



Indonesia Newsletter

CONSULATE GENERAL OF THE REPUBLIC OF INDONESIA, MUMBAI, INDIA
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The 12th Jakarta International Handicraft Trade Fair
INACRAFT 2010
April 21 - 25, 2010
at Jakarta Convention Centre, Jakarta, Indonesia
Visit : www.inacraft.co.id

The development of the Jakarta International Handicraft Trade Fair also known as INACRAFT, constitutes one of the supporting factors of the development of the Indonesian handicraft industry. The industry has contributed 30 % to the growth of national economy. Moreover, INACRAFT has been recognized to be a national representative platform for promoting and launching a product, especially handicraft. INACRAFT has been held every year in the month of April since 1999 – 2009. In such an indeterminate global economic condition, Indonesia is one of the Asian countries who reach a positive growth of 4%. This will obviously lead an impact on the consumer selection of any products to be marketed in INACRAFT 2010. Therefore, the Association of Exporters and Producers of Indonesian Handicraft as an Organizer of the fair would like to advise all prospective exhibitors of INACRAFT 2010 to take this widely-opened transaction opportunity at INACRAFT 2010, by showcasing the newest and latest quality products at a competitive rate.

EXHIBITED PRODUCTS

Gift Item : Ballpoint & Wooden box, Candy jar, Woven blanket throw, Key accessories, Lighter box, Jewelry box, Small photo frame, Cigarette box, Aromatherapy, Stationery item, etc. **Housewares, Home & Garden Decorative** : Artificial flower, dried flowers, ceramic flowers vase, candle holder, lighting lamp, wood carving, ornament, craft silver, table cover embroidery, cushion cover, place mate, embroidery bed cover, Wooden furniture, rattan furniture, fiber furniture, coconut furniture, bamboo furniture, garden furniture, A kitchen wares, basket wares, table wares, bathroom wares, carpet, painting, candle, glass item, natural stone, pottery, bird house & accessories, umbrella, wind chime, doormat, garden ornament, plan terrace set, self watering hanging planter, garden bridge, garden statue, etc. **Toys & Game** : Wooden toys, soft toys, game board, inflatable toys, toys box, footballs, jigsaw puzzles, education games, etc. **Jewellery** : Gold jewellery, silver jewellery, pearl jewellery, shell jewellery, precious stones, etc. **Batik** : Painting batik, Printing batik, Stamped batik, Silk, etc. **Fashion Garment & Embroidery** : Fashion embroidery garment, Moslem dress, Indonesian ikats, Indonesian songket, Indonesian ulos, Hand oven fabric, etc

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INTERNATIONAL FURNITURE & CRAFT FAIR INDONESIA (IFFINA) 2010
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OPENING OF SINGLE WINDOW EXPORT-IMPORT SERVICE

: Indonesian President Susilo Bambang Yudhoyono has recently officiated the opening of a single window export-import service system at Jakarta's Tanjung Priok port to increase the country's bargaining power. The integrated system called the Indonesian National Single Window provides application and standard information process and exchange facilities electronically. It covers all processes connected with the flows of export-import goods. The system makes it possible for data and information to be submitted at once, synchronizes data and information processing and integrates the flow of business processes involving customs, licensing, export-import, port, payment, shipping and logistical systems as well as other systems connected with export.



EXPORTS & IMPORTS OF INDONESIA IN YEAR 2009

: Indonesia's exports were down nearly 15 percent last year as the global economic crisis cast a shadow over the country's major export earners, dampening demand. The Central Statistics Agency (BPS) reported that the country's exports dropped 14.98 percent last year to US\$116.49 billion in 2009 from \$137.02 billion in the previous year. During 2009, non-oil and gas exports totaled only \$97.47 billion, declining 9.66 percent from the previous year, BPS reported. However, the decline in exports was within the government's projected contraction in exports of between 10 and 15 percent. The government expects exports to rebound this year by 5 percent, said Indonesian Trade Minister Mari Elka Pangestu in early January. Meanwhile, imports in 2009 also dropped, and fell even more than exports as factories stopped purchasing raw materials amid sluggish demand in the world market. Despite the decline in foreign trade, the government estimated that Indonesia's economy would grow by 4.3 percent in 2009. On a monthly basis though, total exports rose 49.82 percent to \$13.33 billion in December, compared to the same month in the previous year. Non-oil and gas exports reached \$10.83 billion, or a 44.55 percent increase. Last year, Indonesia mostly exported industrial products, which accounted for 63.03 percent of all products shipped abroad. The rest were mining products (16.89 percent of total exports), oil and gas products (16.33 percent) and agricultural products (3.75 percent). The composition of exports was almost unchanged from 2008. Japan was Indonesia's main destination for exports in 2009. Japan bought \$11.98 billion of Indonesian products, or 12.29 percent of total exports, according to the BPS. Meanwhile, the US was ranked in the second position, purchasing \$10.46 billion of Indonesian goods (10.73 percent of total exports), and China was in third position, with \$8.91 billion of goods (9.14 percent). Imports last year reached \$98.86 billion, a 25.03 percent decrease from 2008, the BPS said. Non-oil-and-gas imports stood at \$77.87 billion, falling 21.06 percent from the previous year. Imported goods were mostly raw materials, 71.92 percent of total imports. Capital goods were 21.11 percent of total imports and consumer goods only 6.97 percent. Indonesia mostly imported machinery (18.79 percent of total imports), electrical equipment (14.52 percent) and steel products (5.6 percent). Even before the free trade agreement between ASEAN countries and China (ACFTA), Chinese imports were predominant last year, reaching \$13.5 billion (17.33 percent of total imports), the BPS reported. Indonesia also imported many products from Japan, with \$9.82 billion (12.61 percent) of total imports, and Singapore, with \$9.24 billion (11.86 percent).

