

THE COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

Main Building, Ministry of Finance, Jl. Lapangan Banteng Timur No.2-4 Jakarta 10710
Tel: (021) 351-1178 Fax: (021) 351-1186 Website: <http://www.ekon.go.id>

Trade and Investment News¹, 5 January 2009

Highlights

Politics

- Constitutional Court says no changes needed to law to reflect its ruling
- Poll supervisory body formed in Aceh

Terrorism

- No chance that Bali would become another Mumbai: Police chief

Security

- Police announce measures to secure elections
- China, the US, Germany and Japan to help with maritime security

Law & order

- Many breaches of financial transfer regulations points to money-laundering
- Corruption Eradication Commission saves Rp600 billion in corrupt funds

Health

- Australian research gives hope of reducing dengue fever cases

Economy

- Government commits to spend additional budget on infrastructure, business aid

Business briefs

Macroeconomy

- Economy grew 6.2% in 2008, says finance ministry
- Export growth during 2008 estimated at 18% to 20%, says minister

Investment

- Energy, natural resources to see spending of \$28.6 billion in 2009
- Regulators say capital markets set to recover

State concerns

- President issues decree aimed at maintaining rice self-sufficiency
- Government to allow 84 fish companies to export to China

SOEs

- Government committed to pushing privatization program
- PT Semen Gresik aims to push exports during 2009

Private sector

- Toyota vehicles to see price rises

Banks

- BRI aims at 20% growth in corporate lending

Power

- PLN sees sharp drop in operating profit from high oil price

Oil & gas

- Government considering pushing petrochemical industry at Tangguh
- PT Pertamina expects 2008 gross income at Rp50 trillion

Mining

- Figures show coal output up, copper down in 2008

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

Election law changes not needed: Constitutional Court

The Constitutional Court said a law that gives individual voters more sway than political parties in this year's legislative elections will remain unchanged, *The Jakarta Globe* reported.

The General Elections Commission (KPU) asked for the president to issue a presidential regulation in lieu of law (perpu) that would make changes to the existing election law.

Constitutional Court chairman Mahfud MD said the KPU's concerns over the election law were unfounded and that the court's decision was "very explicit."

The court's decision threw out two stipulations that would allow party leaders to rate their own candidates, giving the winning parties the right to choose their representatives despite results of the popular vote. Instead, the court ruled that votes for individual legislative candidates will determine who takes a seat in the House of Representatives.

The KPU earlier asked President Susilo Bambang Yudhoyono to issue an emergency regulation to clear up technical details of the election.

KPU chairman Abdul Hafiz Ansyari said his office would issue guidelines to explain the details precisely. "That's what we will do to ensure the election preparation runs well," he said.

Aceh election supervisory body inaugurated

The Election Supervisory Body (Bawaslu) inaugurated three members of the Aceh Election Supervisory Committee (Panwaslu) on Wednesday. With the inauguration, the government has officially formed Panwaslu in all 33 provinces, *Media Indonesia* reported.

"We hope the Aceh Panwaslu, which has greater responsibility as there are six local political parties and 38 nationally registered ones in Aceh, can perform its duty in accordance with the constitution," Bawaslu chairman Nur Hidayat Sardini said.

Formation of the Aceh Panwaslu was delayed due to disagreement between the General Election Commission (KPU) and the Aceh Regional House of Representatives (DPRD) over interpretation of election Law No. 22/2007.

TERRORISM

Bali won't be another 'Mumbai': Police

The Bali police chief has assured the public that Bali will not suffer the same tragedy that befell the Indian financial capital of Mumbai, saying it is impossible for armed terrorists to infiltrate the island's security and that authorities are in possession of the blueprints of all hotels on the island, *The Jakarta Post* reported.

At a 2008 year-end press briefing at the Bali police headquarters in Denpasar on Tuesday, Insp. Gen. Teuku Ashikin Husein brushed aside concerns local police are not equipped to deal with a Mumbai-type situation, such as armed gunmen seizing a hotel.

"It's not that we're being arrogant but God willing what happened in Mumbai will not happen here. It would be insane if we did not know that a bunch of armed gunmen had entered several hotels, or that these men had just hijacked a boat," he said.

"I don't understand what those Indian police and military (personnel) were doing, either. Not us, I think we would have known."

Cumbersome bureaucracy, a failure to act on intelligence, a lack of equipment and transport were just a few of the criticisms directed toward Indian authorities, prompting the resignation of the country's home minister, Shivraj Patil.

