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65th Anniversary of Independence of the Republic of Indonesia 17th August 2010

Indonesia is celebrating its 65th Anniversary of Independence on August 17, 2010. The day to remember the great heroes, both men and women who have sacrificed their lives as martyrs of the nation for the Independence. Indonesian Independence Day also makes recall with gratitude, the helping hand that India extended to Indonesia in those turbulent years during the struggle against colonialism which ultimately culminated in freedom. A time for a reflection on the achievements of the past and setting the goals for the future.



RI'S ECONOMIC GROWTH REACHES 5.9 PERCENT IN FIRST HALF OF 2010

The Indonesian Economy grew 5.9 percent in the first half of 2010, helped by growing exports, imports and household consumption. Household consumption grew 4.5 percent, gross fixed capital formation 8.0 percent, exports 17.2 percent and

imports 20.1 percent, however, government consumption fell 8.9 percent. Based on an increase in gross domestic product (GDP) the domestic economy in the second quarter of 2010 expanded 2.8 percent compared to first quarter of 2010 and 6.2 percent compared to the second quarter of 2009. The second quarter growth of 2.8 percent was driven by household consumption which rose 1.2 percent, government consumption 23.5 percent, gross fixed capital formation 2.3 percent, exports 2.7 percent and imports 5.1 percent. Compared to the same period last year, the economy in the second quarter of 2010 grew 6.2 percent fueled by household consumption which increased 5.0 percent, gross fixed capital formation 8.0 percent, exports 14.6 percent and imports 17.7 percent, while government consumption fell 9.0 percent. On a quarterly basis, the economic growth was led by the transportation and communication sector which grew 5.0 percent, followed by electricity, gas and drinking water sector 4.8 percent and the service sector 3.7 percent. The transportation and communication sector also was on top of the year-on-year growth, contributing 12.9 percent, with the trade, hotel and restaurant sector trailing behind with 9.6 percent and the construction sector with 7.2 percent. The second-quarter GDP was still dominated by the processing industry, the agricultural sector and the trade, hotel and restaurant sector, contributing 24.9 percent, 15.9 percent and 13.7 percent respectively to it.

INDONESIA ENJOYS US \$9.63 BLN FOREIGN TRADE SURPLUS IN FIRST HALF

Indonesia saw a surplus of US \$9.63 billion in its foreign trade in the first half of 2010, the Indonesian Central Bureau of Statistics (BPS) reported. BPS Chief Rusman Heriawan stated that over the period, Indonesia suffered a deficit in its trade with a number of countries particularly China but trade with other countries still favored Indonesia. Data from the BPS show Indonesia suffered a deficit of US \$2.95 billion with China and US \$1.69 billion with Thailand in the first half of 2010. Rusman said that the deficit in trade with Thailand was particularly because Indonesia imported a great deal of vegetables and fruits from the neighboring country. During the first semester of 2010, Indonesia also recorded a trade deficit of US \$856.3 million with Australia and US \$218.6 million with Singapore. The January-June 2010, Indonesia's balance of trade recorded a slight surplus from crude oil but suffered a deficit from processed oil. Indonesia's gas exports in the first half of 2010 jumped to US \$6.491 billion while its gas imports reached US \$348.7 million. Rusman stated that Indonesia's imports in the first semester of 2010 rose significantly by 51.99 percent to US \$62.89 billion from a year earlier. Non-oil/non-gas imports in January-June 2010 period reached US \$49.77 billion, an increase of 46.52 percent from the same period last year. Oil and Gas imports in the first half of 2010 meanwhile jumped 77.10 percent to US \$13.12 billion from a year earlier. In the January-June 2010 period the import of consumer goods rose 61.14 percent to US \$4.652 billion, a raw and auxiliary material 55.90 percent to US \$46.222 billion, raw and auxiliary materials 55.90 percent to US \$46.22 billion, and capital goods 35.91 percent to US \$12.016 billion compared to the same period last year.

EXPORTS IN FIRST HALF OF 2010 INCREASE BY 45 PERCENT : Exports rose almost 45 percent in the first half of 2010 thanks to sharp increase in non-oil and gas exports. Exports reached US \$72.52 billion between January and June, up 44.83

percent from the same period last year. BPS data showed first semester non-oil-and-gas exports reached 38.37 percent to US \$59.36 billion from the same period in 2009. Year-on-year mining export revenue increased 66.6 percent, export of industrial products increased 33.45 percent, and agriculture products increased 11.5 percent. The government expects total exports to expand by 15 percent this year. June exports, however, were 2.87 percent lower than the previous month, dropping to US \$1.29 billion from May's US \$12.66 billion. The decrease was attributed to weak oil and gas exports, which slid 19.74 percent from US \$2.37 billion in May to US \$1.9 billion in June. Japan was still Indonesia's main export destination during the first half of the year, purchasing US \$10.46 billion of Indonesian products, or 12.87 percent of total exports. The United States ranked second with a total of US \$6.24 billion in purchases from Indonesia, and China ranked third as US \$6.05 billion. Former finance minister Sri Mulyani Indrawati, now a World Bank managing director, said that Indonesian economy could expand up to 5.8 percent this year based on stronger exports and increased investment. Mulyani's successor, Finance Minister Agus Martowardojo, believes Indonesia's 2010 economic growth could reach 5.9 percent based on expectations of an even better export performance in the second half. Realized foreign and domestic investments during the first semester of 2010 rose 39.9 percent from a year earlier to Rp 92.9 trillion, the Investment Coordinating Board stated. The agency expects total realized investments during the first semester of 2010 rose 39.9 percent from a year earlier to Rp92.9 trillion, the Investment Coordinating Board announced. The agency expects total realized investments would reach Rp 160 trillion this year, up 18.52 percent from 2009. BPS also announced that import growth showed significant movement because domestic demand had strengthened during the first half of the year. Between January and June, imports grew 51.99 percent from the same period in 2009, reaching US \$62.89 billion. Imports of non-oil-and-gas products grew to US \$49.77 billion, a 46.52 percent increase from January - June period in 2009. Indonesia imported the most goods from China (US \$8.99 billion or 18.07 percent of total market share), followed by Japan (US \$7.64 billion or 15.34 percent market share) and Singapore (US \$4.86 billion or 9.77 percent). Imports of consumer goods showed the most significant increase of 61.14 percent, followed by a 35.91 percent increase in capital goods.