FREE TRADE TO BOOST INVESTMENT : BKPM assess that the free trade should be a momentum to boost investment in order to over-ride the dominance of the consumption role in the economy. Gita Wirjawan, the Head of the Investment Coordinating Board (BKPM) said that the investment becomes a dominant driver of the Indonesian economy. According to Gita Wirjawan in the era of free trades, the private consumption that have been the prime

move in the economy should be taken over by the investment. In order to develop an investment climate in the country, Gita mentioned that there are four phases to be done. First, make fruit easily cultivated and picked (low hanging fruit) as a short-term primary commodities. Second, the reinvestment of funds in the first phase for infrastructure softwares such as educations. Third large scale industrilization could be done if there are sufficient investments for education, infrastructure, or fiscal and non fiscal facilities. Fourth, make the investment in Indonesia as part of the knowledge economy, this is the long term target as it takes time for Indonesia to compete with developed countries. Entering 2010, BKPM has completed the integrated Services through One Door (PTSP) which is a delegation of 15 ministers/government institutions. Gita state that the BKPM will make visits to 17 provinces in order to mapping areas of investment in the country which is to be promoted.

NATIONAL SINGLE WINDOW (NSW) TO SERVE FIVE ENTRIES

: Four seaports and one airport in Indonesia, namely the seaports in Tanjung Priok, Tanjung Emas, Tanjung Perak, Belawan and Soekarno-Hatta airport, are using an electronic-based National Single Window (NSW) system to serve import activities. Chairwoman of the National Preparatory Team in charge of developing an electronic-based national single window (NSW) system, Sri Mulyani said that the use of the system was expected to smooth the flow of exports and imports as well as trade services. Mulyani who is also finance minister made the remarks on the occasion of the commissioning by President Susilo Bambang Yudhoyono of the system at a pier of PT Jakarta International Container Terminal at Tanjung Priok Port. Mulyani added that the inauguration marks the application of the NSW mandatory import system for all importers good coming in the country through the seaports of Tanjung Priok, Tanjung Perak, Tanjung Emas, Belawan and Soekarno Hatta airport. Mulyani said that the application of NSW system is equipped with an official website which can be accessed through cellular phones. In the days ahead, they hope that it can be operated at all international ports and airports. The national single window export and import service is an integrated public service which provides application, exchange and processing of information electronically. The system will provide services in the process and flow of all exported and imported goods in effort to increase the competitiveness of the national economy. The system makes it possible for data and information to be submitted at once, synchronizes data and information processing and integrates the flow of business processes involving customs, licensing, export-import, port, payment, shipping and logistical systems as well as other systems connected with export-import handling. Mulyani added that up to 2014 the system would be expanded to include a method that would enable officers not to check all export and import goods but only those suspected of being in violation of existing rules.



INDONESIAN MINISTRY OF INDUSTRY PREPARING INCENTIVE SCHEME FOR THREE SECTORS

: The Indonesian Ministry of Industry is currently preparing an incentive scheme for the development of downstream industries for agriculture, oleo chemical and fishery sectors. The downstream sectors will be strengthened using incentives so that they will grow. The two incentives being prepared are recommendations for funding banks and tax allowances for investment in the downstream industries in the three sectors. In addition to the incentives, he would also prepare a policy to regulate supply of raw materials for products to be exported and domestic industries through a fiscal system. One of the concept being prepared is for palm oil downstream industries. Step by step, for example, in 2015 only 50 percent of production will be exported with an assumption that within five years the downstream industries will grow increasing the added

value in Indonesia. Hidayat stated that this office is still discussing the policy for regulating CPO supply linked with the fiscal regulation for submission to the finance minister. The finance minister has agreed to make a new policy and to prioritize it. Hidayat has targeted exporting only 30 percent of CPO production in 2020 when it is expected to reach 43 million tons with rest going to domestic industries.

INDONESIAN CHAMBER OF COMMERCE & INDUSTRY OPTIMISTIC ABOUT INDONESIAN ECONOMY : The Indonesian Chamber of Commerce and Industry (Kadin) is optimistic towards the country's economy in 2010 raising its maximal projection of growth to 6.5 percent. The Head of the Kadin's Economic Research, Assessment and Development, Faisal Basri stated that they have revised their projection figures up, seeing the growth of the world's economy with Indonesia's economic growth this year may be better. The optimism also came from the projection of the world's economy by the International Monetary Fund which rose from minus 1.1 percent in 2009 to 3.1 percent in 2010. The improving macro-economic condition, in which the rupiah exchange rate against other foreign currencies is good and the country's foreign exchange reserves are also relatively good, has made Kadin correct its projection put in its road map.

BKPM TO HOLD MASSIVE PROMOTIONAL CAMPAIGNS : The Indonesian Investment Coordinating Board (BKPM) is gearing up for massive overseas campaigns starting next month too promote the country's regional potentials. BKPM Chief Gita Wirajwan stated that BKPM aim to conduct the promotional campaigns in five to seven countries each month. Gita has asked provincial, district and municipal administrations to send their representatives to join the Indonesian investment mission. Before the promotional campaign began the BKPM would map out investment potentials in various provinces.



INCREASE IN ENERGY AND MINERAL RESOURCES INVESTMENTS IN 2010 : In 2010 Energy and Mineral Resources Sector expects an increase of investment of Rp 192 trillion to Rp 286 trillion. The development of energy infrastructure, namely

electricity and downstream sectors of oil and gas will be the priority of investment of ESDM sector for year 2010. The aim is to guarantee domestic energy supply and increasing community access to energy and minerals. In 2010, investment of the electricity sector is targeted to reach US \$10.1 billion. Additional targeted installed capacity of 8689 megawatts (MW), while currently the installed capacity of the electricity sector is 30,940 MW. With the additional power plant, it is expected an increase of the electrification ratio from 96% to 68.9% in 2010. In the oil and gas sector, investment priorities in the development of distribution networks of natural gas transmission worth Rp 287.5 billion. The government will build a city gas pipeline network to 16,000 households throughout Indonesia and the development of natural gas transmission pipeline along 200 kilometers.

