



IN THIS ISSUE:

Politics

Economy

Society &
Culture

International

Others

Editorial

USEFUL LINKS:

Government
(www.indonesia.go.id)

Department of Foreign
Affairs
(www.deplu.go.id)

Department of Cultural
and Tourism
(www.budpar.go.id)

National Agency for
Export Development
(www.nafed.go.id)

Investment
Coordinating Board
(www.bkpm.go.id)

Statistics Indonesia
(www.bps.go.id)

The Jakarta Post
(www.thejakarta-post.com)



***Bukittinggi,
The Most Relaxed Town in All Sumatra***

The town of Bukittinggi is situated more or less 930 meters above sea level. Bukittinggi, formerly named Fort De Cock by the Dutch, has a cool climate and is surrounded by three volcanoes: Tandikat, Singgalang and Merapi. In the outskirts of the town is the Ngarai Sianok canyon, a canyon separating Bukittinggi from Kota Gadang, 12 km away overland. Kota Gadang is renowned for its fine silver filigree and hand embroidery.

A center of attraction is the town's clock-tower, topped with a horn-shaped roof and referred to by the people as Jam Gadang. It overlooks the market square and the city's magnificent surroundings.

(Source: my-indonesia.info)

TABLE OF CONTENTS

POLITICS

PRESIDENT : NATIONAL DEVELOPMENT ON THE RIGHT TRACK 1

ECONOMY

PRESIDENT: EPA SOLUTION TO NON-TARIFF BARRIERS 1

TOURISM RI'S SECOND LARGEST FOREIGN EXCHANGE EARNER
: OFFICIAL 2

SOCIETY & CULTURE

PRESIDENT : INTER-CULTURAL EXCHANGES CAN HELP CREATE
WORLD PEACE 3

SOLO TO HOST SOLO INTERNATIONAL ETHNIC MUSIC FESTIVAL
AND CONFERENCE 3

INTERNATIONAL

RI, GERMANY AGREE TO STEP UP DEFENSE COOPERATION 4

OTHERS

RI SUBMITS NAMES OF 4,981 ISLANDS TO UNGEGN 4

EDITORIAL

DOING BUSINESS, TRADING WITH PUTIN'S RUSSIA 5

POLITICS

PRESIDENT : NATIONAL DEVELOPMENT ON THE RIGHT TRACK

Jakarta - President Susilo Bambang Yudhoyono said the national development has been on the right track to achieve a better future.

"Admittedly, the agenda of reform and democratization are needed to achieve a better future," the president said in his address to the commemoration of the People's Consultative Assembly (MPR)'s 62 anniversary in the parliament building here on Wednesday night (29/8).

Also present were Vice President Jusuf Kalla, House of Representatives (DPR) Chairman Agung Laksono, Regional Representative Council (DPD) Chairman Ginanjar Kartasasmita and Constitutional Court (MK) Chief Jimly Ashidiqie.

As the country was undergoing a major transformation, it would no doubt face myriad problems, the president said.

"We must be prepared to face all these challenges and problems firmly by seeking solutions, particularly if they are more formidable and fundamental," he said.

During the transformation period, the MPR played a bigger role in keeping the national development on the right track in accordance with the direction and ideals of independence, he said.

"We hope the MPR can increase its role and dedication to the people and state. The MPR plays an important role in the country's history, both at the time of normalcy and crisis. What this

institution has done will be remembered forever and I believe this will serve as maximum guidance on how to manage the state in accordance with the ideals and spirit of our founding fathers to achieve a better future," he said.
(ANTARA)

ECONOMY

PRESIDENT: EPA SOLUTION TO NON-TARIFF BARRIERS

Jakarta - President Susilo Bambang Yudhoyono has expressed his belief that the Japan-Indonesia Economic Partnership Agreement (EPA) which reduces duties on export goods will help resolve non-tariff barriers in trade between the two countries.

"The barriers in question have already been considered in a constructive way to find the best solution. When it comes to non-tariff barriers, for instance, we must improve the quality of our products as required by the Japanese market," President Yudhoyono said in a joint press conference with Japanese Prime Minister Shinzo Abe here Monday (20/8).

Both countries would make every effort to ensure that Indonesia's exports to Japan would not be subjected to non-tariff barriers by among others improving the quality of Indonesian products to meet the Japanese standards, he said.

"We will provide training to producers of agricultural, fishery and manufactured goods to ensure that the quality of their products meets the Japanese market," he said.

Meanwhile, Indonesian Trade Minister Mari Elka Pangestu said the EPA stipulated that Japan would provide training and technological know how to ensure that Indonesian products, such as banana could enter its market.

"They have promised to assist us to ensure that our fruits will be free from 'fruit fly' by among others providing us with equipment and training," she said.