Husein said it was impossible to smuggle weapons onto Bali, adding the public would immediately report seeing anyone carrying automatic weapons and that police have been well trained and could reach any location in Bali quickly.

When asked whether police are prepared to storm a hotel controlled by terrorists, Husein said he had all the blueprints of all of Bali's hotels, meaning his men would not have to go in blind.

"The police in Bali have terrific cooperation with hotels. We have all of their blueprints. So if an attack such as the one in Mumbai occurred, we would not be blind to where we should enter, which rooms we would have to go through or which floors the attackers would be on," he said.

He said the police and the provincial administration were preparing to conduct more training exercises with the next one focusing on damage limitation.

SECURITY

Police announce operations to secure general election

National Police announced a variety of preparations including a plan to stage a special operation code-named "Operasi Mantap Brata" ahead of the legislative elections in April, Antara reported.

"In the Mantap Brata operation we plan to deploy two-thirds of the police force," National Police chief Gen. Bambang Hendarso Danuri said.

Danuri said general election security operations would be carried out in stages.

Two-thirds of the police force would be deployed to secure the campaigning period, the cooling-down and voting periods while one-third of the force would be fielded to secure result announcements, seat distribution and oath-taking ceremonies.

Danuri said personnel would be assisted by 24,000 personnel from the military and 1,223,227 personnel from the community guard.

The security personnel will be distributed to 611,636 voting precincts, Danuri added.

Four countries to help increase maritime security

China, the US, Germany and Japan have expressed willingness to provide assistance to Indonesia to increase the capacity of its Marine Security Coordination Agency (Bakorkamla) in 2009, Antara reported.

"A number of grants from those countries will be realized this year," Bakorkamla's top executive officer, Vice Admiral Budhi Hardjo, said Friday.

He said China had pledged to help build a marine security satellite while the US would help to increase the agency's national picture computation capability.

"This equipment is used to track commercial and foreign ships passing through Indonesian waters. Besides detecting ships that commit violations, it can also be used as a system to warn ships sailing towards a danger zone by combining data from the Meteorology and Geophysics Agency," Hardjo said.

Germany, he said, had offered to provide a multi-function ship weighing around 2,000 gross tons that could be used to conduct patrols, surveillance as well as rescue missions.

"We are now just studying details of the ship's use to support marine security operations in Indonesian waters. We will study its specifications so that we can adapt them to the requirements of operations. It will possibly become a base ship," he said.

Asked when Germany would deliver the ship, he said this would possibly happen later this month.

Hardjo said Japan had agreed to help by providing around \$300 million in cash to increase Bakorkamla's capacity in stages over the next three years.

"Japan has also made a commitment to give us three Coast Guard patrol boats. It will also help build early warning systems at several points, hold joint exercises and exchange personnel with us," he said.

Site set for peacekeeping base: Minister

The government is finalizing plans to establish a national peacekeeping mission center, Defense Minister Juwono Sudarsono said, *The Jakarta Globe* reported.

The center will coordinate training for military and police officers before they are deployed on UN peacekeeping missions.

Sudarsono said the Defense Ministry has designated an area in Sentul, West Java, just southeast of Jakarta, for the construction of the facility.

"We have found a good spot for the center and it is easy to access the location. It fulfills all the conditions," Sudarsono said, adding that other countries would also be able to make use of the facility in the future.

However, unlike the Jakarta Law Enforcement Center which was established in 2005 with foreign funding, Sudarsono said the peacekeeping center would be funded solely by the government.

"The budgeting process is a bit slow. We cannot expedite its establishment," he said.

Sudarsono said that he and Coordinating Minister of Political, Legal and Security Affairs Widodo AS had been directed to move forward with plans for the center by President Susilo Bambang Yudhoyono.

Military chief Gen. Djoko Santoso had earlier said the peacekeeping mission center was needed to ensure that soldiers departing on UN missions were properly trained.

Indonesia has deployed peacekeeping missions under the UN banner to numerous conflict zones across the world, including Bosnia and Herzegovina, Cambodia, Egypt, Georgia, Iraq, Kuwait, Lebanon, Mozambique, the Philippines and Somalia.

Currently, Indonesia has about 900 military personnel in the Garuda XXIII-C/UNIFIL contingent in Lebanon, while an additional 200 are participating in the UN peacekeeping mission in the Democratic Republic of Congo.

LAW & ORDER

Suspicious transactions vastly underreported: Agency

The country's anti-money laundering agency, the Financial Transaction Reporting and Analysis Center (PPATK), blasted financial institutions for failing to report all suspicious transactions, which numbered 22,000 in 2008, *The Jakarta Globe* reported.