FOREIGN AND DOMESTIC INVESTMENT INCREASE BY 55.8% IN SECOND QUARTER

Realized foreign and domestic investments reached Rp 50.8 trillion (US \$5.64 billion) in the second quarter of 2010, a 55.8 percent increase from Rp 32.6 trillion in the same quarter, last year on the back of the improvement in the country's investment climate. In its quarterly report, the Investment Coordinating Board (BKPM) has stated that the realized investments during the second quarter of this year reached Rp 35.6 trillion, a 52.7 percent from Rp 23.3 trillion in the April - June period of last year. Meanwhile, realized domestic investments in the second quarter rose by 63.4 percent to Rp 15.2 trillion from Rp 9.3 trillion in the same quarter, 2009. The BKPM said that the realized foreign and domestic investment during the first semester of this year rose 39.9 percent to Rp 92.9 trillion. The agency expects total investments would reach Rp 160 trillion this year. BKPM Head Gita Wirjwan stated that increase reflected the improvement in investors confidence in Indonesian Investment climate, with this Indonesia has become a better investment destination country. Apart from further improving the investment climate, the government would continue its effort to provide adequate infrastructure facilities direly needed by investors for their business expansion. According to the board's report, total realized investment reached Rp 92.9 trillion in the first six months, a 39.9 percent increase from Rp 66.4 trillion in



the same period of last year. About Rp 71 trillion of the total consisted of foreign investment and the remainders were domestic investments. With such an achievement, Gita believed that this year's target to book total investments of Rp 160.1 trillion could be achieved. The labor absorption in the second quarter reached 211,040 people comprising 92,331 from domestic and 118,709 from foreign investments. The absorption was higher than the previous quarter's 87,000 people, in line with the government's development philosophy; pro job, pro growth and pro poor. Gita added that the expansion of existing companies especially those operating in mining and telecommunications made the utmost contribution to the investment increases. Manufacturers newly relocated from Vietnam and China, especially those producing footwear, electronics and textiles, also showed a significant contribution to the surge in the new investments.



RI'S SMES CONFIDENT COUNTRY'S ECONOMY TO GROW IN SECOND HALF

Most Indonesian small and medium enterprises (SMEs) expect the country's economy to grow strongly in the second half of the year, and are therefore willing to up spending, increase their workforce and expand their businesses. The survey, conducted as part of HSBC's periodical research, concluded that 69 percent of local SMEs were confident about economic growth in the second half of the year, HSBC senior vice president for business marketing Winarti stated, adding that 83 percent of local SMEs had aggressive plans to spend capital. Winarti also stated 49 percent of the SMEs surveyed planned to maintain the levels of their capital expenditures and 34 percent would increase their spending for business expansion over the next six months. The survey also indicated that 93 percent of local SMEs did not plan to lay off employees. Seventy-four percent of local SMEs plan to keep their employees and 19 percent plan to increase the number of employees. The survey concluded that this domestic economic optimism would encourage local SMEs to develop new businesses overseas. Currently 26 percent of local SMEs have already done international transactions. The survey reported that 46 percent of local SMEs would expand their market to China and 43 percent to other countries in Southeast Asia. HSBC senior vice president Jeffrey C. Tjoeng said that most entrepreneurs in the world now preferred to do business in countries like China, India and Indonesia, whose economies were growing rapidly.

COOPERATIVES AND SMALL BUSINESS TO GROW 25 PERCENT

Cooperatives and Small Business Minister Syarifuddin Hasan has stated that the Indonesian government tried to develop the quality and number of cooperatives so that they would grow 25 percent annually. The minister added that cooperatives now could grow well. If in the previous years the number of cooperatives reached only 155 thousand, now it has increased to 175,201 units. The ministry's program up to 2014 was to increase the number of cooperatives in the country by up to 45-50 percent. For 2010, the growth of cooperatives was slowed down due to the fact the policy was issued only in April.

