

**EMBASSY OF INDIA
JAKARTA**

BUSINESS GUIDE ON INDONESIA

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FOREWORD

The Embassy of India, Jakarta is pleased to bring out the updated version of “Indonesia Business Guide”. It is designed to assist the Indian business community in intensifying bilateral trade, economic and investment relations with Indonesia.

The Guide provides basic information on Indonesia, the Indonesian economy, the profile of Indonesia’s foreign trade and major items traded between India and Indonesia. It also contains information for those intending to visit Indonesia or planning to set up business operations here through a representative office. Information related to investment is also included, together with contact details of Indonesian business entities. We hope this publication will prove useful to Indian business.

The Embassy of India will be happy to assist business endeavors to improve trade and investment between India and Indonesia in every way possible. Your feedback and suggestions on the guide are welcome. We can be contacted at our website www.embassyofindiajakarta.org

Biren Nanda

1. OUTLINE OF INDONESIA

I. LAND

Indonesia is a sprawling archipelago, the largest in the world, consisting of over 17,000 islands of which around 6000 are inhabited. The archipelago is strategically positioned between Asia and Australia and stretches from east to west over three time zones. Its nearest neighbours in the west and north are the mainland of Malaysia and Singapore and India's Andaman and Nicobar Islands. Its eastern neighbours are Philippines and the mainland of New Guinea and to its southeast is Australia. The main islands of Indonesia are Sumatra, Java, Kalimantan, Sulawesi, Papua and Bali.

Indonesia is a land rich in flora and fauna. Lush tropical islands are found on the western part of the archipelago while the eastern part is drier and is characterized by fauna typical to the region, like marsupials. It is also a land of volcanic activity, especially on the island of Java. With a population of 212 million, it is the largest Muslim nation in the world. Indonesia's constitution recognizes freedom of religious practice. Adherents of all major religions of the world are found in Indonesia. Around 150-250 languages and dialects are spoken throughout the Indonesian archipelago.

Indonesians refer to their homeland as Tanah Air Kita, 'Our Earth and Water'. The area under sea territory of about 3.1 million sq. km is more than the area under land territory (about 2 million sq. km).

II. CLIMATE AND WEATHER

Indonesia's climate and weather is characterized by an equatorial double rainy season. Its monsoon type climate changes approximately every six months although in recent years there have been disruptions in weather patterns, possibly on account of global warming. The dry season is from June to September and the rainy season from December to March. The intervening periods are transition months in which the weather is mixed. The average temperature ranges from 23 degree C at high altitudes to 28 degree C in the coastal plains. The average relative humidity varies between 70% and 90%.

III. PEOPLE

The population of Indonesia is unevenly spread over the archipelago with 80% of the total population inhabiting the islands of Java and Sumatra. According to the 2000 census, Java Island which covers an area of only 7% of the total area of Indonesia is inhabited by about 59% of the total population. The seat of government, educational centres, major industries and investments are all concentrated in Java. Plantation economy sustains the islands of Sumatra and Kalimantan. Large areas of forestland have been cleared in Sumatra and Kalimantan in recent years for palm oil plantation. The island of Bali, just east of Java is the hub of tourism in Indonesia. The Balinese are Hindus unlike the vast majority (about 88%) of the Indonesians who are Muslims.

Indonesians are basically of Malay extraction and divided into numerous ethnic groups numbering about 300. In addition to the indigenous people, Indonesia has about 6 million people of Chinese descent. Although they comprise just 3% of the

population, the Chinese Indonesians control about 60% of the country's economy. A smaller number of Arabs, Eurasians and South Asian ethnic groups are also present in Indonesia.

IV. INDIAN COMMUNITY

The Indian community in Indonesia can be broadly categorized into two groups – Indonesians of Indian origin, mainly of Tamil, Sindhi and Punjabi extraction and Indian nationals / non resident Indians who have set up joint ventures or are employed by Indonesian or international organizations. The total number of Indonesians of Indian origin is about 50,000 most of whom are concentrated in Medan (Sumatra) and in the Javanese cities of Jakarta, Surabaya and Bandung.