Bambang Permantoro, the center's deputy chairman for legal affairs and compliance, said that of those reported, 1,240 transactions were suspected to have been related to criminal activity.

"The money is suspected to be the result of corruption, terrorism, narcotics, illegal logging, human trafficking and many other crimes," Permantoro said.

By law, financial institutions such as banks, money changers, wire transfer companies and the Indonesian Stock Exchange must report daily transactions involving more than Rp100 million in cash or electronic transactions of more than Rp500 million.

"Most banks have complied, even the local ones, but there are a lot of insurance agencies, money changers and wire transaction companies that have not reported suspicious transactions," PPATK spokesman Natsir Kongah said.

KPK recovers Rp600B in state assets

The Corruption Eradication Commission (KPK) succeeded in recovering Rp600 billion in stolen state money during 2008, compared to Rp119.9 billion in 2007, said KPK chief Antasari Azhar, *Koran Tempo* reported.

According to Azhar, 67% of the recovered money originated from various corruption cases, while the remainder stems from stolen state properties and 'donations'.

During 2008, the KPK narrowed down 8,000 logged reports into 70 cases under investigation, 43 cases under prosecution process and 28 cases which have been completed in the courts.

"Most of the reports were outside our jurisdiction, therefore we delegated them to the proper institutions," said Azhar.

He said the institutions are the police, Attorney General's Office, Development and Finance Supervisory Board, Inspectorate Generals, Supreme Audit Agency, Supreme Court and Regional Supervisory Board.

The KPK has managed work efficiently during 2008 said Azhar, adding around Rp188 billion had been spent during 2008, 19% less than the allocated budget totaling Rp232 billion.

HEALTH

Researchers claim breakthrough on dengue fever

Australian researchers funded by US billionaire Bill Gates Friday claimed a breakthrough which could help in the fight against dengue fever by stopping the often deadly disease in its tracks, Agence France-Presse reported.

University of Queensland researchers said they have successfully infected the mosquito which spreads the tropical disease with a bacterium which halves its 30-day lifespan, thereby reducing its ability to transmit dengue to humans.

Scientists hope their work will help halt the spread of the painful and debilitating disease which affects millions of people each year.

"The key is that really only very old mosquitoes are the only ones that are able to transmit the disease," said researcher Professor Scott O'Neill.

"What we've done is put these naturally occurring bacteria into the mosquitoes that actually halve their adult lifespan so they don't live long enough to be able to transmit the virus."

The research published Friday in the journal *Science* is the result of injecting 10,000 mosquito embryos with a bacterium that occurs naturally in fruit flies but has never been detected in dengue-carrying mosquitoes.

O'Neill said it would be several years before the technique would be tested in the wild.

The Bill and Melinda Gates Foundation donated \$10 million to an international research team led by the University of Queensland into a means of defeating dengue fever in 2005.

ECONOMY

Govt. announces major additional spending plan

After closing the 2008 account, the government still has in its coffers Rp 51.3 trillion (US\$4.6 billion) of unspent funds due in part to higher-than-expected earnings and lower-than-estimated expenditure, the Finance Ministry says as reported by The Jakarta Post.

The unspent funds will be partly used to ease the impact of the global economic downturn, in the form of stimulus for the real sector.

Finance Minister Sri Mulyani Indrawati said Wednesday the unspent funds would count as an addition to the stimulus package already included in the state budget for helping industries hit hard by the economic downturn.

The government may disburse additional Rp 20 trillion of the unspent funds to add to the Rp 12.5 trillion already allocated in the state budget for waived income tax, value added tax and import duties, she said.

President Susilo Bambang Yudhoyono said on Wednesday his government would launch a new fiscal stimulus on top of spending plans set in the state budget. He also promised further fuel cuts, and said his cabinet's emphasis would be on the creation of jobs and restraining inflation.

Speaking after a coordination meeting at the Ministry of Finance, Dr. Yudhoyono said that with hard work growth of 4.5% could be achieved, *Kompas* reported.

The Finance Ministry meanwhile said it estimated growth during the last year at 6.2%, down slightly from the figure of 6.3% a year earlier and despite slowing growth during the second semester.

On the stock market, the Jakarta composite index finished the year at 1,355.408 on Tuesday, when the market shut for the New Year holiday, up from the previous Friday's close of 1,340.89.

BUSINESS BRIEFS

MACROECONOMY

Economy grows 6.2% in 2008

Indonesia's economy expanded 6.2% in 2008, the finance ministry said on Thursday, slowing slightly from 6.3% in 2007 when the country enjoyed its fastest growth in a decade, Reuters reported.