INDONESIA PROPOSES VERIFICATION OF SEVEN KINDS OF IMPORTS : To protect domestic industries from the impact of free trade, Indonesian Industry Minister MS Hidayat is to propose compulsory verification for seven kinds of imported goods. The seven kinds of goods are cosmetics, ceramics, steel, energy-efficient lamps, cell phones, bicycles, automotive spark plugs and filters. The obligation to subject the goods to verification in the countries of origin as well as in Indonesia was expected to curb illegal imports into the country. In addition the minister would also propose the designation of more ports as the only ones through which five kinds of foreign-made consumer goods could enter the country. Under the Trade Minister's Decree No. 55/2008, the five

foreign-made consumer goods were footwear, textiles and textile products (TPT), toys, electronics, food and beverages. They were allowed to be imported only through the ports of Tanjung Priok, Tanjung Emas, Tanjung Perak, and Belawan as well as Soekarno Hatta Airport. The minister added that in order to help domestic industries growth, the ministry would propose to the Finance Minister to continue exempting 10 domestic industries from import duties on the components they need. The industries were shipbuilding, electronics, telematics, motor vehicle, heavy-duty equipment making, power plants, milk industry feedstock, sorbitol, Methyltin mercaptide and ballpoints. Hidayat would also seek postponement of tariff reductions on downstream steel products like wirea and nails, petrochemicals such as polyethylene, and rubber rolls.

PHOSPHATE ACID PLANT IN GRESIK : PT Petrokimia Gresik (PGK) and Jordan Phosphate Mines Co Ltd (JPMC) have reached an agreement to build a phosphate acid plant with a capacity of 200,000 tons per year in Gresik, East Java. A memorandum of understanding on the project to cost US \$200 million was signed in the presence of State Enterprises Minister Mustafa Abubakar and JPMC CEO Abdul Walid Khodri. According to Mustafa Abubakar, PT Petrokimia Gresik and JPMC had established a joint subsidiary, called Petro Jordan Abadi with each side controlling 50 percent of the shares. PKG is producers of phosphate-based fertilizer SP-36 and NPK, Urea, ZA and organic fertilizer. The phosphate acid plant will be built in the first semester of this year. In 2012 PGK was expected to have a capacity to produce 2,840,000 tons of NPK and 500,000 tons of phosphate (SP-36), besides Urea, ZA and organic fertilizer. Meanwhile PKG President Director, Arifin Tasrif state that the phosphate as a raw material would be imported from Jordan which has phosphate deposits of 2 billion metric tons. The national demand for NPK fertilizer until 2015 would reach 7 million tons while the production capacity of PT Petrokimia Gresik by 2012 would only be 2.2 million tons. In 2012, PT Petrokimia Gresik will be the biggest NPK producer in Asia. State Enterprises Minister Mustafa Abubakar state that the process to establish PGK and JPMC's joint subsidiary company had happened since 2007, and following the conclusion of a feasibility study, the joint phosphate acid plant was expected to be in operation at the end of 2012.

RI TO OFFER ECONOMIC ZONES TO INVESTORS :

The Indonesian government has named two special economic zones as economic development hub it will offer to investors this year. According to the the Coordinating Minister for Economic Affairs, Hatta Rajasa the two zones are among the six pilot projects developed as part of the government's program to speed up the development of infrastructure facilities in the country. The six special economic corridors include Sumatra's eastern coast, Java's northern coast, Kalimantan, Sulawesi and Papua. Hatta Rajasa added that the ministry will speed up the development of the two zones which have extraordinary potentials. The special economic corridors will be developed under a public private partnership (PPP) scheme. To get the program realized, the government will soon finalize licensing rules and revise presidential regulation concerning PPP to give legal certainty to investors.



TAIWAN APPOINTS NEW TRADE REPRESENTATIVE : Taiwan has appointed a senior official as its trade representative to Indonesia recently, the Taipei Economic and Trade Office (TETO) stated. The new representative of TETO in Indonesia is Andrew Li-Yan Hsia. He assumed his post in December 2009. TETO's executive officer of the press information division, Peter Way stated that Indonesia is an important country and that is why Taiwan has appointed such a high-ranking official as its trade representative in Indonesia. In

2008, the trade between Indonesia and Taiwan reached US \$10,85 billion, a 25 percent from US \$8.68 billion in 2007.

RI TO BOOST SERVICES SECTOR : The Indonesian government is preparing a "blueprint" to develop the potential of the services industry and to optimize supporting infrastructure as to increase the country's competitiveness. Indonesian Trade Minister Mari Elka Pangestu stated that Infrastructure in telecommunications and transportation for example has blocked Indonesia's service sector's ability to compete in the global market. The poor quality of existing infrastructure had slowed the efforts to boost the services sector. Mari cited the plan to build a new international port in Cikarang, West Java, as one example to cut production costs for businesses. The future port in Cikarang will reduce the load in Tanjung Priok port so that businessmen can move goods with more efficient time and lower cost. Industry Minister Mohammed Suleman Hidayat believes that the service sector can be the country's leading sector. In 2008, the service sector contributed more than 47 percent of Indonesia's GDP and absorbed more than 40 percent of the work force. Hidayat highlighted new challenges to the services sector as Indonesia is now open to an influx of goods and services from other countries, because of various bilateral or multilateral arrangements, including free trade agreements (FTAs).

NEW INVESTORS TO BUILD SUGAR MILLS : A total of 32 investors have expressed a commitment to build new sugar mills in order to meet the need for sugar which is estimated to reach 5.7 million tons in 2014. In order to support the revitalization of sugar industry in the country, the Forestry Ministry would provide 500 thousand hectares of land in Lampung, South Sumatra and Sulawesi. The Indonesian government through the Ministry of Agriculture has set a participation funding post in the state budget for a sugar cane revitalization program but several state-owned firms (BUMNs) have proposed other funding options beyond the participation funding scheme. According to the Indonesian Industry Minister MS Hidayat, at present there are 51 sugar mills in the country, of which 41 are owned by BUMNs and 10 by private companies. In the meantime, Chairman of the Indonesian Food and Beverage Industry Association (Gapmmi) Thomas Darmawan stated that the construction of sugar mills need at least 40,000 hectares of land. The growth of food and drink industries continues to experience an upward trend every year. In 2008, these industries grew by 27 percent while the value of their investment in 2009 reached Rp530 trillion.