V. NATURAL RESOURCES

Indonesia is rich in natural resources. Oil and gas accounts for a major part of the nation's foreign exchange earnings. The country has good reserves of coal, tin, copper, nickel oxide, bauxite, gold, lead, manganese, silver, titanium, zinc etc. Agricultural products include rubber, coconut, palm oil, coffee, tea, cocoa, corn, spices, kapok, tobacco, rice etc., and an abundance of vegetables and fruits. Indonesia has some of the richest timber resources in the world and the largest concentration of tropical hardwoods. However, indiscriminate, chiefly illegal felling of trees has resulted in an alarming decrease in the forest area of Indonesia. Fishery development has been identified as a priority investment sector in Indonesia.



Source: www.lonelyplanet.com

Indonesian archipelago

Total Area : 5,193,250 sq. km
 Land territory : 2,027,087 sq. km
 Sea territory : 3,166,163 sq. km

Main islands: Sumatra, Java, Kalimantan, Sulawesi, Bali & Papua (formerly Irian Jaya).

VI. ECONOMY

Since the last decade or so, the government has actively promoted the manufacturing industries for the promotion of non-oil exports. To meet domestic needs, Indonesian plants assemble various types of automobiles, trucks, buses and motorcycles under license from foreign manufacturers. Electronic equipment and electrical appliances are also produced in Indonesia. With the objective of a more equitable distribution of development gains, the government gives high priority to expansion in the less developed regions of the country and the creation of employment opportunities for the country's growing labour force. To attract foreign capital, certain incentives are provided and several sectors are open to foreign investment.

VII. INDONESIA & ASEAN

Indonesia was among the founding members of the Association of South East Asian Nations (ASEAN) that was established in 1967 in Bangkok. The association presently has ten member countries of which Indonesia is the largest – both in area and population. ASEAN Free Trade Area (AFTA) has come in force from January 1, 2003. Detailed information on ASEAN is available on the ASEAN Secretariat website www.aseansec.org. The ASEAN Charter entered into force on 15th December 2008 in which new law empowered bodies will seek to integrate the member countries and uphold democracy. The signing was officiated in Jakarta during a meeting of ASEAN foreign ministers. The charter seeks to integrate the region's security forces, economies and socio culture by 2015.

VIII. GROSS DOMESTIC PRODUCT

Indonesia's GDP of US\$ 296.7 billion (at actual prices) in 2005 was the largest in ASEAN. It accounted for over 32% of the total ASEAN GDP in 2004. However, Indonesia's global trade of US\$ 143 billion in 2005 trails Singapore, Malaysia and Thailand.

IX. CONTACTS WITH INDIA

India has age old cultural and civilizational ties with Indonesia. Around 1000 B.C., the earliest migrants from the Indian sub-continent came to Indonesia. A continuous influx of Indian settlers went on during the 1st to the 7th centuries A.D. Early trade relations were established between South India and Indonesia. Sumatra was then named "Swarna Dwipa" or the island of gold; the island of Java was called "Java Dwipa" or the rice island while the Hindu Kingdom on Borneo (Kalimantan) island was called Kutai. Until the 15th century A.D. many areas of present day Indonesia were ruled by Hindu and Buddhist kingdoms. The world renowned Borobudur and Prambanan temples in central Java were built during the heyday of Buddhist and Hindu reigns in the 8th and 9th centuries A.D.

The archeological evidence on the Indonesian kingdoms of the 5th century also points to the existence of trade relations between India and Indonesia since a long time. These trade relations influenced Indonesian native cultures, too. The impact

of Indian culture is clearly visible in architecture, philosophy of Life, Dharma and traditions in various parts of Indonesia but, above all, in the languages of this country. Despite having 90% of Muslim population, Mahabharata and Ramayana are two epics which drive the way of life of Indonesia. Javanese, the original language of Java is 60% Sanskrit. The national language, Bahasa Indonesia, contains at least 3000 Sanskrit words in its vocabulary.

Gujarati and Arab traders and merchants laid the foundations for the gradual spread of Islam in Indonesia. A series of small Islamic kingdoms sprouted up and spread their roots but without destroying the underlying Hindu/Buddhist cultural symbolism and matrix. The Hindu Kingdom of Majapahit in East Java just came under Islamic rule (in the 16th century) followed by other parts of the country. The present day Balinese are the descendents of Majapahit aristocrats, priests and other higher classes who had retreated eastwards to the islands of Bali and Lombok which until today are preserved as Hindu Pockets in a largely Muslim Country.