PUSRI AND JORDAN TO BUILD INORGANIC FERTILIZER PLANT IN SOUTH SUMATRA

The Indonesian state-owned fertilizer company PT Pusri will work with a Jordanian mineral mining company to build three inorganic fertilizer plants in Palembang, South Sumatra. Pusri President director Dadang Heru stated that each plant which would have the capacity to produce between 250,000 and 300,000 tons of nitrogen, phosphorus and potassium (NPK) fertilizer a year, required an investment of Rp 600 billion (US \$66.6 million). Pusri expected to hold a 51 percent share in the three plants, which are expected to commence commercial operation in 2012. JPMC President Director Walid Kurdi stated that they are planning to invest about US \$50 million

in each plant. A previous report said that JPMC was also working with PT Petrokimia Gresik since July 2008 to build an NPK fertilizer plant with a production capacity of 200,000 tons per year and total investment of US \$200 million. Kurdi stated that JPMC produced up to 7 million tons a year of phosphate rock, making the company the sixth-largest global phosphate rock producer and the second-largest exporter. Kurdi said that the deal with Pusri also laid out his company's commitment to supply Pusri with 300,000 tons of rock phosphate annually as raw material to produce inorganic fertilizer. This year, PUSRI expects to increase its inorganic fertilizer production to 2.2 million a year from 1.3 million last year. The annual demand for inorganic fertilizer in the country is projected to increase to 12 million tons by 2015 from 8 million tons currently. Indonesia still has to import to meet domestic demand.

MORE INVESTMENT IN RENEWABLE ENERGY

The Indonesian government affirmed its commitment to boost investment in renewable energy by offering incentives to investors and setting regulations that ensure the growth of domestic renewable energy utilization. The director general of new energy at the Energy and Mineral Resources, Maryam Ayuni stated that the 2007 Energy Law mandated the government to offer incentive for the provision and utilization of renewable energy of a certain period of time. The 2010 Finance Ministry regulations on renewable energy incentives offer tax benefits for renewable energy investments, such as exemptions of value added tax, income tax, import duties, as well as tax holiday. The 2009 law on small-and medium-scale power generation using renewable energy also obliged state electricity monopoly PT PLN to purchase electricity from small-and medium-scale renewable energy power plants operated by cooperatives, communities or businesses. The ministry's data shows the country's total primary energy consumption in 2008 was dominated by oil with a 49.9 percent share. Coal followed 31.8 percent and natural gas was third with 19 percent. Hydropower and geothermal steam had a very small share of energy consumption : 2.9 percent and 1.3 percent respectively. A 2006 Presidential Decree on national energy policy stipulates that by 2025, the contribution of new renewable energy resources - geothermal steam, biofuel, liquified coal, hydropower, nuclear, wind and biomass should make up 17 percent of the total primary energy utilization. Oil utilization is expected to drop to 30 percent, and gas and coal to increase to 30 percent and 33 percent respectively.

FOREIGN INTEREST IN INVESTING IN INDONESIA

Foreign investors show increasing interest in investing in Indonesia because of the conducive investment climate in the country. Indonesian Coordinating Minister for Economy Hatta Rajasa stated that the investment climate in Indonesia is getting more conducive for foreign investors. The intention of foreign investors to invest in Indonesia was getting higher indicated in the "Foreign Direct Investment". In the first semester, direct investment from abroad was very high, and according to the Capital Investment Coordinating Board (BKPM) it rose by 24 percent, and domestic investment was not very high but in the second semester it was in balance with a rise of around 40 percent. The BKPM recorded the realization of domestic investment and foreign investment in the second semester of 2010 reached Rp50.8 trillion, an increase by 55.8 percent compared to Rp42.1 trillion in the second semester of 2009.



INDONESIA EXPORTED 1.1 MILLION TONS OF CRUDE PALM OIL IN JUNE

The Indonesian Crude Palm Oil Business Association (Gapki) has stated that Indonesia's crude palm oil (CPO) exports in June increased 96 thousand tons to 1,135 millions from 1,039 tons in the previous month. Gapki Executive Director Fadhil Hasan stated that the rise was boosted by the increasing demand for the commodity in Bangladesh, India and

Pakistan. In the face of the fasting month, cooking oil and food producers of those countries were preparing stocks of raw materials one of which was Indonesian crude palm oil. Bangladesh imported 58,779 tons of CPO and its by-products from Indonesia in June, which increased from 30,800 tons in May. In the meantime, Pakistan has also begun importing CPO and its by-products which in June amounted to 19,250 tons. India imported 365,910 tons of CPO, 73,050 tons of RDB olein, 27,800 crude olein, 1,000 tons of RBD palm oil and 8,270 tons of palm fatty acid distillates. Fadhil Hasan added that the total volume of its CPO imports and its other by-products reached 476,030 tons in June, increasing from 328,102 tons in May.

RI AIMS TO ACHIEVE RICE, CORN SELF SUFFICIENCY IN 2014 : The Indonesian government has set itself the target of achieving self sufficiency in rice and corn production in 2014. To that end, the government had targeted the annual increase in rice and corn production at 3.22 percent and 10.02 percent respectively. Indonesian Agriculture Minister Suswono said that by 2014 rice production will reach 75.7 million tons and corn 17.66 million tons. In 2010 alone, rice production had been projected to reach 66.58 million tons and corn 19.8 million tons. Rice and corn are strategic commodities and are among the five main focuses of the agricultural development. The program to increase rice and corn production in the next five years would be directed towards achieving sustained self-sufficiency in the two commodities. Sustained self-sufficiency in food production would also enable the country to reduce its dependence on imported food staples and eventually play a greater role in fulfilling global demand for food.