JASA MARGA TO OPERATE MORE TOLL ROADS : Indonesian state-owned toll operator PT Jasa Marga stated it would operate more toll roads next year to achieve its revenue target of Rp 4.4 trillion (about US \$440

million), or 22 percent higher than last year's revenue of 3.6 trillion. The new toll road would include the 11-kilometer Semarang-Ungaran toll road in Central Java, which is part of the planned Semarang-Solo toll road, and the 2.3 kilometer Waru-Sepanjang section of the Surabaya-Mojokerto toll road in East Java. Both toll road would be ready in the second quarter of next year, according to Jasa Marga operational director Adityawarman. In 2009, the company served a total of 918 transactions in its toll roads. Most of the transactions occurred in 13 toll roads, mostly in Greater Jakarta, Semarang, Surabaya and Medan. The biggest toll transaction happened in Jakarta's inner toll roads, with 252 million vehicles passing on these toll roads, followed by the Jakarta-Cikampek toll road (with 128 vehicles), and Jakarta-Bogor-Ciawi toll road (with 119 vehicles).

PRESIDENT DECREE TO EXPEDITE POWER DEVELOPMENT PROJECT : The Indonesian government on January 8, 2010 issued a presidential decree to expedite the second phase of its 10,000 megawatt power development project. Electricity and Energy

Utilization Director General J. Purwono stated that the latest presidential decree contained provisions similar to those applicable to the first phase of the project. Purwono added that the latest presidential decree contains a governmental order to State Electricity Company (PLN) to realize the second phase of the 10,000 megawatt power project with coal, gas, geothermal and water as energy sources, adding that the decree also concerned PLN's power purchases from private parties. The second phase of the megaproject will involve private parties as developers of the power generating plants. In regard to the involvement of private parties in the project, government would provide limited guarantee on their participation. The details on the implementation of the megaproject would be regulated in a decree to be issued by the energy and mineral resources minister. The ministerial decree is expected to be issued in January or February 2010. The PLN will call project tenders afterwards. The second phase of 10,000 megawatt power project was expected to help meet domestic need for electricity starting in 2014. The first phase of the project had been completed and was already producing electricity nationally. The megaproject comprise 37 power generating plants with total capacity of 9,700 megawatt scattered in 10 areas in Java island and 27 other locations outside Java.

WEST SULAWESI PRODUCING 150,000 TONS COCOA A YEAR

The West Sulawesi Governor, Anwar Adnan Saleh has recently stated that Cocoa estates in West Sulawesi province are now producing more than 150 thousand tons of cocoa per year. With a total of 180,835 ha in five regencies in West Sulawesi, the cocoa growers will produce more than 150,000 tons of cocoa per year. The biggest cocoa producer among the five regencies is Mamuju regency covering 65,448 ha producing 53,457.9 tons per year. The second biggest producer is Polewali Mandar regency with 45,724 ha producing 37,347 tons per year. In the meantime, North Mamuju produces 33,758.9 tons per year from 38,000 ha of cacao estates in northern part of West Sulawesi. Anwar said that Mamasa regency managed to increase its cocoa production to 16,800.9 tons per year from 20,569 ha. The smallest cocoa producer is Majene regency with 9,061.6 tons from 11,094 ha.



BALI PRODUCED 3,850 TONS OF CASHEW NUT LAST YEAR

Bali province last year produced 3,850 tons of cashew nut, up 25 tons from a year earlier. The Head of the Bali Provincial Plantation Office Made Sudharta stated that the cashew nut production last year is 50 tons higher than the target of 3,80,000 tons. Nearly 2,600 tons of cashew nut were produced by farmers in Karangsem district on the eastern tip of Bali island and the rest by famers in Klungkung and Bueleng districts. The province now has 10,630 hectares of cashew nut plantation.

STEEL INDUSTRY EXPECTED TO GROW

Indonesian State-owned steel producer PT Krakatau Steel is upbeat that the industry will pick up its pace in 2010, after seeing sales decline in past years. Krakatau Steel's marketing director Irvan K Hakim stated that the prices of steel products were estimated to continue to increase through to the end of June this year on back of stronger demand and higher commodity prices. Krakatau Steel now targets to increase its production to more than 2.8 million tons of finished products, from last year's 2.4 million tons, as domestic demand is expected to grow. Last year Indonesia produced 4.5 million tons of steel.

PERTAMINA TO BUILD LNG TERMINAL IN EAST JAVA

Indonesian State Oil and Gas Company PT Pertamina plans to build another liquefied natural gas (LNG) receiving terminal in East Java with the required investment of about US \$200 million. PT Pertamina President Director Karen Agutiawan stated that the terminal will be a floating LNG terminal with a receiving capacity of

about 500 million cubic feet, with Pertamina building the terminal alone. The terminal is part of the governments programs to provide gas infrastructure to anticipate higher domestic demand, especially from the electricity sector. Aside from the East Java terminal, Pertamina is also in talks with state gas distributor PT PGN to build an LNG terminal located in West Java. PGN'S President Director, Hendi P. Santoso stated that Pertamina would hold a 60 percent stake in the proposed project. Karen added that West Java LNG terminal would have the same capacity and need the same investment as that proposed for East Java. The projects are expected to be completed in September 2011. As of today, the project work is yet to be started. Upstream oil and gas regulator BP Migas's deputy for operations Budi Indianto said that the terminals would receive LNG both from domestic and overseas producers. The LNG will be supplied from Qatar, Tangguh (LNG project), and East Kalimantan (Bontang LNG). The Tangguh LNG plant located in Bintuni Bay, West Papua has actually already found buyers. Domestic demand for gas has increased significantly as state power utility firm PT PLN slowly converts its oil-fueled power plants to gas-fueled power plants.