X. INDEPENDENCE FROM DUTCH & THEREAFTER

In modern times, like India, Indonesia was ruled by a colonial power, the Dutch. Indonesia's independence was proclaimed two years prior to India's, on the heels of the Japanese defeat in World War II. The Republic of Indonesia came into being based on Pancasila (Sanskrit word meaning five principles, pronounced as "Pancha-see-la" in Indonesia) under a constitution with strong Presidential powers, a Parliament, Supreme Advisory Council, State Audit Board and a People's Consultative Assembly as the embodiment of people's sovereignty in free Indonesia, all of which were adopted on the 18th of August, 1945. Bahasa Indonesia was recognized as the National Language. Even after the proclamation of independence, Indonesia could not actually gain control of her territories through the period 1945-49 as she struggled against the Allied Forces who were working to restore Dutch rule. World recognition of Indonesia's sovereignty came on 29th of December, 1949 after intervention by the United Nations.

Independent Indonesia has had 6 Presidents. Four of the Presidents were elected after the financial crisis of 1998, including the current President, Mr. Susilo Bambang Yudhyono who was elected in 2004.

2. INDIA – INDONESIA: TRADE & ECONOMIC RELATIONS

Indonesia's market of 235 million is the largest among India's ASEAN partners. The Indonesian economy has stabilized after its 1997-98 crisis, its strengths resting on the country's enormous natural resources (oil and gas, coal, copper, gold, forestry and plantation products) and manufacturing for the domestic and export markets (textiles, footwear, electronics, automotive, pulp and paper). While stable in macro-economic terms, the Indonesian economy is marked by low investment growth, high unemployment, poverty, high debt making it largely consumption driven. The rise in petroleum prices worldwide coupled with 123% cut in fuel subsidy in 2005 also resulted in inflation in Indonesia and erosion of purchasing power. The GDP growth for 2008 has been estimated at around 5.5%.

2. In order to spur growth and attract investment, the Government of Indonesia organized the Indonesia Infrastructure 2006 from 1-3 November, 2006 at Jakarta with the agenda titled "A World Forum – A National Priority". This was a second conference and exhibition of its kind. The first one titled "Indonesia Infrastructure Summit 2005" was held in January of that year. India was conspicuous by its absence in the first Summit. However, in the second event, Indian participation was quite encouraging. Four companies namely, BHEL, TCS, Punj Lloyd and ESSAR exhibited in Indonesia Infrastructure 2006 and many more such as ICICI, IDFC, NTPC etc. were present in the conference.

I. FRAMEWORK

3. Trade relations between India and Indonesia go back to ancient times, contributing to the historical and civilization affinities between the two countries. In the modern era, trade relations were formalized under a Trade Agreement signed in June, 1978 committing both countries to take all appropriate measures to facilitate, strengthen and diversify bilateral trade. Periodic discussions have taken place at the Ministerial and official levels to strengthen economic and commercial ties within the framework of this agreement. JBC/business level meetings have also been convened periodically, particularly in conjunction with high level visits. However, no forum for regular talks over a range of cooperative issues with Indonesia existed during the Soeharto years and only a bilateral Agreement on Avoidance of Double Taxation between the two countries was concluded in January, 1986.

4. An Agreement for the Promotion and Protection of Investments, which was signed in February, 1999, came into force in January, 2004. The first ever India-Indonesia Joint Commission Meeting (JCM) was held in Yogyakarta in September, 2003. Apart from taking major decisions to promote bilateral economic and commercial relations in various fields, the JCM decided to constitute an "India-Indonesia Expert Working Group" with the specific mandate of reporting to the JCM with concrete recommendations for enhancing and diversifying bilateral trade, economic and investment relations. This Expert Working Group held its first meeting in New Delhi on 24 February, 2005. The Second Meeting of JCM was held in New Delhi on 1 March, 2005. Specific areas for enhancement of bilateral trade and economic relations were identified. The Third JCM was held in Jakarta from 16- 19 June 2007 in which a comprehensive "Plan of Action" in all areas including cooperation in economic, trade, industrial and infrastructure, financial and investment sectors was agreed upon.

5. KADIN is the apex and the only Indonesian Chamber of Commerce & Industry with a sizeable presence at the federal level and outreach in the Provinces. During the visit of President SBY to India in 2005, KADIN decided to have a 'India Committee' which would be a specialized body for promoting bilateral economic relations between India and Indonesia and work to enhance interaction between the Chambers of Commerce and Industry of the two countries and promote individual business interests of the private sector. KADIN signed an MoU with FICCI in November 2005 to achieve this objective.