However, the government has warned that 2009 would be tougher, with growth seen at between 4.5% and 5%.

Inflation in 2008 was 11.1% -- in line with government forecasts -- and tax revenue amounted to Rp658.7 trillion (\$60.71 billion), Rp49.4 trillion above the government's target.

"Generally the actual macroeconomic indicators were good although in the past few months there has been some significant pressure from the global financial crisis," the ministry said in its statement.

The budget deficit was 0.1% of Gross Domestic Product (GDP), the finance ministry said in a statement, *The Jakarta Globe* reported. The figure was far below the amended budget figure of 2.1%.

The finance ministry said on Thursday the previous deficit projection was due to higher-than-expected state revenue plus grants from foreign donors, and below-target spending.

In monetary terms, the 2008 deficit was Rp4.2 trillion, far less than the revised estimate of Rp94.5 trillion.

Revenue plus grants were recorded at Rp981 trillion (\$90.25 billion), 9.6% higher than expected, while overall state spending was 91.5% of budgeted amounts.

2008 export growth estimated at 18-20%: Minister

Trade Minister Mari Elka Pangestu expressed optimism that export growth in 2008 will reach about 18% to 20%, Antara reported.

"Indonesia's exports only began to decline in September while those in the preceding months all increased," Pangestu said on Tuesday.

Pangestu said the exposure to exports of Indonesia's gross domestic product (GDP) was about 30% while in Thailand the figure was 70%, in the Philippines 50% and in China 40%.

She said these ratios explained why in other countries the decline in exports would directly affect the economy as a whole, while in Indonesia it would not.

Indonesia's exports were also relatively safer than those of other countries because, besides different markets and commodities, Indonesia had also succeeded in diversifying its markets.

Indonesia's exports to Europe in 2003 accounted for 19% of overall exports but the figure dropped to 1.5% in 2008 while its exports to the United States fell from 15% (of overall exports) in 2003 to 11.3% in 2008.

"The decrease in these overseas market shares indicate that there has been market diversification in Indonesia's exports which go to newly emerging markets such as China where Indonesia's market share increased from 6% to 8%, India from 3% to 6% and in ASEAN countries," the minister said.

Indonesia's exports were also safe because they mostly consisted of commodities. Unlike electronics and automotive products which are directly affected when demand drops, commodities are not directly affected, she said.

INVESTMENT

2009 investment commitments in energy, mineral sector reach \$28.6B

The value of investment commitments in Indonesia's energy and mineral resource sector for 2009 had already reached \$28.6 billion, Energy and Mineral Resources Minister Purnomo Yusgiantoro said, Antara reported.

The figure was \$10 billion higher than the value of realized investments in 2008 which was expected to total \$18.63 billion out of a target of \$21.7 billion, Yusgiantoro said on Tuesday.

The investment commitments in 2009 included commitments made during the 3rd Indonesia-China Energy Forum (ICEF) at the end of December that reached \$3.2 billion, he said.

Realization of investment in 2008 was expected at \$12.2 billion for the oil and gas sector, \$4.76 billion for power and \$1.65 billion for general mining.

Apart from the Chinese commitments, other planned investment in 2009 stood at \$25,4 billion, including \$16.6 billion in the gas and oil sector.

The investment commitments are in existing oil and gas fields, new fields and coal bed methane fields.

The commitments in the downstream includes a mini-oil refinery, a used lubricant oil refinery, three mini-liquefied petroleum gas refineries, pipe-channeled gas transportation, LPG stockpile, fuel oil stockpile, liquefied natural gas stockpile, fuel oil trading and gas pipe network.

Investment in the power sector is expected to reach \$6.6 billion or 26%.

The electricity projects include part of the government 10,000 MW power development projects and 15,629 MW in private power projects.

The investment commitments may provide employment for 148,000 workers.

Capital markets to recover in 2009, regulators say

Indonesia's stock market should have hit bottom after plummeting 51% in 2008 and will begin to recover through this year, capital market regulators and analysts said on Tuesday, *The Jakarta Globe* reported.

President Director of the Indonesia Stock Exchange (IDX) Erry Firmansyah said the IDX could rise by between 10% and 15% this year as listed companies' earnings are expected to rebound.

Firmansyah said market capitalization dropped 46%, reflecting the fall in share prices at the exchange.

He said the average daily value of transactions on the bourse grew 4.2% to Rp4.5 trillion (\$414 million) but he expects that figure to fall to Rp2.75 trillion per day this year.