RI'S PLYWOOD MAKER EYEING INDIAN MARKET : The Indonesian Plywood producers have started eyeing the rapidly expanding market in India in an effort to restore Indonesia's domination in the international trade of the commodity. Deputy Chairman of the Indonesian Wood

Panel Association (APKINDO) Abbas Adhar stated that his side has been seriously working on the Indian market. It will soon send an intelligence marketing team to obtain complete information to reach the Indian market. Each year India imported 16 million m3 of wood, while its domestic consumption reached 85 million m3. Abbas added that India had been importing wooden products from many countries, but Indonesia's wood product to that country has yet to reach some significance. Abbas stated that Indonesia was able to fill the gaps in India, as it needed a great deal of hardwood. India needed a great deal of plywood of a thickness of 2.7 millimeters, with this type of products are leading products in Indonesia.

KOREA TO BUILD GOLD MINE IN SULAWESI : A Korean company, Future Green Human (FGH Group), signed a cooperation deal with the Southeast Sulawesi provincial administration on natural resources management, especially in the mining sector. The cooperation has been signed by Southeast Sulawesi Governor Nur Alam, President Director of PT FGH Group Indonesia Park Soon Up, and Chairman of FGH Grup Korea, On Myung Suk, in Kendari. The Governor stated that the Korean company will not only run the gold mine, but will also build a factory, and even a power plant with a capacity of 50-100 megawatts to supply electricity for the local population and the factory.

PLN TO BUILD HYDRO POWER PLANT : Indonesian state electricity company PT Perusahaan Listrik Negara (PT PLN) plans to build the third unit of the Asahan hydro power plant to meet power demand in Sumatra. Indonesian Coordinating Minister for Economic Affairs Hatta Radjasa stated that PLN would build the power plant with a capacity of 2x87 megawatt itself. Hatta added that the project will cost an estimated US \$420 million using soft loans from JBC. The loans will have a grace period of 40 years and carry an annual interest rate of 0.7 percent. PT PLN president director Dahlan Iskan stated that the company had been in talks with the Japan Bank for International Cooperation (JBIC) to discuss the loan.

BAKRIE TO DEVELOP POWER PLANT PROJECT : East Kalimantan Governor Awang Faroek has stated that Bakrie business group plans to work on a power plant project and the Balikpapan-Samarinda toll road construction. For the electricity project there

will be a Rp2.4 trillion investment. This total investment does not include the toll road construction. The power plant project will use coal supplied from the Bumi Resources mine at East Kutai. The power plant is projected to supply 2 x 100 megawatts of electricity. The electricity supply from the new power plant could solve the electricity deficit from the Mahakam power plant, which is down to 20 MW. The toll road construction will also be a project of the Bakrie Business group is interested in. The 85 kilometer road is expected projected to cost Rp4.2 trillion. Investors will bear half of the total investment while the rest will be obtained from the central and the regional budget.

RI IMPORTS FROM CHINA TO INCREASE : Indonesia predicts imported products from China will rise by the end of the first quarter or around March this year following the implementation of the Asean-China Free Trade Agreement (ACFTA). Indonesian Industry Minister Hidayat MS stated that there will be a hike at the end of the first quarter this year. Hidayat added that it would also happen earlier than expected and therefore called on all parties concerned to take matching anticipatory measures. Indonesia hoped it could increase its competitive edge to deal with the ACFTA. Indonesia had earlier also signed a free trade agreement with Japan through the Indonesia-Japan Economic Partnership Agreement (IJ-EPA). Based on customs office data, since the implementation of the IJ-EPA, Japan's exports to Indonesia reached only US \$700 million while the country's exports to Japan reached US \$3.5 billion. In terms of exports only 8,000 Japanese exporters had used the IJ-EPA facility while the number of Indonesian exporters using the facility reached 40,000. Regarding the implementation of the ACFTA, the ministry of industry had said that the country's industries would be able to increase their exports to China while at the same time optimizing their domestic market. The Director General of Customs and Excise, Thomas Sugijata shared the view of the ministry of industry that imported products from China would rise in the local market.

CHINA INTERESTED TO BUILD POWER PLANT IN RI : A Chinese investor is interested in building a coal-fired power plant (PLTU) in cooperation with PT Tambang Batubara Bukit Asam (PTBA) and the South Sumatra provincial government. The projected power plant, named Mulut Tambang, would be located at Central Banko, Muara Enim District, and have a capacity of 4x600 Mega Watt (MW).

RI TO OFFER TWO ECONOMIC CORRIDOR TO JAPAN : Indonesia is



ready to offer two economic corridors to Japan, which will connect hubs and industries between regions to accelerate infrastructure development, foster foreign investment and spur Indonesia's economic growth. Indonesia has identified six economic corridors - Eastern Sumatra - North West Java, Kalimantan, Western Sulawesi, East Java-Bali Nusa Tenggara and Papua - which will be prioritized for economic development. Each of these corridors has their own focus industries. The Eastern Sumatra-North West Java corridor, for example has palm oil, rubber and coal as its focus industries. The North Java corridor will focus on textiles, food products and transport equipment industries. Deputy Transportation Minister Bambang Susantono said that the areas in the economic corridors might eventually be similar to special economic zones, offering incentives for businesses operating there. Coordinating Economic Minister Hatta Rajasa stated that the planned development of the six economic corridors throughout the country would go ahead under the Indonesian Economic Development Corridor (IEDC) project through public-private partnerships. Hatta added that both the Indonesian and Japanese governments have recognized the importance of the IEDC project, which aims for the comprehensive development of industries and infrastructure. According to the Indonesian National Development Planning Agency Indonesia needs almost Rp 2,000 trillion (US \$220

billion) in investment between 2010 and 2014 for infrastructure development, with most of those funds expected to come from private investment. In 2008, Japan was the third-largest foreign investor in Indonesia, investing US \$1.37 billion in total for 130 projects, according to the Indonesian Investment Coordinating Board.