In addition, Japan would also provide Indonesia with official development assistance (ODA) to help the latter overcome the non-tariff barriers, she said.

"The amount of assistance will be calculated in detail before the EPA is implemented probably early next year after being ratified by the two nations," she said.

Japan is one of the biggest markets for Indonesian exports. In 2006, Indonesia's exports to Japan were valued at US\$21.7 billion, while its imports from the latter stood at US\$5.5 billion.

Indonesia's primary exports to Japan included agricultural, fishery and plantation products worth US\$919 million, footwear US\$118 million, timber and processed products US\$1.17 billion, rubber US\$ 971 million, plastic goods US\$380 million, nickel and its products US\$1.30 billion, aluminum and its products US\$449 million and furniture US\$5.5 billion.

(ANTARA)

TOURISM RI'S SECOND LARGEST FOREIGN EXCHANGE EARNER: OFFICIAL

Senggigi, W Nusa Tenggara - The tourism sector is the country's second largest foreign exchange earner after oil

and gas exports, a Culture and Tourism Ministry official said.

The Indonesian tourism industry was export-oriented, Director General of Tourist Destination Development Sambudjo Parikesit said here Wednesday (22/8).

He said the economic and social development in Southeast Asian countries largely depended on foreign exchange earnings from the tourism industry.

The rapidly growing tourism sector had contributed to the economy of those countries, he said. The tourism sector would play a strategic role in national development if it was managed properly, he said.

A well-managed tourism sector would not only raise foreign exchange earnings and create more jobs but also help preserve local culture and reduce social conflicts, he said.

The monetary crisis that engulfed many Asian countries in 1997 had given rise to political upheavals and had a direct impact on security, economy and social life in Indonesia, he said.

In 1997, the number of foreign tourists coming to Indonesia only rose 2.99 percent to 5,185,243 from a year earlier. The figure fell 11.16 percent to 4,606,416 in 1998, he said.

The tourism industry began to recover from the monetary crisis in 1999 when the number of tourists slightly rose 2.63 percent to 4,727,520, he said.

However, the number of tourists coming to Indonesia dropped again as a result of attacks on the WTC building in New York in 2001, he said.

(ANTARA)

SOCIETY & CULTURE

PRESIDENT : INTER-CULTURAL EXCHANGES CAN HELP CREATE WORLD PEACE

Jakarta - President Susilo Bambang Yudhoyono stated inter-cultural exchange as well as youth and student exchange programs can build understanding which can become a means of creating world peace.

Global cooperation and dialogues between developing countries and Western countries could also help create enduring peace, President Yudhoyono said when officially opening an international seminar themed "Islam and West: From Coexistence to Engagement" at the State Palace here on Friday (24/8).

The seminar was organized by Bina Antar Budaya (Inter-Cultural Development) organization in cooperation with AFS Intercultural Program to commemorate the 50th anniversary of the AFS Student Exchange Program in Indonesia.

Every human being could benefit from intercultural exchange programs and there would be no clash among the communities, the President, who was accompanied by People's Welfare Coordinating Minister Aburizal Bakrie, said.

Meanwhile, Tanri Abeng, the founder of Bina Antarbudaya, said that Islam and the West currently seemed to be positioned on two opposite poles.

To end the misunderstanding between the two, both cultures should interact intensively to understand each other's differences, Abeng said.

Meanwhile, Prof Jacqueline Wasilwski, an intercultural study expert

from the International Society for Intercultural Education, Training and Research (SIETAR), said that a student exchange program like AFS was an effective intercultural learning means.

AFS student exchange program participants were forced to adjust themselves to their new environments which had totally different values, ways of life and ways of thinking from the environment where they came from, she said.

The seminar was attended by around 200 participants, mostly alumni of the AFS student exchange program.

Noted Indonesian poet Taufik Ismail who was one of the AFS program's early alumni recited a poem titled "Together We Plant Seeds of Trees One by One, One Day a Forest May Stretch Out" on the occasion.

(ANTARA)

SOLO TO HOST SOLO INTERNATIONAL ETHNIC MUSIC FESTIVAL AND CONFERENCE

Jakarta - The Solo International Ethnic Music Festival & Conference (SIEMFC) which is to be held in Solo, Central Java September 1-5, will be highlighted with a carnival along the Slamet Riadi Street, a spokeswoman of the event said on Thursday (23/8).

"Musicians from eight countries will take part in the convoy aboard on 15 oxcarts. They will also play their music from the oxcarts along the way heading to the main stage of the festival in the Vastenburg fort in Gladag," singer Iga Mawarni said.

She said they were from the Netherlands, Iraq, Greece, Bengal, Korea, India, the Philippines and Australia.