The IDX also said on Tuesday it may scrap its current limits on the daily percentage change in stock prices, up or down, and return to its "normal" limits on price moves now that the market is less volatile.

Currently, a stock price may not rise by more than 20% or decline by more than 10% a day. The IDX introduced upside and downside limits of 10% when the global financial crisis hit and Indonesia's stock market plunged.

He also said 15 companies were expected to launch initial public offerings (IPOs) in 2009, compared with 19 companies in 2008. "There are already 11 companies in the pipeline for listing in 2009," Firmansyah said.

Fuad Rahmany, chairman of the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) at a year-end news conference said the agency plans to increase liquidity both in secondary and primary markets by issuing regulations to attract investors.

"One of the regulations would cut the processing time for an IPO proposal to one day from four to five days currently," he noted.

Bapepam-LK will also take steps to improve trading stability by expanding the country's investor base.

On Tuesday, the last trading day of 2008, the Jakarta Composite Index finished up 14.51 points, or 1.08%, at 1,355.408. The benchmark index reached its lowest point this year at 1,111.39 points on October 28, after hitting a record high of 2,830.26 on January 9.

Foreign investors dominate Indonesia stock market

Foreign investors accounted for the largest portion of investment in the stock market last year, with a 67% share, up from 66% in 2007, according to a year-end report from the Indonesia Central Securities Depository (KSEI), *The Jakarta Post* reported on Friday.

The figures show that foreign investors have confidence in the Indonesian market as liquidity problems in their home countries have forced them to invest in emerging markets, KSEI president director Ananta Wiyogo said.

Foreign investors have been able to make 15% to 20% in yields from investments in the stock market, and will continue to look at Indonesia and other emerging countries as they earn less from investments in developed countries.

Foreign investors had left the market during the October collapse, but had now started to return and this trend is likely to continue this year, analysts say.

While still dominating the capital market portfolio, asset value held by foreign investors declined by 45.7% to Rp646 trillion (\$60.07 billion) by the end of last year, from Rp1,191 trillion in 2007, as impacts of the global financial downturn impacted stock value.

Local investors accounted for 33% of the market in 2008 with stock assets worth Rp210.2 trillion, down from Rp400.9 trillion in 2007.

According to unofficial reports, less than 1.5 million Indonesians have investments in the Indonesian stock market.

The Indonesia Stock Exchange (IDX) has targeted to attract 2 million local investors last year and again this year.

Indonesia's largest institutional investor in the local stock market is state pension company PT Jamsostek.

Qatari investor eyes pineapple cultivation in Riau

A Qatari investor has expressed interest in setting up a pineapple plantation and a pineapple processing facility in Kampar regency, Riau, Antara reported on Tuesday.

"The Qatari investor has visited Kampar to survey the possibility of setting up a pineapple plantation business in the regency," Zaistar Zain of Kampar's Promotion and Investment office said on Tuesday.

STATE CONCERNS

President issues decree to maintain rice self-sufficiency

President Susilo Bambang Yudhoyono has issued a decree on raising the buying price of rice from local farmers in a bid to ensure national self-sufficiency amid slowing economic activity and a global food crisis, Xinhua reported on Thursday.

The presidential decree, issued on December 24 and effective since January 1, stipulates the government will pay Rp4,600 per kilogram to buy rice from national farmers, a 7% increase.

The presidential decree also encourages investment in rice, but stipulates that owners of rice fields will remain under the supervision of the Investment Coordinating Board.

"Investors should not be allowed to convert existing paddy fields," Deputy to the Coordinating Minister for the Economy Bayu Krisnamurthi was quoted as saying.

Indonesia produced 38.6 million tons of milled rice in 2008, a 5.5% increase from 2007, enabling the country to meet national demand, which was 37 million tons last year.

The national rice stockpile is controlled by the State Logistics Agency (Bulog). Bulog's total rice stockpile stood at 1.4 million tons at the end of 2008. Rice output may jump to 40 million tons this year, which would open the door for the country to export a maximum of 2 million tons, which would be the largest amount in 50 years.

Earlier, Vice President Jusuf Kalla said Indonesia would not import rice in 2009 because its rice production target has been achieved, Antara reported on Wednesday.

Govt. allows 84 fish processing units to export to China

The Fisheries and Maritime Ministry will allow only 84 local fish processing units (UPI) to export their products to China starting from February 1, Xinhua reported on Friday.

"Outside those registered units, fish exports to China by other units are regarded as illegal," the Ministry's director for standardization and accreditation Nazori A Djazuli was quoted as saying.