INDUSTRY MINISTRY PREPARES INCENTIVES SCHEME FOR THREE SECTORS : The Indonesian Ministry of Industry is currently preparing an incentive scheme for the development of downstream industries for agricultural, oleo chemical and fishery sectors. MS Hidayat stated that two incentives being prepared are recommendations for funding banks and tax allowance for investment in the downstream industries in the three sectors. In addition to incentives, the ministry would also prepare a policy to regulate supply of raw materials for products to be exported and domestic industries through a fiscal system. One of the concepts being prepared is for palm oil downstream industries. MS Hidayat stated that step by step for example in 2015 only 50 percent of production will be exported with a assumption that within five years the downstream industries will grow increasing the added value in Indonesia. Hidayat added that the ministry is still discussing a policy for regulating CPO supply linked with the fiscal regulation for submission to the finance minister. The ministry has targeted exporting only 30 percent of CPO production in 2020 when it is expected to reach 43 million tons with rest going to domestic industries.



JAKARTA, TIMOR LESTE FORMED COMMITTEE FOR CSMEs : Indonesia and neighboring Timor Leste have formed a Joint Coordination Committee responsible for development of cooperatives, small and medium enterprises (CSMEs) in the two countries. Cooperatives, Small and Medium Enterprises Minister Sjarifuddin Hasan stated that the Joint Coordination Committee's function is discussing and developing cooperation possibilities in the

cooperatives, small and medium enterprises sector that can lead to the conclusion of pertinent accords. The committee was formed on the basis of a joint agreement of the two countries on development of cooperatives, small and medium enterprises. Sjarifuddin said that the Joint Coordination Committee would be tasked to coordinate and monitor the implementation of follow-up programs and to consider the issues from the joint interest related to Cooperatives and Small and Medium Enterprises (KUKM) between the two countries. The cooperation would among other things cover information exchange on KUKM development policy program, national and international trade promotion, special exhibition, trade cooperation, and creation of business partnership. It also covers various KUKM opportunities to participate in trainings on managerial skills in technical field, and formal education on cooperative management field. Both parties would also support each other to facilitate bilateral symposiums, seminars, conferences, workshops, and KUKM representative meetings, besides facilitating and supporting KUKMs to open market access in the two countries and other potential countries.

DUTCH TO INVEST IN ACEH WATER PROJECTS : The Dutch Government will be investing in water projects in Aceh province. The investment will be worth US \$200 million. Chief of BKPM Gita Wirjawan stated that they are fully in support of the plan outlined by Dutch government. BKPM Deputy of Investment Planning Luky Eiko Wuryanto said that the investment will be aiming at bettering the life of the Acehnese. A partnership with the central government will be situating in the province's capital Banda Aceh and Aceh Besar before finally reaching Tamia, Aceh Jaya and western Aceh in the future. Within the next 15 years, the water pipelining in Aceh

is expected to link every region in Aceh.

DAIHATSU TO BOOST MANUFACTURING CAPACITY IN INDONESIA : Daihatsu Motor, Japan's biggest producer of subcompact cars, will boost manufacturing capacity in Indonesia and make the country its center for overseas exports. The company will boost output capacity in Indonesia to 300,000 vehicles from 210,000. Daihatsu stated that it expected overseas output to rise 20 percent this year to 295,000 units. Production in Indonesia will increase to 108,000 cars from 82,000. The company is 51 percent owned by Toyota Motor.

NIPPON ASKED TO BUILD STEEL PLANT IN RI : Indonesian Trade Minister MS Hidayat has recently stated that the Indonesian Government will ask Nippon steel to build a special steel factory in Indonesia. Hidayat added that a special factory would strengthen the country's steel industry structure and reduce dependence on imports. Indonesia relies entirely on imports of special steel, (used especially by automotive and metal-based machinery industries), importing between two and three million tons a year. Earlier Hidayat had asked Japan to increase its investment in manufacturing sector by at least US \$6 billion to help strengthen the country's industrial structure. Japan was also urged to transfer technology to improve the competitiveness of local products.

FOREIGN MINISTRY TO IMPROVE SERVICES TO PROTECT INDONESIAN MIGRANT WORKERS : The Indonesian foreign ministry will strive to improve services to protect Indonesian migrant workers abroad in 2010. Indonesia's Minister for Foreign Affairs, Marty Natalegawa stated that Indonesia's foreign ministry along with other related government agencies will set up a better legal framework to ensure that migrant workers rights are respected properly. Marty Natalegawa added that the migrant workers were contributing significantly to the national economy during their employment abroad. Last December 2009, Indonesia had declared its commitment to be a party to the UN convention on protection of migrant workers. The foreign affairs ministry's director general of human rights, Harkristuti Harkrisnowo stated that Indonesia was making preparations to ratify the UN Convention on the Protection of the Rights of all Migrant Workers and Members of their families. Indonesia's plan to ratify the convention was part of the 2009 National Action Plan on Human Rights. In the near future, Indonesia would become a party to the UN convention.

YOGYAKARTA TO OFFER TAX HOLIDAY : The Yogyakarta Tourism office is hoping that the number of foreign tourists in 2010 will increase by 10 percent compared to the previous year's 160,000. Hence, it will begin offering tax holidays, as already implemented in Jakarta and Bali. A tax holiday or a value added tax (VAT) return is given to a persons who shop locally. The Revenue Office Chief, Tazbir stated that this is part of the promotion to raise the number of tourists.

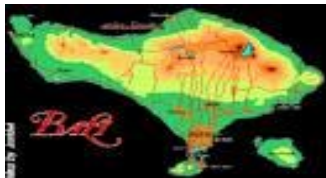
FOREIGN TOURISTS TO BE ABLE TO EXTEND VISA-ON-ARRIVAL : Foreign

tourists visiting Indonesia can now extend their visas-on-arrival for another 30 days, as of January 26, 2010, the Indonesian immigration office announced recently. Prior to this, foreign tourists were not allowed to extend their visas-on-arrival. They had to leave the country to get a new visa. In the new ruling, the immigration office has decided to scrap the seven-day visa-on-arrival. The office will now only issue visas for a 30-day stay at the rate of US \$25, extendable for another 30 days.