KADIN India Committee was formally launched in November 2006 with Mr. S.P. Lohia as its Chairman. The Committee has three member Advisory Board and over 40 members including the Executive Office bearers.

6. There is also an association of corporate entities which mainly consists of Indian business houses and enterprises of Indians and Indonesian Indians called "Economic Association of Indonesia and India (ECAII)". It was established in 1977 with a view to promote development of economic relations between Indonesia and India.

II. BILATERAL TRADE

7. Indonesia is our second largest export market in ASEAN (after Singapore) and one of our major trading partners in the region. The recovery of the Indonesian economy after the Asian financial crisis coupled with political change gave a fresh lease of life to our economic relations. Our Prime Minister's visit to Indonesia in April 2005 for Asian-African Summit soon followed by President SBY's visit to India in November 2005 acted as a catalyst in enhancing our bilateral trade. During 2004, the bilateral trade expanded by 36% to reach US\$ 3.27 billion and got a further boost of 20.90% in 2005 to reach US\$ 3.93 billion. The growth rate has been sustained in the year 2006 by a quantum jump of 22.08% which has brought the two-way trade to US\$ 4.798 billion. In 2007 bilateral trade reached US\$6.55 billion or an increase 36.6% from the previous year. However, there remains vast untapped potential for future growth. The net balance of trade is in favour of Indonesia, as India is Indonesia's largest buyer of Crude Palm Oil (CPO) and an importer of its mining (particularly coal and copper ore), petroleum, rubber, pulp & paper and textile products. India exports refined petroleum products, hydrocarbons and its derivatives, animal feeds, iron and steel products, cotton, copper and dyes & chemicals to Indonesia.

8. Bilateral trade during From Jan to Dec 2008 rose by 53.5% to reach US\$ 10 billion as compared to the same period in 2007. India's overall exports registered an increase of 80% to reach US\$ 2.9 billion. India's leading exports include Petroleum products (refined), hydrocarbons & derivatives, animal feed and Telecommunication equipment & parts. India's imports have registered an increase of 45% to reach US\$ 7.1 billion. India's leading imports include vegetable oils and coal. Bilateral trade was down by 12.8% during Jan-Mar 2009 as compared to the same period in 2008. The profile of bilateral trade for the first quarter of 2009 is at **Annexure-I**.

9. There has been a steady increase in the number of persons traveling to India from Indonesia and also from India to Indonesia. Regarding travel from Indonesia to India, our Embassy issued 8,038 visas to Indonesians in 2004, 8227 in 2005 and 8797 in 2006, which reflects a steady increase of 2.35% and 6.92% respectively. Likewise, the total number of business travelers from Indonesia to India in the last

three years has been 2,672 in 2004, 3,409 in 2005, 4103 in 2006, 4889 in 2007 and 5345 in 2008. This reflects an increasing trend of people-to-people contact between the two countries with many more Indonesians visiting India than in the past. The 'visa-on-arrival' facility extended by the Indonesian Government to India in August 2005 has also given a fillip to easier travel from India to Indonesia.

Crude Palm Oil

10. Indonesia has been the world's second largest producer of Crude Palm Oil (CPO) next to Malaysia till 2005. According to Indonesian sources, total production in 2005 was 13.5 million tons which was up from 12 million tons in 2004. 2006 witnessed Indonesia producing 16 million tones of CPO surpassing Malaysia's production and making it the world's largest CPO producer. India and China are Indonesia's largest market for CPO and, according to "Oil World" (data for the period Oct-Sept), India imported a total of 2.6 million tons of palm oil in 2004-05 and 2.11 million tons in 2005-06. In 2005-06 India's total import of palm products was 2.6 million tons out of which 2.1 million tons was imported from Indonesia i.e. 82% of the total palm products came from this country. Out of the total exports of palm oil by Indonesia, India's share was 27% in 2004-05 and 18% in 2005-06. Indonesia has been expressing concern at the high tariff rates for CPO in India whereas Indian importers have recently voiced their fears on plans for imposition of export duty on CPO by Indonesian Government to reduce its domestic market prices. This was confirmed in June 2007 when, owing to a rise in the price of cooking oil following shortage of the commodity in the market, the government increased the export tax for crude palm oil (CPO) from 1.5% to 6.5% effective from June 15, 2007. Further increase by 1% in export tax has resulted in the total levy of 7.5% since 2nd September, 2007. This was done to ensure a steady supply of cooking oil to the local population of more than 220 million which consumes 350,000 – 400,000 tons of cooking oil a month.