According to Djazuli, before the registration process, the 84 UPIs had already exported fisheries products to China. Most of them are based in West Java, Central Java and East Java.

The regulation is a follow-up to the agreement between Indonesia and China to supervise fisheries trade and export to China. Qualifications were made by the ministry to maintain the quality standard and food security for Chinese markets.

SOEs

Govt. to continue privatization program

The government will continue its program to privatize 30 state-owned enterprises (SOEs) this year, with the process of privatization of many already begun in 2008, Antara reported.

"In 2008 there were certain conditions that hampered the privatization program. The restructuring of a number of companies will resume in 2009," M Yasin, deputy for privatization and restructuring affairs at the state enterprises ministry, said on Tuesday.

He said the government had initially planned to privatize 44 SOEs in 2009 but due to uncertain economic conditions, it had decided to restructure only 30 companies.

"The privatization of most of the 30 companies will be carried out through IPOs, except in the case of companies where the government's stake is relatively small," he said.

The government and the House of Representatives had agreed to implement IPOs in 2008 for steel maker PT Krakatau Steel, plantation companies PT Perkebunan Nusantara (PTPN) III, IV and VII as well as state-owned saving bank Bank Tabungan Negara (BTN). Due to the crisis, the IPOs had been postponed to 2009.

Yasin said the portion of government shares to be floated in the market for each SOE was about 30% at the most, adjusted to the conditions of each company.

Semen Gresik to increase exports in 2009

State-owned cement maker PT Semen Gresik is planning to increase its export volume in 2009 despite the global economic crisis, president director Dwi Soetjipto said, Antara reported.

Soetjipto said the company's export volume in 2007 stood at 500,000 tons but he hoped the volume would increase to 1 million tons in 2009.

"This year the export volume is predicted to account for only 5% of overall sales while demand abroad is actually higher," he said.

Soetjipto said Semen Gresik was not able to meet demand for cement overseas because domestic demand was also high.

Though domestic demand at home is expected to drop this year, Semen Gresik Group would maintain its production growth target at about 6% of its 2008 production at 18.2 million tons. The 2008 production at 18.2 million tons was 8.6% higher than that in 2007.

Cement sales in the January - November 2008 period was 16.186 million tons, an increase of 4.4% compared with the corresponding period a year earlier.

Currently, the real production capacity of Semen Gresik is 18 million tons annually. It controls 44% of the cement market in the country.

"We will continue our expansion plan to increase the company's current production capacity," Soetjipto said, referring to expansion at Semen Tonasa in South Sulawesi and a new factory in Pati, Central Java, with total additional capacity of 2.5 million tons per annum.

Semen Gresik will also construct two power generating plants with capacity of 35 MW.

The South Sulawesi project is scheduled for completion in 2011 and the Pati project will come on stream in 2012, with combined investment of about \$1.3 billion

"If the new factories and other facilities have been completed, Semen Gresik's production capacity is estimated to reach 23.4 million tons in 2014. We predict that cement demand at home will increase in a few years to come," he said.

Garuda to open 18 new routes this year

National flag carrier Garuda Indonesia is planning to open 18 new flight routes in 2009 after the arrival of 14 new Boeing 737 NGs, a spokesman said on Wednesday, Antara reported.

Garuda communications chief officer Pujobroto told a year-end press conference that some of the routes were actually old routes which were to be reopened by Garuda. "The routes will be opened in stages beginning on January 16," he said.

The new routes include Jakarta-Tanjungkarang (Lampung), Jakarta-Malang (East Java), Jakarta-Makassar-Kendari (Southeast Sulawesi), Jakarta-Makassar-Gorontalo (Gorontalo), Jakarta-Makassar-Sorong (Papua) and Jakarta-Makassar-Ambon (Maluku).

He said Garuda would have a fleet of 68 aircraft if it operates all of its new airplanes in 2009.

Garuda will also purchase 10 Boeing 777-300ERs beginning in 2009 as part of its revitalization program until 2013. "Garuda is expected to have a fleet of 128 airplanes by 2013," he said.

Semen Baturaja's 2008 production up 6%

State-owned cement maker PT Semen Baturaja said on Friday its production in 2008 rose 6% to 1.067 million tons from a year earlier, Antara reported.

PT Semen Baturaja spokesman Sudarman said overall sales in 2008 were recorded at 1.108 million tons.

The company had set itself the target of producing 1.2 million tons of cement this year, he said.