RI INTENDING TO HOST INTL MEETING ON NEW 7 WONDERS : Indonesia announced its intention of hosting an international meeting to select the New 7 Wonders in 2011. Sapta Nirwandar, the

tourism and culture ministry's director general stated that Indonesia want to be the host country for the meeting on New Seven Wonders selection. Indonesia has an interest in the event as one of the country's tourist destinations, Komodo National Park, was a finalist in the New7Wonders of Nature selection process. The ministry also planned to relaunch the "Vote Komodo for New7Wonders for Nature" promotion in various places. Currently the Komodo National Park is among the top 28 finalist. Other competitors include the Sundarbans in India and Bangladesh, the Black Forest in Germany, and the Amazon rainforest. The New7Wonders will be officially announced in 2011.



BALI TARGETS 2.3 MLN FOREIGN TOURIST IN YEAR 2010

The provincial tourism office for Bali has set a target of 2.3 million foreign tourists to the island for year 2010. This number is higher than the 2.2 million achieved in 2009 and is a substantial improvement over the 1.8 million recorded in year 2008. The Head of the Bali Tourism Office, Ida Bagus Subhiksu, that he is optimistic the 2010 target can be achieved when seen from the current trends of increasing arrivals to Bali. Early figures from Bali's airport are showing around 6,220 foreign tourist arrivals per day in January 2010 as compared to 4,000 daily arrivals for the same month in 2009. Also serving to buoy his optimism are several important international conventions slated to be held on the island in 2010. Subhiksu also boosted that some 40 cruise ships are expected to visit Bali in 2010 carry a total of 45,000 visitors.

BANGKA IS PREPARED TO BE THE NEXT BALI : Bangka is prepared to be the Next Bali : Blessing with the alluring nature panorama and beautiful white – sand beaches like Bali, Bangka Island is prepared to be the most favorite tourism destination after Bali. The local government will be continuing to organize and maintain the tourism infrastructure and facilities in several potential destinations in this Island. The Island which became a phenomenal film setting of Laskar Pelangi has several interesting spots, among few: Matras Beach, Parai Beach and Tanjung Pesona Beach, historical tourism Patung Dewi Kwan Im which is believed by the local natives has a magic charm, also isolation site of Bung Karno in West Bangka. By carrying out the tourism program in Bangka, it is expected to be a new reference of tourist destination in Indonesia.

TOUR DE SINGKARAK 2010

After the success of the first Tour de Singkarak in 2009, Indonesia will hold the second international cycling event, starting on June 1st. It'll be more lively with more participants, longer routes and bigger prizes. Twenty teams and three hundred guest cyclists will be coming from overseas, pitted against fifteen teams from across Indonesia. The route will span up to six regencies, covering up to 700 km, a 235 km increase from last year's. The tour itself will take about 6-7 days, while last year it only took three. An overview of the route: 1. Padang (time trial), 2. Padang-Padang Pariaman, 3. Padang Pariaman-Maninjau, 4. Maninjau-Bukittinggi, 5. Padang Panjang-Bukittinggi, 6. Bukittinggi-Sawahlunto, 7. Sawahlunto-Singkarak. A major part of Tour de Singkarak 2009's success was because of the fabulous scenery and landscapes along the challenging routes. This year's no different. The Maninjau-Bukittinggi route, for instance, is famous for its Kelok 44, a long series of uphill and downhill roads with hard turns. Bukittinggi, Maninjau Lake, and Sawahlunto are also popular natural attractions for foreign visitors. And to top it off, the event will also feature arts and performances in several spots, including Maninjau and Tanah Datar.



2010 RAJA AMPAT MARINE CULTURE FESTIVAL : The Land of enormous biological diversity, Raja Ampat of West Papua, Indonesia welcomes everyone in the upcoming "2010 Raja Ampat Marine Culture Festival". It is scheduled to take place from May 2nd 2010 up to May 9th 2010 and promises the bounty of culture, adventure, and nature all together. This enchanting affair will be held in Waisai, Raja Ampat district and involve 17 districts from the entire of Raja Ampat Archipelago. A number of programs are showcased, all about culture, ranging from the exhibition, cultural and art performances. This marine culture in Waisai also features a number of competitions like Underwater Photo Competition, Dragon Boat Competition, Ketinting Boat Competition, Underwater Orientation Competition, also Volley and Soccer Beach exhibitions. Besides, many organized activities; one prime attraction is invigorating parade of traditional conveyance which was used by the native people of Raja Ampat to sail across the ocean at the prior times. During the 7-day festival, visitors will also be able to try out popular delicacy, Sagu Papah, and testify the native's unique habit to consume mangroves fruits. This would be an excellent way to experience the culture richness of Indonesia. If you are looking for a really true cultural immersion and breathtaking natural splendor, mark your calendar now and join us at the 2010 Raja Ampat Marine Cultural Festival!