SINGAPORE TO INVEST IN RI'S CACAO INDUSTRY : ADM Cocoa Pte Ltd, an intermediate cacao product manufacturer based in Singapore, plans to invest about US \$500 million in the cacao processing industry in Indonesia. Deputy Agriculture Minister Bayu Krisnamurthi stated that the company expects to process between 80,000 and 100,000 tons of cacao per year. ADM Cocoa

had acquired land in South Sulawesi for a cacao plantation to supply cocoa beans for the company's processing plants. Bayu stated that they estimate national production of cocoa beans at 750,000 tons this year, adding that Indonesia exported 350,000 tons of cocoa each year. Apart from cacao, the ministry had also accelerated its campaign to promote other agricultural products, including coffee. Bayu stated that a global coffee association had included four Indonesian blends in its list of the 10 best coffees in the world - Toraja, Gayo, Mandailing and East Java.

RI EYES PAPUA AS PULP AND PAPER : The Indonesian government plans to expand pulp and paper industry to eastern Indonesia, including Papua because of its vast tracts of forests. Indonesian Industry Minister, MS Hidayat stated only western Indonesia had pulp and paper factories. Currently, PT. Riau Andalan Pulp and Paper in Indonesia exports 2.24 million tons of pulp worth US \$867,634 and 4.09 million tons of paper valued at US \$3.06 million per year. Indonesia is the ninth-largest pulp producer the eleventh largest paper producer in the world. Indonesia has 14 pulp manufacturers with a total annual capacity to produce 7.9 million tons and 81 paper manufacturers with a total production capacity of 12.17 million tons. Pulp production reached 6.52 million tons and paper production 9.31 million tons in 2009.

RI'S AUTO SALES IN FIRST HALF TO REACH 700,000 MARK : Indonesia's auto sales in the first half of 2010 grew by 76 percent on the same period last year to 370,208 units, the Indonesian Automotive Industry Association (Gaikindo). Gaikindo is optimistic that they can reach the target of selling 650,000-700,000 units by the end of this year. According to the association data, this year's

growth was mainly driven by the high sales of the Multi-Purpose Vehicle (MPV) model which accounted for 242,694 units, making up 65 percent of all models marketed in the country. In 2009 the MPV model was also a favored choice, taking 69.3 percent of the market share, despite sales being down to 335,053 units from 388,790 in the previous year. Gaikindo is upbeat that they can reach the target of selling 1 million units by 2015. As of June, Toyota trumped the sales by shifting 140,184 units, a 77.4 percent increase from the same period last year, followed by Daihatsu with 54,573 units and Mitsubishi with 52,148 units. The government had set a target that in five years time, 7 to 8 percent of cars on the roads would be hybrid cars.

N SULAWESI CANNED FISH EXPORTS TO GERMANY

: North Sulawesi exported 401.93 tons of canned fish worth US \$934,962 to Germany in May. The canned fish was shipped 20 times of four shipments a week, Head of the North Sulawesi Provincial Industry and Trade office Sanny Parengkuan stated. The 20 shipments of canned fish suggested that the fish processing industry in North Sulawesi had recovered. The province has a number of fish canning plants and some of them are owned by Philippine investors. Germany is one of the export markets for the province's canned fish.



BALI'S ECONOMY EXPECTED TO GROW 5.1% IN SECOND QUARTER

: The economic growth of Bali province in the second quarter of 2010 is expected to reach 5.1 percent which is higher than the 4.4 percent in the same period in 2009. The economic growth at a positive growth range of the Indonesian tourist report province is expected to be generated by the tourism sector, agriculture and services, head of the Bank Indonesia for Bali, Jeffrey Kairupan stated. The banking performance in that period was also good where banks would be able to increase their assets and public savings with inflationary pressures at estimated 5.7 percent. The tourism condition of Bali took advantage of the global economic crisis which had begun to improve in advanced countries. In the January-May 2010 period, almost one million foreign tourists visited Bali, or an increase of about 112.02 percent compared with the same period in 2009.



BALI'S VANILLA EXPORTS INCREASED 43 PERCENT

: Bali's Vanilla exports in the first five months of 2010 jumped 43 percent to US \$382,113 from the same period the year before. Nearly 80 percent of the vanilla exports went to the United States, Head of the Export Section at the Bali Provincial Industry and Trade Office Putu Bagiada stated, adding that the rising demand in the export market was responsible for the increase in vanilla exports in the five-month period. The growing demand for vanilla in the export market would hopefully encourage Balinese farmers to cultivate the commodity on large scale. The vanilla exports in the January-May 2010 period came not only from Bali but also the rest of Indonesia. Vanilla is currently grown on 806 hectares of land in Bali. Actually, the province had 4,500 hectares of land suitable for vanilla cultivation. In 2008, Bali produced around 33 tons of vanilla, up significantly compared to 22 tons a year earlier.

RI COFFEE EXPORTS ACHIEVABLE : The Indonesian Coffee Exporters Association (AEKI) expressed optimism that Indonesia's coffee export target set at 325,000 tons worth US \$650 million could be achieved even though coffee production in the region was declining. AEKI executive secretary, Rachim Kartabrata stated that in the middle of this year, the volume of Indonesia's coffee exports reached 200,000 tons with a value of US \$350 million. Indonesia's coffee exports markets for robusta type were Japan,

Latin America countries, South Africa and Europe, while for the arabica type was exported to Germany and the United States. Indonesia's competitors for robusta coffee are Brazil, Columbia, Mexico, Costa Rica and El Salvador. Its competitor for robusta coffee is Vietnam. In the meantime, Indonesia's robusta coffee supplies came from Bengkulu, South Sulawesi and Lampung while Aceh and North Sumatra supplied coffee for the arabica type. About 80 percent of Indonesia's coffee exports are those of the robusta type while the remainders are arabica. Indonesia's arabica coffee exports were shipped through the sea at the ports of Belawan in North Sumatra, Tanjung Perak in East Java, Tanjung Mas in Central Java and Langsa in Aceh. It shipped its robusta coffee through the ports of Panjang in Lampung, Tanjung Perak in East Java and Teluk Bayur in West Sumatra.