PRIVATE SECTOR

Toyota raises prices in Indonesia

The country's market leader for cars, Toyota, has raised its prices by between 5% and 13%, effective January 1, despite an expected fall in sales due to the global economic slowdown.

"For the domestically assembled complete knock down (CKD) vehicles such as Innova, the price increase will be around 5% to 8%, while for imported complete built up (CBU) vehicles, the price rise will be about 10% to 13%," Toyota Astra Motor marketing director Joko Trisanyoto said Tuesday, Antara reported.

The price of an Avanza increases by about Rp6 million (\$530) from the previous lowest price of Rp116 million, while prices of high-end CBUs, such as Camry and Crown, increase by between 10% and 13%, he said.

A Camry sedan currently sells for between Rp380 million and Rp550 million.

Trisanyoto said the price increase was inevitable, due in part to the weakening of the rupiah against the US dollar.

BANKS

BRI targets 20% growth in 2009 corporate credits

Bank Rakyat Indonesia (BRI) is targeting a 20% growth in corporate credits in 2009, the bank's corporate director, Sudaryanto Sudargo, said on Wednesday, Antara reported.

Sudargo said corporate credit until late 2008 were estimated to stand at Rp30 trillion. "So in 2009, at least 20% of Rp30 trillion or a growth of Rp6 trillion can be achieved," he said.

BRI's finance director Abdul Salam said the bank targeted growth in credits in the market in 2009. "We are convinced that we will be able to record a growth above the average credit for industries," he said.

In the third quarter of 2008, BRI recorded a credit growth of 43.49%, totaling Rp45.9 trillion. Loans rose by Rp45.90 trillion (\$4.06 billion) to Rp151.46 trillion in September 2008, up from Rp105.55 trillion in the same period in 2007.

Sudargo also said that the bank hoped to recoup its \$60 million funds at Netherlands-based Indover Bank, which has been declared bankrupt. "We expect it could be returned in January, but not 100%," he said.

POWER

PLN sees sharp drop in profit from operations

State power company PT PLN said its operations profit in 2008 reached only Rp600 billion, down from Rp2 trillion in 2007, Antara reported on Tuesday.

PLN president director Fahmi Mochtar said the drop in the operations profit was caused by the high price of fuels in 2008 for power plants, particularly oil and coal.

"In 2009 we expect our operations profit to reach around Rp1.5 trillion," Mochtar said.

In 2009 the cost of fuel is predicted to drop following the operations of new coal-fired power plants and a reduction in electricity consumption as the result of current global crisis.

At least another three power plants would operate in 2009 as part of the 10,000 MW power plant project crash program. They are coal-fired power plants PLTU Labuan in Banten, PLTU Rembang in Central Java and PLTU Indramayu in West Java.

"The drop in the fuel cost will also lower the government's electricity subsidy," he said.

He said the value of the cut in the electricity subsidy would depend upon the oil price in 2009.

Mochtar said power subsidies in 2008 reached Rp60.39 trillion, less than the projected Rp61.01 trillion.

In 2008. Fuel oil consumption reached 11 million tons, above the target of 8 million kiloliters.

PLN to get cheap power supply from Japan's Sumitomo in 2012

State power company PT PLN is set to secure about 1,320 MW of power from a plant constructed and run by Japan's Sumitomo Corporation, *The Jakarta Post* reported on Friday.

The power supply, to be provided at a competitive price, will be available in early 2012.

PLN vice president Rudiantara said the company was confident about getting the cheap supply after Sumitomo received \$2.2 billion in loans from a consortium of Japanese banks to finance the construction of the plant. The coal-fired plant Tanjung Jati B, will be additional to the 1,320 MW Tanjung Jati A plant in Jepara, Central Java.

"The loan agreement was signed last week between Sumitomo and a consortium of Japanese banks led by JBIC (Japan Bank for International Cooperation)," Rudiantara said Wednesday.

According to Rudiantara, PLN has benefited from the newly signed loan agreement between Sumitomo and JBIC because it enables PLN to buy electricity from CJP for 2.65 cents per kilowatt hour (kWh), a price much lower than CJP's previous offer of 4.3 cents per kWh.

"We hope the financial closing can be wrapped up in January so Sumitomo can start the project construction soon."

In November, PLN and Sumitomo signed a leasing agreement for PLN to purchase power from PT Central Java Power (CJP), the Sumitomo unit that operates the plant, for 23 years before taking over the plant entirely.

OIL & GAS

Govt. mulls developing Tangguh into petrochemical center: VP

Vice President Jusuf Kalla said on Monday that the government was considering the possibility of developing a petrochemical center in Tangguh, Bintuni, West Papua, Antara reported.