RI TARGET 7 MILLION INTERNATIONAL VISITORS IN 2010

In 2010 Indonesia targets a total of 7 million international visitors spending on average US\$ 1,000 per stay, thus contributing some US\$ 7 billion to Indonesia's economy, said Coordinating Minister for the Economy, Hatta Rajasa. This is an increase of between 8%-10% growth compared to 2009 which is above the expected 2010 economic growth of 5.5%-6%. While earnings from domestic tourism is expected to surpass Rp. 120 trillion, which means that tourism will be an important sector in boosting the economy, said Minister Hatta Rajasa. In the new government of President Susilo Bambang Yudhoyono, Tourism has finally come under the coordination of the Minister for the Economy, away from the Coordinating Minister for Public Welfare under which it has resided for many years. The Cultural sector in the Ministry of Culture and Tourism, however, remains under the auspices of the Coordinating Minister for Public Welfare. In 2009 Indonesia received 6.459 million visitors said Culture and Tourism Minister, Jero Wacik, or a growth of 0.4% compared to 2008. Although numbers - wise growth seems minimal, yet even this small growth actually meant that Indonesia has withstood the downturn in traveler arrivals during the global economic recession of 2009. Yet, spending wise, it is evident that tourists are indeed spending less, said Minister Wacik. If in 2008 on average a visitor spent US\$ 1,178 per stay, in 2009 average spending has gone down to US\$966/visitor/stay. In 2010, however, it is expected that as the global economy picks up, tourists will again spend some US\$1,000 per stay per visit in Indonesia. For 2010 Indonesia will continue to carry the Visit Indonesia logo, while this year until 2014 the focus will be on promoting visits to the many Museums in Indonesia. So 2010 will carry the additional tag-line: Visit Museums 2010. Balidiscovey.com reported that according to the Head of Bali Tourism Authority, Bagus Kade Subhiksu, in 2009 Bali received a total 2,259,000 foreign visitors who, together are estimated to have contributed US\$2.7 billion in foreign exchange to Bali's economy, or a figure equal to 42% of the total contribution made by the tourism sector to the national economy. On average tourists spent US\$ 137.90 per day per person over the average 8.75 days length of stay in Bali. In 2010, Bali targets total international tourist arrivals to reach 2.3 million. Bisnis Indonesia reported that compared to the previous year, foreign exchange revenues generated by Bali's tourism sector declined 4%, despite the record number of visitors. In 2008, an estimated US\$2.8 billion in foreign exchange was produced by Bali's foreign visitors. This decrease is linked by officials to a shortening in the average length-of-stay and lower spending levels. Bali's 4% decline in foreign exchange earnings compares favourably to nation-wide decrease of 11% decrease in foreign exchange earnings from tourism.

Indonesia Newsletter (January 2010)



DEEP INDONESIA 2010

Indonesia's 4th International Diving, Adventure Travel & Water Sports Exhibition

March 12 - 14, 2010

Jakarta Convention Center, Jakarta, Indonesia

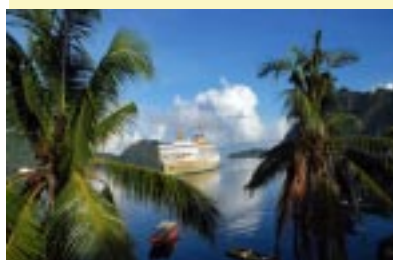
Visit : www.deepandextremeindonesia.com

DEEP Indonesia, the only international and the largest diving, water sports and adventure travel exhibition in Indonesia is coming back after its roaring success in 2009. Aimed to be the only exhibition that can provide first hand information of the marine industries from equipment manufacturers to tourism boards, from Sabang to Merauke of the Indonesian archipelago, DEEP Indonesia has gained a reputation not only merely an exhibition, but also as a rendezvous for related Clubs and Associations, Government Institutions, related industries and marine lover communities, making it an excellent event for networking opportunities. In 2009 we started to venture in other areas by organizing EXTREME Indonesia 2009, the first international exhibition covering extreme sports, outdoor adventures and eco tourism. This exhibition was run in conjunction with DEEP Indonesia 2009, and the combined show has gained tremendous interest and enthusiasm from the marine and terrestrial adventure communities, extreme sports lovers and the public. The second combined show of DEEP and EXTREME Indonesia 2010 will surely be another big splash repeating the previous success and continue to grow based on Indonesia's huge and growing market of diving, water sports, extreme sports, eco tourism and adventure travel industries. DEEP and EXTREME Indonesia has proven to be a perfect blend of combined exhibition creating a cross-section between the marine and terrestrial adventure communities, resulting in huge potential business opportunities.

Exhibitors profile : • Dive and Adventure Travel Agents/ Resorts / Destinations • Live-aboard Dive Operators • Dive Equipment & Accessories Manufacturers /Wholesalers/ Exporters / Retailers • Water sports Equipment & Accessories Manufacturers/ Wholesalers/ Exporters/ Retailers • Underwater Photography & Videography • Diving & Water Sports Related Print and Electronic Media • Commercial Diving Companies • Diving and water sports related Art & Handicrafts & Accessories • Diving and water sports related Apparel & Accessories • Diving and Water Sports related Fashion and Jewelry • Safety and Rescue Products and Services • Healthcare Products • Dive organizations / Institutions / Training and Certification Agencies / Clubs • Government organizations/ Institutions • Tourism Promotion Boards

DEEP and EXTREME Indonesia has proven to be a perfect blend of combined exhibition creating a cross-section between the marine and terrestrial adventure communities, resulting huge potential business opportunities.

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THE INTERNATIONAL MARINE EVENT SAIL BANDA 2010

July 24 - August 17, 2010 - Maluku, Indonesia

Visit : www.sailbanda.com

One of the world class tourism destinations for divers, Banda Island, is counting down to hold the best international event, Sail Banda 2010, which will be running from July 24th - August 17th 2010. Organized by the Ministry of Marine and Fishery Affairs, Provincial

Administration of Mollucas, Ministry of Culture and Tourism, and Navy Force of Indonesia, supported by the Directorate General of Immigration and other government institutions, this remarkable event will feature twelve main events: 1. Rally and Yacht Race, 2. Sport KEJURNAS waters, game fishing, 3. Diving International Tournament, 4. ARAFURA games, 5. International Conference on Small Island, 6. Cooperation Conference Indonesia - Australia (G to G and P to P), 7. International Seminar on "Sago Spices and Food for Safety", 8. Seafood and Fish Product Expo, 9. Cross Nusantara Adolescent Bahari, 10. Warning Independence R.I. the Island Outer, 11. Operation Bhakri "Baskara Surya Jaya", 12. Navy Navy to Talk and Port Visit. Sail Banda 2010 is a perfect place to share new experience and explore the marine beauty along with the marine lovers from all over the world in a spirit of adventure, graced by the marine paradise of Banda Sea. Prepare yourself, plan your magnificent trip, and Join us in Sail Banda 2010 now! **For more information and registration, please visit Sail Banda official website at www.sailbanda.com**

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