INDONESIA IS PLANNING TO INCREASE VEGETABLE EXPORTS TO SINGAPORE :

Indonesia is planning to increase its vegetable exports to Singapore where consumption of vegetables had reached 2,000-2,500 tons per day. Singapore intended to import a great deal of vegetables from Indonesia following reports that Chinese vegetable growers would increase the prices of vegetable exports to the island state. Singapore had agreed to increase its fruit and vegetable imports from Indonesia as of this year. Recently the Singapore Food Industry (SFI) Pte Ltd and the Indonesian exporters for Fruit and Vegetables Association (AESBI) signed a contract for the supply of fruits and vegetables to the neighboring country. The two neighboring states also had agreed to the quality requirements of Indonesian products which could be exported to Singapore. Singapore currently relies on Malaysia and China for 43 percent and 28 percent of its vegetables and fruit needs. Indonesia supplies 6 percent of the city state's vegetable and fruit needs, followed by Australia (5 percent), the United States (3 percent), Vietnam (3 percent), and Thailand (2 percent). Indonesia exported US \$7,940,093 worth of vegetables in May 2010 compared to US \$3,345,164 in the same period last year.



RATTAN EXPORTS FROM SOUTH KALIMANTAN INCREASES

South Kalimantan's rattan exports to several countries in the last several months increased sharply from 2.2 thousand tons in January-May 2009 to 8 thousand tons in the same period in 2010. The Head of the local industry and Trade Service Gusti Yasni stated that the increase in South Kalimantan's exports happened because for this commodity overseas also increased. The increase in export volume also influenced the value of the commodity exports, which in the January-May 2009 period stood at 3.1 million US dollars to 8 million US dollars in the same period in 2010.

MOTORCYCLE SALES REACHES 3.5 MILLION IN FIRST HALF

The domestic motorcycle sales in the first half of 2010 reached 3,599,322 units accounting for 61.5 percent of the 2009 national motorcycle sales. Data from the Indonesian Association of Motorcycle Producers (AISI) issued stated that motorcycle sales in 2010 is projected to exceed 2009's. The data also showed that Honda led the national motorcycle market with Yamaha, Suzuki and Kawasaki trailing behind. Viewed from monthly sales in the first half of 2010 the sales of Honda and Yamaha motorcycles overtook one another.

ALUMINIUM EXPORTS INCREASE BY 55.61 PERCENT :

North Sumatra's aluminium exports in the first five months of 2010 climbed 55.61 percent to US \$148.376 million from the same period last year. The Head of the South Sumatra Provincial Statistics Office Alimuddin Sidabalok stated that the export value rose every month. In May it increased to US \$64.98 million from US \$39.17 million in April. The sign of an increase in the export value had been seen since January when the export value stood at US \$21.28 million

and rose to US \$22 million in February. The increase in export value was attributable to a rise in the volume of aluminium production and the value of aluminium exports particularly to Japan. The increase in the export value contributed significantly to the province's overall non-oil/non-gas exports which reached US \$3.23 billion in the January-May 2010 period. North Sumatra's aluminium is produced by PT Indonesia Asahan Aluminium (Inalum), a joint venture between the Indonesian government and a Japanese investor grouped in Nippon Asahan Aluminium Co. Ltd (NAA). The joint venture was started in 1975 and will end in 2013. State Enterprises Minister Mustafa Abubakar said that earlier the government would likely form a new state-owned company to manage Inalum after the handover of the company to Indonesia. Mustafa said that the government was still finalizing the takeover concept a process expected to finish by the end of October 2010. The Indonesian government currently holds 41.13 percent of shares in the company while the remaining 58.87 is held by Japanese investor.

KOREAN INVESTORS TO RELOCATE SHOE FACTORIES IN INDONESIA :

Two Korean principal shoe production with their brands Adidas and Geox plan to build a new factory in Indonesia with a total investment of US \$150 million. The Chairman of Indonesian Shoe Producers Association (Aprisindo) Eddy Widjanarko stated that the two companies have shut down their plants in Vietnam and China for relocation to Indonesia. Eddy added that Adidas investment reached 100 million dollars, while that of Geox 50 million dollars. The representatives of both companies had already come and expressed their interest in making an investment in Indonesia. Adidas has already secured 20 hectares of land for its plant in Serang, Banten, while Geox was still seeking 5.6 hectares of land in Pasuruan, East Java. Adidas production capacity reached 850,000 pairs of shoes per year, while Geox 1.2 million per year. Eddy stated that Aprisindo in 2010 was hoping that at least 10 shoe producers will be coming and operate in Indonesia with a total investment of 600 million US dollars. So far, four companies had already come to Indonesia with a total investment of 200 million dollars.

SINGAPORE INVESTORS LISTED AS NUMBER ONE INVESTOR IN INDONESIA :

The United States is the third top country that makes investment in Indonesia at a total of US \$0.3 billion worth of contribution in 33 projects. However, up until the second quarter of 2010, Singaporean investors are listed as number one with a total investment of US \$1.6 billion in 156 projects. The realized investment up until the first semester of 2010 is recorded Rp 71 trillion, 46.1 percent higher compared to the same period of 2009 at Rp 48.6 trillion. Data of the BKPM revealed that in addition to the US and Singapore, Hong Kong investors have put in US \$0.8 billion worth of money, Japan invests US \$0.2 billion, and the Netherlands supplied US \$0.2 billion. Gita said that government's supports in developing Bintan, Batam, and Karimun (BKK) have caused Singapore to invest more in Indonesia.