Kalla was in Bintuni to inspect the Tangguh liquefied natural gas (LNG) field at Bintuni Bay.

"When I reported my plan to visit Tangguh to President (Susilo Bambang) Yudhoyono, he told me to study the possibility of developing the area into a petrochemical center," Kalla said.

This would give additional value to the state and to local people's welfare, he added. The people of Papua would get 70% of profit.

Pertamina expects 2008 gross income at Rp50T

State oil-and-gas company PT Pertamina expects to earn a gross income of Rp50 trillion in 2008, the company's president director Ari Soemarno said on Wednesday, Antara reported.

The gross income would include a net profit of Rp30 trillion, Soemarno said in a year-end report on the company's performance.

"Based on our calculations until the third semester of 2008, gross revenue will total Rp40.3 trillion. After deducting taxes, we will have a net profit of Rp26.4 trillion," he said.

According to Soemarno, upstream oil and gas activities would contribute 70% of Pertamina's total profit with the rest coming from downstream and other activities.

He said the profit calculations were still based on Indonesia's Crude Price (ICP) rate of \$112 per barrel. The average rate of ICP at the end of last year had declined to \$103 per barrel.

Soemarno estimated that Pertamina's gross and net profit in 2009 would fall sharply due to the decline in the world oil price and Pertamina might also see its profit decline due to a decline in the fuel oil distribution cost from 9% in 2008 to 8% in 2009.

"We will suffer a financial loss of 8% from subsidized fuel oil distribution and an ICP rate of \$50 per barrel," he said.

Meanwhile, Pertamina plans to invest Rp19 trillion (\$1.74 billion) in 2009, against Rp17 trillion in 2008, Reuters reported.

Karen Agustiawan, Pertamina's upstream director, said the firm has earmarked Rp11 trillion for investment in the upstream business in 2009. The rest will be allocated for downstream business, marketing and other expenses.

Pertamina plans to produce 169,750 barrels per day (bpd) of oil in 2009, up from 156,000 bpd of oil in 2008.

Agustiawan said the increase will mainly come from the Cepu block, which the state-owned company operates along with ExxonMobil Corp.

Indonesia produced 842,000 barrels per day (bpd) in December, down from 845,300 in November.

Total to spend \$1.8B on Mahakam gas block in 2009

The local unit of French major Total will spend \$1.8 billion this year to maintain its production at 2.6 Bcf/d from its Mahakam gas block in East Kalimantan, *Platts Commodity News* reported on Tuesday.

"For the moment we are trying to maintain our investment levels," president director and general manager of Total E&P Indonesia Elisabeth Proust said, declining to give further details.

The company had earlier planned to spend \$1.9 billion in 2009, the same as its capital expenditure last year, Total's former president director Phillippe Armand had said in July.

Total had spent \$1.6 billion in 2007, mostly to develop Sisi and Nubi fields, as part of the company's commitment to maintain production rates. Total has committed to spending \$8 billion until 2015 in the Mahakam block, Armand had said.

The Mahakam block is also a top-tier oil and condensate producer, with output of nearly 90,000 bpd of oil and condensate in the first half of 2007. Total supplies 80% of the feed gas for the Bontang liquefaction plant from the Mahakam block with the Tambora, Tunu and Peciko gas fields.

It is the operator of the Mahakam block with a 50% stake alongside partner Japan's Inpex, which holds the other 50%. They are seeking an early extension of the production sharing contract from the Indonesian government, which expires in 2017. Total expects to secure a 10-15 year extension.

MINING

Govt. says coal output up, copper down in 2008

Indonesia's output of coal rose slightly in 2008, but production of other key commodities including copper and tin fell, the energy and natural resources ministry said on Tuesday, amid a recent downturn in commodity prices, Reuters reported.

Coal output in 2008 is estimated at 225 million tons, up just 3.7% from 217 million tons in 2007, while 2009 output will be unchanged from 2008, energy ministry officials said.

Copper output fell 27% to an estimated 580,950 tons in 2008, from 797,400 tons last year.

"The decline in copper output was due to a production problem at Freeport," said Bambang Gatot Ariyono, director of mineral and coal enterprises at the energy ministry.

Tin output fell 13% to 79,210 tons in 2008, from 91,280 tons in 2007, while nickel-in-matte output fell 4.8% to 74,160 tons in 2008, from 77,930 tons in 2007.

Ariyono said overall investment in the mining sector rose to \$1.6 billion in 2008, from \$1.2 billion in 2007.

===***===