.

OIL & GAS

Pertamina to invest \$500M in Cepu project

State oil and gas company PT Pertamina plans to spend \$500 million next year on an oil and gas project in Cepu, East Java, to be jointly run by US energy giant ExxonMobil Corp, *The Jakarta Post* reported.

Pertamina will use internal revenues to fund the project, the company's finance director Frederick Siahaan said.

"Given unfavorable market conditions these days, we will use internal funds to help finance the project," he said.

Pertamina had planned to seek loans of up to \$1 billion from foreign banks to finance the estimated \$2 billion project.

The company owns 50% of the shares in the project, with the remainder held by ExxonMobil, the project operator.

Last year, Pertamina spent \$180 million on the project.

The Cepu block holds an estimated 600 million barrels of oil along with 1.7 trillion cubic feet of gas.

The government has set a production target of 10,000 barrels of oil per day by the end of 2008, following an agreement to fast-track the development of the block.

Medco to spend \$125M on ethanol, oil projects

Publicly traded energy company PT Medco Energi Internasional said it will spend Rp1.15 trillion (\$125 million) on an ethanol factory project in Lampung and an oil and gas project in Lematang, South Sumatra, Asia Pulse reported.

Funds are available including \$45 million for the ethanol and \$80 million for the oil and gas projects, Medco finance director Cyril Nurhadi said September 25.

Nurhadi told the newspaper *Investor Daily* that the entire fund for the ethanol project, which will have a production capacity of 180 kiloliters per day, will in equity.

The project, including a cassava plantation of 10,000 hectares to supply the basic material, is planned to meet growing global demand for alternative sources of energy.

Nurhadi said 70% of funds for the Lematang oil and gas block will come in loans from Bank Central Asia.

MINING

Hexindo wins \$520M heavy equipment contract

PT Hexindo Adiperkasa said it has won a contract valued at Rp4.88 trillion (\$520 million) for the procurement of heavy equipment from coal mining company PT Kaltim Prima Coal (KPC), Asia Pulse reported.

Hexindo president Manuntun Situmorang said the agreement with KPC, a business unit of PT Bumi Resources, the country's largest coal producer, is expected to be signed next month.

Situmorang said units of heavy equipment for KPC, which has large coal mines in Kalimantan, will be delivered this year, immediately after the agreement is signed.

He said his company hopes to chalk up Rp2.66 trillion in sales this year or an increase of 48% from last year.

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