COAL-FIRED POWER PLANT IN PAPUA PROVINCE :

The State power company PT PLN has set a target of building a coal-fired power plant (PLTU) worth Rp400 billion in Biak Numfor district, Papua province in 2012. Biak Numfor PLN office chief Nathan said that the PLTU which will be built with an initial capacity of 2x3 megawatt (MW) is still waiting a land concession from the military headquarters. Biak Numfor district consists of two small islands namely Biak and Numfor islands, and more than 42 small islands. The district is a group of islands located in the north of mainland Papua overlooking the Pacific Ocean.



CONSTRUCTION SECTOR PROJECTED TO GROW BY 8.4 TO 9.2% :

Indonesian Vice President Boediono has stated that the

construction industry was projected to grow by 8.4 to 9.2 percent in the next five years. Boediono stated that the construction services and infrastructure sectors will make rapid progress in the years to come. The gross domestic product (GDP) Rp 5,000 trillion in 2009, Rp 555 trillion came from, the construction services sector. The construction services contribution to GDP was about ten percent, and it will continue to grow by 8.4 to 9.2 percent in the next five years.



RI TO BECOME BIGGEST SEAWEED :The Indonesian government has a wish to become the world's biggest seaweed producer with a capacity of 10 million tons per year. Minister of Marine and Fishery Affairs Fadel Muhammed

stated that they are trying to raise seaweed production on a mass scale to enable Indonesia to become the biggest seaweed producer in the world. The target of the production of 10 million tons per year must be achieved in 2015. In 2009 Indonesia's seaweed production reached 2,574,000 tons, which increase sharply from the 2005 level of only 910,636 tons. Seaweed to the total production of marine and fisheries accounted for 8.9 pct, while they set a target of 27 percent by 2015. Up till now the total seaweed exports reached 102,415.93 tons, worth 124.36 million US dollars, with destinations including Asia, Europe, America, Australia, and Africa. The vastness of Indonesia is a very big potential for the development of seaweed, because it could be turned into an import commodity because it takes only 45 days to grow it before it is harvested. Demand from the international market is very high, especially as a raw material for the production of food, pharmaceuticals, cosmetics, and others. Indonesia has now 23 seaweed producing companies.

TAV AND SIGMA TO BUILD AIRPOT IN BALI'S SINGARAJA : Turkey's Tepe Akfen Ventures (TAV) and Sigma Sembada Group have agreed to build a new airport in Bali's Singaraja with an investment of US \$500 million. Sigma Sembada Group's founder Chris Kanter stated that the two companies have signed an initial agreement on June 30 in Istanbul during a visit there of President Susilo Bambang Yudhoyono. Sigma and TAC will establish a joint venture company to build the project on build, operate and transfer (BOT) scheme, Kanter stated. The company also is seeking cooperation with state airport operator PT Angkasa Pura to build or expand a number of airports in the country.

LEIGHTON ASIA TO DEVELOP INDONESIAN GOLD MINE : Leighton Asia has won a five-year contract to develop the Martable gold mine of G-Resources Group Ltd in South Tapanuli. The subsidiary of Australia's mining service contractor Leighton Holding Ltd will earn A\$172 million (US \$155.5 million) from the contract. Leighton Asia will build access road and other mining infrastructure, remove the overburden and drill tunnels, Leighton Asia manaing director Hamish Tyrwhitt stated. Work will start early next month.

RI'S TRADE WITH TURKEY TO DOUBLE : Indonesia expects its trade with Turkey to double to five billion US dollars in the next two years. Indonesian Trade Minister Mari Elka Pangestu stated that the trade volume in 2008 before the crisis, reached US \$2.1 billion. In 2009 the value of the country's trade with Turkey was recorded at US \$1.2 billion. Mari added that the government would intensify its efforts to increase trade and investment relations between the two countries to meet the target. The government is currently conducting a joint study with Turkey to explore the possibility for the two countries to establish a free trade agreement. Efforts to boost trade relations with Turkey would also be done by sending trade missions to that country. Mari added that Turkish businessmen were also interested in investing their capital in various sectors in Indonesia including geothermal and renewable

energy sectors, construction and infrastructure. According to data of the trade ministry Indonesia's total trade value with Turkey continued to rise from 2005 to 2008. In 2005 the value was recorded at US \$634.7 million up to US \$802.9 million in 2006, US \$1.8 billion in 2007 and US \$2.1 billion in 2008 but was down to US \$1.2 billion in 2009. From January to April, 2010 the value reached US \$409.7 million.

SWISS ESTABLISHED COOPERATION WITH EAST JAVA : The Swiss Confederation Republic administration has established cooperation with the East Java provincial administration after developing various potentials of businesses by way of investment access facilities. Djoko Susilo, Indonesian Ambassador to the Swiss Confederation Republic and the Kingdom of Liechtenstein said that the East Java potential drew the interest of Swiss businessmen in investing in the region. Djoko Susilo added that the signing of the MoU is a breakthrough and will promote industries in East Java and Switzerland. With regard to East Java's exports to Switzerland they included textiles and essential oils.