III. INVESTMENTS/JOINT VENTURES/PROJECTS

11. There are over twenty major Indian manufacturing joint ventures in Indonesia with direct Indian participation or financed by overseas Indians. The bulk of these first phase investments were made in the 1970s and 80s, and in fact upto 1985 India was among the top five investors in Indonesia. Major investments which came during that period were in textiles, garments, synthetic fibre, steel and hand tools. Major Indian players who established in Indonesia during this first phase were Lohia Group (Indorama Synthetics), Ispat Group (Indo Ispat), Aditya Birla Group (having four units in textiles and yarns), Tolaram Group, Jaykay Files Indonesia, Gokak Indonesia and Kewalram Group. In the 90s, just prior to the Asian economic crisis, second phase of investment brought in Essar Group which set up a cold rolling steel mill, PT Punj Lloyd Indonesia who invested in oil and gas infrastructure, petrochemicals and refineries and Oberoi Hotels. Till then it was estimated that the total Indian investment was around 1.5 billion US\$ in assets in Indonesia and the output of these companies was between 1 – 1.5 billion US\$.

12. Recently, after the upturn of the Indonesian economy and the political change in the country, a new wave of investment is flowing in and partnerships budding in new sectors such as automotive, infrastructure, mining, banking, IT and tourism. M/s. TVS Motors of Chennai has already invested US\$ 45 million in a motorcycle plant near Jakarta and is committed to bring in another US\$ 55 million.

Bajaj Auto is converting traditional three wheelers into CNG powered ones and has launched its new two wheeler model 'Bajaj Pulsar' in Indonesian market in November 2006. Jindal Group invested in a cold rolling operations in December 2004, PT Minda Asean Automotoive have started manufacturing automotive and engineering components, Aditya Birla Group has opened a new unit in chemicals called PT Indo Raya Kimya in 2002. Many other private players are investing in coal mining, plantations for bio-fuel, extraction of minerals etc. Tata Power has signed an agreement to invest US\$ 1.1 billion as the price for 30% stake in two coal mines owned by PT Bumi Resources Indonesia. Indian steel maker Essar Steel Limited is looking for major investment in integrated steel production facility in Kalimantan. The Aditya Birla Group, already having investments in five ventures in Indonesia, has expressed plans to inject additional US\$ 75 million into its business units in Indonesia and for construction of a 15MW power plant. National Aluminium Company Limited (NALCO) is interested in setting up an aluminium smelter plant in Indonesia. A four member delegation led by Mr. J.P. Singh, Secretary (Mines) visited Indonesia from 10-16 January, 2008 and signed an MoU for conducting a feasibility study for setting up of an aluminium smelter plant worth US\$ 4 billion in South Sumatra. The project envisages 0.5 million tons per annum aluminium smelter plant and a 1250 MW power plant to be built in two phases at a location near the sea port of Tanjung Api Api. On December 19, 2008, the NALCO and Ras Al Khamaiah Minerals and Metal Investment (RMMI) of the UAE signed an MoU for the construction of an aluminium smelter plant and power plant in South Sumatra. The RMMI which is owned by the Amir of Ras al Khamaiah in the UAE (50% share) and Mr. Madhu koneru, an Indian businessman settled in the UAE, has previously signed an MoU with the Government of South Sumatra in February 2008 for the construction of the Tanjung Api Api Port and a railway line connecting the port with the location of the smelter plant. NALCO has given a 24% stake to RMMI to sustain their interest in building the port at Tanjung Api Api which is of vital importance to the aluminium smelter. The public sector giants such as NTPC and RITES are looking for opportunities of cooperation in energy and transportation sector respectively. Delegations from these companies have already visited Indonesia a couple of times to get first hand information. Adani Global Private Limited has also been showing keen interest in acquiring coal mining rights in Kalimantan.

13. A large number of Indian companies have also been involved in supplying equipment to and undertaking projects in Indonesia. This include IRCON, WAPCOS, TCIL, Punj Lloyd, STUP Consultancy India Ltd. and recently RITES Ltd. NIIT and APTECH, LCC Infotech, Tech Mahindra have established IT Education Centres in Indonesia.

