

Indonesia Southeast Asia's Powerhouse



Indonesia is a shining star in Asia and the south-east Asian region, thanks to vast natural resources, a growing GDP and a huge, young population of nearly 240 million.

Along with China and India, the country is one of the only world economies to experience significant growth amid the global crisis. As well as being ranked first among Asia-Pacific nations by Standard and Poors for best fiscal balance, Indonesia received a BB+ credit rating from Fitch, and is one step away from its first investment grade rating in more than a de-

cade. President Susilo Bambang Yudhoyono targets growth of as much as 6.6% through the remainder of his term, ending 2014.

Such a vote of confidence is drawing investors in as they find high development potential, a young skilled workforce, and labour costs on a par with China and India.

"We have a number of competitive advantages," says Vice President Boediono, a professor of economics. "The most obvious is our wealth of natural resources, but we also need to capitalize on our location. There is still room for us to participate in the global supply chains."



Boediono,
Vice
President of
the Republic
of Indonesia

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Going from strength to strength

A strong and vibrant democracy, Indonesia is set for high GDP growth thanks to high commodity prices, although investment is needed to ensure capital-intensive infrastructure projects come to fruition. The need for better roads, ports and airports, communications, and energy infrastructure is key if the country is to make the most of its valuable resources, which include coal, oil and gas, rubber and palm oil.

"The year 2011 was very important for us," says Gita Wirjawan, Minister for Trade and the former chairman of Indonesia Investment Coordinating Board (BKPM). "Indonesia was the chair of ASEAN, the World Economic Fund of East Asia and the Overseas Private Investor Conference. In terms of investment, we have large proven resources of oil and gas, copper, gold, coal, rubber, tin and other important commodities.

"The key to transforming those resources for the betterment of welfare in Indonesia will involve spending a significant amount getting our education system up to speed on a global level, and health care. The engine of growth for this country will be young people who understand the 21st century."

As the middleman between business and government, BKPM aims to provide investment services to members of the global business community with a one-stop shop approach to licensing and other facilities.

The government is slated to spend \$250 billion on infrastructure development over the next five years, with public and private investment in infrastructure equivalent to 5.9% of GDP in 2015. The launch of a master plan for the acceleration and expansion of Indonesia's Economic Development 2011-2025 will support national development planning. There

is strong government support toward public private partnerships, special economic zones, and enormous potential to develop clean energy, including hydropower and geothermal.

PT Sarana Multi Infrastruktur (Persero) is a 100% government-owned financial institution with the sole purpose of funding infrastructure projects, mostly in energy (57%), but also in toll roads and bridges, transport, water supply, waste water and waste management and telecommunications. "Foreign investors can use us as their on the ground expert. We know the local environment and can help them identify projects, and co-finance them," says Emma Sri Martini, president director, PT SMI. "The regulatory framework of the government is almost perfect: they try to eliminate monopolies, increase transparency and increase the fairness of the concessions, agreements and tender processes."

In 2011, Indonesia became the number one coal exporter in the world, overtaking Australia, and Indonesian coal miners were expected to produce 240 million tonnes of coal, an increase of 23% from 2010. Bob Kamandanu, chairman of the Indonesia Coal Mining Association, says: "We must take care with coal development so we can get the most benefit out of it. We sell it abroad because there is not enough demand at home."

Indeed. PT Apple Coal, established to support Apple Commodities Ltd. on its trading business, is now shipping 450 to 500,000 tons of coal a month to main markets China and India.

As Nischal Jain, chairman, says: "We have 45,000 hectares of coalmines in Indonesia. Our low-rank coalmines have resources of 700-800 million tonnes. We have mines that have high-energy coal with resources exceeding 20,000 tonnes. Two are already operational. The government has done a tremendous job making it easier, more transparent and safer for

foreign companies to invest here. By the end of 2012, we will be doing 10 million tons per year."

Meanwhile, established in 1921 as a trading corporation, PT J.A. Wattie Tbk. initially focused on rubber, coffee, and cocoa, but is now developing plantations in the palm oil and rubber sectors. "We have 67,000 hectares of land, which is about 50% planted. In the next five years, we are planning to have around 100,000 hectares of land.

"We are not big compared to others, but we want to be one of the leading plantation companies in Indonesia, with a view to being the best in production yield, sound management and staff, and all-round efficiency."

PT Cisadane Raya Chemicals, established in 1975, was one of the first companies in Indonesia to produce oleo chemicals. Tjhang Margaret took over the company from her brother and parents about three years ago, and since then, with the help of her children, has managed to expand the company exponentially. From an initial \$2 million investment, profits have soared from \$7 million to \$15 million since 2008.

"In 2011, we produced more than 17 million tons of oleo chemicals," Margaret, the president director, says. "The world currently produces 53 million tons in total, but in the next 10 years or so, it is predicted that Indonesia alone will cover half of that. It will become the center for palm oil; there is no doubt about it because we have plenty of it."

Cisadane is positioning itself to be internationally exposed so that it can gain access to capital easily by cost efficiency, and is looking for strategic partners. "We are planning to diversify into more varieties," Margaret says.



Gita Wirjawan, Minister for Trade

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