HYDRO POWER PLANTS TO BE BUILT BY BUMI KARSA :

Construction service company PT Bumi Karsa plans to build two micro hydro power plants in Gowa and Palopo districts, South Sulawesi, at a total cost of Rp68 billion this year. The construction of the Gowa power plant with a capacity of 2 megawatts would cost an estimated Rp28.5 billion. The power plant would make use of water from Tanggara River. The company would spend about Rp40 billion on constructing the Palopo power plant with a capacity of 4 megawatts. The power plant would take advantage of water from Kadundung River to generate electricity. It would take one year to build the Gowa power plant and one and half years to build the Palopo power plant. The company was expected to sell electrical power from the two power plants to state electricity company PT Perusahaan Listrik Negara (PLN). Gowa power plant would be able to meet power demand from 4,000 household customers, while the Palopo power plant would be able to supply electrical power to 5,500 household customers. The company would start constructing the two hydro power plants shortly after it signed a cooperation contract with PT PLN.



CPO PRODUCTION IN BENGKULU REACHES 1.8 MILLION TONS :

The Sumatran province of Bengkulu is able to produce 1.8 million tons of crude palm oil (CPO) this year, an increase of 25.3 percent from that a year earlier. Head of the Forestry Service of Bengkulu Risman Sipayung stated that Bengkulu's CPO production continues to increase in line with the expansion of oil palm harvest plantation areas in the province. The CPO production was produced by 13 CPO factories which were scattered in a number of districts in Bengkulu province. The regional government official said that Bengkulu's present oil palm plantations covered 114,922 hectares.

RIAU TO ATTRACT FOREIGN INVESTORS : Riau Expo 2010 will be conducted in the city of Pekanbaru from August 1 to 9, to attract both domestic and foreign investors to invest in Riau Province. Riau Governor Rusli Zainal stated that excellent regional potentials will be promoted during the expo in a bid to net both domestic and foreign investors. The governor explained that there would be a number of activities such as exhibition of trade, tourism and investment potentials as well as exhibition of development information, and the exhibition of a variety of superior products. There would also be investment-related seminar on good business climate for small businessmen, and regional cultural arts performances.

SINGAPOREAN TOURIST ARRIVALS IN BALI : A total of 29,862 Singaporean tourists visited the resort island of Bali in the first

five months of 2010 jumping 53.18 percent from 19,495 in the same period last year. The significant increase was similar to the number of Australian tourist arrivals which went up 55.72 percent, Head of the Bali Provincial Statistics Office Ida Komang Wisnu stated. Over the period Singapore ranked ten as the source country of foreign tourist arrivals in Bali. The Singaporean tourists were made up of 3.14 percent of the overall tourist arrivals in the province in the five-month period which reached 952,073. Compared to the same period last year, the number of tourist arrivals in the first five months of 2010 rose 9.43 percent. Five of the top ten countries saw a significant increase in the number of tourist arrivals in Bali over the period while the number of tourists from the other five countries fell. The number of tourists from Australia rose 55.72 percent to 213,361 from 137,018 Taiwan 13.83 percent to 54,828 from 48,168, the Netherlands 45.89 percent to 30,388 from 20,829, Britain 3.83 percent to 29,862 from 19,495 and Singapore 53.18 percent to 29,862 from 19,495. In the meantime, the number of tourists from France fell 5.35 percent from 37,256 to 25,264, South Korea 7.03 percent from 52,311 to 48,631, Malaysia 8.26 percent from 56,192 to 53,383, China 2.67 percent from 85,828 to 83,535 and Japan 24.71 percent from 132,122 to 99,473. Meanwhile, Indonesia's Central Statistics Agency (BPS) said in the first five months of 2010, the number of foreign tourists coming to Indonesia reached 2.77 million. Head of BPS Rusman Heriawan stated that the total increased 14.59 percent compared to the 2.41 million in last year's same period.



BALI'S SANUR VILLAGE FESTIVAL AUGUST 4-8, 2010 : Four days of diversified fun in Bali's oldest tourism village of Sanur returns with the fifth annual Sanur Village Festival August 4-8, 2010. Activities will be centered at cottage area of the Grand Bali Beach and the adjacent Seger Beach Hotel. Among the activities on offer during a busy four days include : Soccer sixes, Strong Man and Rugby matches, Sanur Open Golf

Tournament, Bonsai Contest and Exhibition, Underwater Festival, Culinary Challenge, Fishing contest, Jazz Festival, Yoga Village, Cultural Parade, Fun Beach Games, Environmental Care Activities, Photography Contest, Bazaar and Food Festival, Water Sports Competition, International Kite Festival. Visit site : www.gotosanur.com.

TOURIST ARRIVAL INCREASE BY 14 PERCENT : More than 3.38 million foreign tourists visited Indonesia in the first half of 2010, up 14 percent from the same period last year. In June 2010 alone, more than 613.4 thousand foreign tourists visited the country, an 11.41 percent increase compared to the same period last year. Compared to May, the number of tourist arrivals in June slightly rose 2.23 percent. The number of tourists visiting Bali via Ngurah Rai Airport in June 2010 reached 224.7 thousand, an increase of 12.07 percent compared to June 2009 or 12.68 percent to May 2010. The rise in the number of tourist arrivals in June raised the average occupancy rates of star-rated hotels in 17 of the country's 33 provinces to 53.37 percent, up 0.73 point compared to June 2009 or 2.15 point to May 2010. On average the foreign tourists stayed at the star-rated hotels for 1.96 days in June 2010, down 0.04 day from June 2009. The BPS also noted that the number of domestic air passengers in June reached 3.5 million, an increase of 0.43 percent from a month earlier. Meanwhile, the number of foreign-bound air passengers in June rose 14.06 percent to 867.3 thousand compared to the previous month. In the January-June 2010 period, the number of domestic and foreign-bound air passengers increased 20.99 percent to 20 million and 25.96 percent to 4.5 million respectively compared to the same period last year.