She added behind them would be a carnival held routinely in commemoration of the Indonesian Independence Day. "The August carnival will be joined with the carnival of the festival," she added.

Local musicians from the Solo-based Indonesian Arts Institute (ISI) will also take part in the opening of the festival, she said.

The musical performance of the festival will be divided into three groups, namely the traditional ethnic music group, the contemporary ethnic music group and the entertainment music group.

Local top musicians, including Dwiki Darmawan, Gilang Ramadan, Sawung Jabo and Jaduk Ferianto will also highlight the event, she added.
(ANTARA)

INTERNATIONAL

RI, GERMANY AGREE TO STEP UP DEFENSE COOPERATION

Jakarta - Indonesia and Germany agreed Thursday (23/8) to step up defense cooperation through a number of activities, including information exchange and joint military exercises.

The two countries also agreed to enhance cooperation in dealing with terrorism and separatism as well as in conducting joint patrols in the Malacca Strait, Secretary General of the Indonesian Defense Ministry Sjafri Sjamsuddin said after a meeting with German Defense Minister Peter Elekenboon.

"We are studying together a number of proposals, including the wish to station Indonesian naval officers in the

German warship participating in the United Nations Interim Force in Lebanon (UNIFIL)," Sjafri said.

He said the two defense ministries would soon make preparations for the signing of a memorandum of understanding on the formation of a working group to speed up the information and personnel exchange within the frame of defense research and development activity.

During the meeting, the two defense ministries also agreed to establish cooperation in the field of defense technology, he said.

He said Germany had expressed support for Indonesia's plan to overhaul its Nenggala 209 submarine.
(ANTARA)

OTHERS

RI SUBMITS NAMES OF 4,981 ISLANDS TO UNGEGN

Jakarta - The Indonesian government has handed the data and names of 4,981 islands in the 14 province of the country to the 24th conference of the United Nations Group of Experts on Geographical Names (UNGEGN) at the UN headquarters in New York.

In an official statement, the foreign ministry in Jakarta said on Tuesday (21/8) that while the UNGEGN was by no means an institution granting recognition to the legal status of ownership or sovereignty of a country over an island, a UNGEGN resolution guarantees that naming of an island as a geographical element by an authorized national institution is considered meeting international standards.

An accurate and consistent toponym will support an effective communications means in social and economic activities, such as postal services, trade, population census, education or in disaster handling.

Under Presidential Decree No 112/2006, the Indonesian government set up a name standardization national team chaired by the home affairs minister, and members including the defense minister, the foreign minister, and the marine affairs minister, while the national education minister acts as the team's executive chairman under further coordination of the head of the National Mapping and Survey Coordinating Agency (BAKOSURTANAL).

The formation of the team was a commitment of the Indonesian government to support accurate geographical standardization in the country with a view to meeting the UNGEGN resolution no I/IV of 1967.

The team would then proceed with identifying 8,742 islands in 19 other provinces starting in September 2007.

The Indonesian government has been actively participating in the activities of UNGEGN including the holding of the third toponym training for the Asia and Pacific region in Batu, Malang, East Java in 2005.

Indonesia is now also UNGEGN chair-man of the Southeast Asian and Southwest Pacific Division. The 9th UNCSGN meeting will be concurrently held with the 24th session of UNGEGN from August 20 to 31, 2007.

In the 9th session of the United Nations Conference on Standardization of Geo-graphical Names (UNCSGN, the Indonesian government reported the latest development in the process of standardization of names of

geographical elements toponym) in Indonesia, like mountains, hills, rivers, peninsulas, seas and islands.
(ANTARA)

EDITORIAL

DOING BUSINESS, TRADING WITH PUTIN'S RUSSIA

Pande Radja Silalahi, Jakarta

Russian President Vladimir Putin is scheduled to visit Indonesia on Sept. 6. The visit will be to reciprocate the visit by President Susilo Bambang Yudhoyono at the end of 2006.

During his Russian tour, Yudhoyono invited Russian entrepreneurs to invest in Indonesia. During his return visit, Yudhoyono's Russian counterpart is certain to also do his bit to strengthen bilateral relations, including economic ties.

According to informed sources, Russia is going to make good on its US\$1 billion defense loan and seek to sell its *Metis* antitank armaments to Indonesia. The extent of relations between the two countries will be determined by various factors, with several economic aspects having roles to play.

The volume of Indonesia-Russia trade has been relatively low up to now and there have as yet been no signs of sustainable growth. As indicated in the accompanying table, from 2002 through 2006 Indonesian exports to Russia increased at a relatively high rate but also showed great volatility. In 2002, Indonesian non-oil/gas exports to Russia totaled US\$66.3 million, rising to \$272.5 million in 2006. Indonesian

imports from Russia rose from \$151.3 million in 2002 to \$416 million last year.