BALI'S POPULAR SUKAWATI MARKET TO BE RENOVATED :

The popular shopping stop of the traditional souvenir and handicraft market at Sukawati, just north of Bali's capital city of Denpasar, is slated for modernization by the Gianyar Regency administration. The local government officials have begun planning a modernization program for the crowded market, popular with both domestic and international tourist visitors. The Regent of Gianyar, Tjokorda Oka Artha Ardana Sukawati said that the renovations are scheduled to begin in 2011. Describing the markets current condition as over-crowded and "irrational" Tjokorda stated that there was no other choice than to make the market into a traditional art market plaza that is both comfortable and safe. Tjokorda added that every effort would be made to preserve the "peoples market" atmosphere of the current facility, while at the same time, safeguarding traditional elements of design. The new market will not involve any enlargement of the available space for local handicraft vendors, but strive only to improve efficiency, cleanliness and comfort.



RENOVATION OF BALI AIRPORT TERMINAL : There will be an allocation of Rp. 1 trillion (US \$109 million) to pay for the expansion and renovation of the Bali Ngurah Rai International Airport. The expansion will increase terminal space from a current 85,000 square meters to 190,000 square meters. The renovations, when completed, will exchange locations between the present domestic and international terminals. Financed from the cash flows of the airport management company PT Angkasa Pura, the renovations are scheduled to commence in Q3 2010, subject to agreement by the provincial government, completion of design work and the appointment of a contractor. Earlier reports have indicated a higher project cost of Rp 1.7 trillion. The expansion of the airport will require the demolition of a 170 unit housing complex located at the airport used to by employees of PT Angkasa Pura.



GARUDA WILL PROMOTE CENTRAL SULAWESI'S TOURISM :

Indonesian National flag carrier Garuda Indonesia will promote Central Sulawesi's tourism potentials in other countries through its "Garuda Holiday" program. Muhammad Yunus, manager of the airlines's Palu branch office stated that the promotion of Central Sulawesi's tourism potentials will soon be included in their 'Garuda Holiday' program. Garuda had reopened its route to Palu not only to make Central Sulawesi more accessible by air but also to help the region attract more tourists. Meanwhile, Garuda's Jakarta-Makassar-Palu route which was reopened on July 1, 2010 would make it easier for foreign tourists, especially those from Europe, to come to Central Sulawesi because Garuda flights from from Amsterdam to Jakarta usually arrives at 8 am while the Jakarta-Makassar-Palu flights departs at 12 noon and arrives in Palu at 5 pm local time. Palu Avia Tour President Director Awi Wowor expressed optimism that the number of European tourists visiting Central Sulawesi would increase following the resumption of Garuda service to and from Palu.

THE 25TH TRADE EXPO INDONESIA 2010
13-17 OCTOBER 2010
JAKARTA INTERNATIONAL EXPO 2010
KEMAYORAN - JAKARTA, INDONESIA
www.tradexpoindonesia.com



PASAR WISATA INDONESIA 2010
TOURISM INDONESIA MART & EXPO 2010 (TIME 2010)

October 12-15, 2010

Lombok, West Nusa Tenggara, Indonesia

www.pasarwisata.com

This year's Indonesia's annual travel mart Tourism Indonesia Mart & Expo (TIME) or Pasar Wisata Indonesia will be held in Lombok, West Nusa Tenggara. This Indonesian premier tourism event will be held on 12 – 15 October 2010 at Sentosa Villas & Resort Lombok. Entering its 15th years of conduct, TIME is organized by the Indonesian Tourism Promotion Board (ITPB) and supported by entire tourism components in Indonesia. The Chairwoman and Steering Committee of TIME 2010, Meity Robot stated that the conduct of TIME also supports the government's program of "Visit Indonesia Year" which continued this year, as TIME is aimed at promoting Indonesia as tourist destination in international market and at the same time raise the country's image as one of global travel destination. TIME is the only international travel mart in Indonesia with business to business concept. The event is a meeting place for those who sell tourism products and services in Indonesia (seller) to international market (buyer). TIME has been listed in the calendar of international travel mart together with ITB Berlin, WTM London, Arabian Travel Mart (ATM), PATA Travel Mart, and so on. TIME 2010 will present all tourist destinations, including popular travel destinations, tourism objects, new product development. The shifting of TIME to Lombok, West Nusa Tenggara is aimed promoting Lombok and West Nusa Tenggara to the international market. With more tourists arriving in Indonesia will be the improvement in the infrastructure. Furthermore, buyers and international media are given the opportunity to take part in the post tour program. The Local Organizing Committee of TIME 2010 stated that Lombok is ready to host TIME 2010 as it is supported by the provincial government and its tourism industry. With its strategic location located just east of Bali, the island has a lot to offer to international travelers, an unbeatable natural beauty and cultural surrounding complimented with a world-class tourist attractions and accommodation, as well as sound infrastructure, including the Selaparang International Airport which offers Visa on Arrival and Visa Free Entry facilities.

10 GOOD REASONS TO ATTEND TIME 2010 (PASARWISATA 2010)

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