With Indonesia registering deficits in bilateral trade with Russia over the last few years, one of the decisive factors in fostering trade between both nations is Indonesia's capability to expand exports to Russia. Because of this, President Vladimir Putin is also expected to include Russian importers in his entourage.

A closer look at the Indonesia-Russia trade structure suggests the presence of ample opportunities for boosting bilateral trade. To date, Russian exports to Indonesia have been largely limited to the defense field. From Indonesia, Russian imports have only comprised some agricultural commodities and processed agricultural products. Diversification will promote bilateral trade.

Both countries need to correct misperceptions of the opportunities within their economic relationship. Russia has always assumed that the goods they can export to Indonesia are mostly technology intensive products such as defense equipment. Indonesia has assumed that the commodities Russia needs are mostly agriculture-based.

With the latest progress in trade and the ongoing process of globalization, the two countries should have a better grasp of their relevant markets. Bilateral economic and trade ties can be rapidly improved if they are based on the advantages and needs of both populations. Global competition has also made it necessary for the government to develop a level playing field in the domestic market by cutting regulatory barriers.

Kommersant, a Russian online daily, on Aug. 22 reported that President Vladimir Putin's Indonesian visiting party would include delegates from the Russian Federation Chamber of Commerce, Alfa Group, the Executive Director of Altime, Alexey Reznikovich, and the President of Alfa Bank.

According to sources quoted by the daily, Alfa Group planned to use President Putin's upcoming tour to carry out its plan to buy shares in cellular phone operators, particularly Singapore Technologies Telemedia's 41 percent stake in Indosat.

The news may simply be a rumor intended to hype up the visit, but nevertheless the reality is that the Alfa Group through its telecommunications subsidiary Altime has shown great interest in Indonesia's cellular phone and telecommunications business.

Alfa Group's desire to participate in Indonesia's cellular phone industry is very rational. As shown in the table, the business promises big profits. It is a fast growing industry and this trend will likely continue for several years to come. With cellular phone penetration in Indonesia still low, this industry will grow rapidly in the next few years in line with rising incomes.

The question is why Alfa Group does not simply set up a new cellular phone firm in Indonesia and why it has to "force itself" to buy an existing company. Law No.36/1999 on telecommunications opened up a wide opportunity for those wishing to enter this sector. If Alfa Group is really interested in acquiring Indosat shares why don't they simply buy them on the stock market or the New York stock exchange? The company seems strong enough to do that.

The Indonesian government itself has no intention whatsoever to sell its stakes in Indosat and Telkomsel, given the bright future of the telecommunications industry and its strategic importance.

It would be improper and unethical if the Russian delegation were to ask the Indonesian government to lobby Singapore Technologies Telemedia to sell its shares in Indosat. If that happened, the whole world would blame Indonesia for making a discriminatory decision and violating the basic principles of cooperation with other countries, as well as the rules of the World Trade Organization.

The era has passed when government influence could be used to advance or win business deals. In the current democratic era, with its high standards of transparency, such a "hostile" takeover would even be embarrassing for the Russian companies themselves.

Although we strongly believe that the Indonesian government would not readily serve as the instrument of a company, we do still need to be alert to the possibility of Russian eagerness to disproportionately rely on the influence of government.

Economic and Corporate Indicators

2002	2003	2004	2005	2006
Exports to Russia (US\$ million)				
66.3	110.1	153.5	244.4	272.5
Export share				
0.15%	0.37%	0.34%	0.23%	0.27%
Imports from Russia (US\$ million)				
151.3	99.8	233.4	431.5	416
Import share				
0.61%	1.07%	0.99%	0.40%	0.67%
Deficit/surplus (US\$ million)				
-85.0	10.3	-79.9	-187.1	-143.5

Net profits (Rp billion)

Indosat	336.3	6,082.0	1,663.2	1,623.5
	1,410.1			
Telkomsel	2,787.2	4,236.9	5,473.0	8,646.7
	11,182.3			
Excelcomindo	743.3	400.7	-45.3	-224.1
	651.9			

Total assets (Rp billion)

Indosat	22,002.5	26,059.2	27,872.5	32,787.1
	34,228.7			
Telkomsel	10,939.4	15,409.9	19,548.8	25,747.1
	37,300.8			
Excelcomindo	4,746.6	5,514.1	6,474.5	9,353.9
	12,636.6			

Net profits/Total equity (%)

Indosat	3.17	50.52	12.39	11.34
	9.28			
Telkomsel	37.77	41.09	39.44	48.74
	47.47			
Excelcomindo	108.05	36.81	-4.40	-6.17
	15.23			

Source: Processed data from the Ministry of Trade and the annual reports of relevant companies.

The writer is an economist at the Centre for Strategic and International Studies (CSIS), Jakarta.