14. Bharat Heavy Electricals Ltd. (BHEL) has opened its Representative Office in Jakarta in 2006 to get power projects, contracts and with an objective to be a future player in the power generation sector in Indonesia. Tata Consultancy Services (TCS) has also set up a Representative Office in Indonesia in 2006 for local and Asia-Pacific markets. It has been working on various projects with the local banks and some in collaboration with Microsoft and other companies. TCS has also made a bid for a major World Bank funded project in the Indonesian Ministry of Finance and another worth US\$ 22 million in Indosat. The Indonesian government Friday awarded 22 new oil and gas blocks to investors in October 2008. At that time, Gujarat State Petroleum Corp. and Essar E&P Ltd. were awarded the Southeast Tungkul Block.

15. Indonesian investment in India is rather low and it ranks 36th in FDI inflow to India. Indonesian companies have started bidding for infrastructure and energy

related projects in India. For example, in 2006, Adhi Karya, an Indonesian State owned enterprise, was awarded a contract by Rail Vikas Nigam Ltd. worth US\$ 90 million to develop infrastructure facilities in the State of Orissa.

IV. BANKING

16. Indonesia has both State-owned banks and private banks. All major international banks have a presence in Indonesia. The Bank of India maintains a representative office in Indonesia while Bank Internasional Indonesia (BII) has a branch office in Mumbai. State Bank of India has bought 76% stake in a local bank called Bank SBI Indonesia. Bank of India has acquired 76% of the shares of Indonesian Bank Swadesi, in a deal worth US\$ 5.24 million majority shareholding. ICICI Bank has opened a Representative Office in Jakarta in 2006 and other Indian banks are also showing interest in the Indonesian financial sector.

V. PROMISING AREAS FOR TRADE/ INVESTMENT/ JOINT VENTURES/ SERVICES

17. Until recently Indonesian SMEs were participating regularly only in India International Trade Fair (IITF) and generating small amounts of bilateral trade. Resurgence has been seen recently among Indonesian Provinces to reach out to Indian businesses and market. Jakarta Investment Board (JIB) organized a seminar on “Investment in Indonesia” in Mumbai on 15 September, 2006 with the cosponsorship of CII. Then, Riau Investment Board led a delegation to India in 2006 to attract investments. The event was hosted by FICCI. In April 2007, the Indonesian Government, in collaboration with India Indonesia Business Association (IIBA), organized ‘Expo Indonesia 2007’ wherein 55 SMEs participated which resulted in a few tie-ups to begin with. A delegation from Agricultural & Processed Food Products Export Development Authority (APEDA) participated for the first time in “Food & Hotel Indonesia 2007” held at Jakarta from 28-31 March, 2007 which generated sizeable number of queries in Indian food processing sector. A delegation consisting of members from the West Java Dairy Development and Livestock related Cooperative Societies visited India, particularly Anand and Ahmedabad from 8-13 May, 2007 to study the Milk Cooperative Movement and dairy development in India.

18. A delegation consisting of 23 delegates from IIBA representing various sectors visited Indonesia from 16-18 January, 2008. During the visit, an MoU between IIBA and WTC, Jakarta to further cooperation in increasing trade between the two countries was signed. The visiting delegation also held B2B meetings with members of WTC, Jakarta and Jakarta Chamber of Commerce and Industry. The Chairman of Indonesian Food and Beverage Association and his delegation visited India at the invitation of APEDA from 14-18 January, 2008 and made site visits to meat processing units and rice mills in Maharashtra and New Delhi.

19. Similarly, two CHEMEXCIL delegations visited Indonesia in March 2005 and June 2006 (jointly with PMFAI) respectively and held a Buyer-Seller Meet to explore opportunities to increase exports of basic chemicals, agro-chemicals, pharmaceuticals and cosmetics. Also, a PHARMEXCIL delegation visited Indonesia for the first time in June/July 2006 and held a Buyer-Seller Meet. In addition, they also called on H.E. Mr. Aburizal Bakrie, Coordinating Minister of People’s Welfare.

The PHARMEXCIL delegation extended an invitation to host a delegation headed by the Head of Food and Drugs Controlling Authority of Indonesia. Similarly, Indonesian delegations have been participating in CHEMEXCIL and EEPC Buyer-Seller Meets held in India every year. The biggest participation has been in January 2007 wherein 23 Indonesians went to New Delhi to attend the Engineering Export Promotion Council (EEPC) Buyer-Seller Meet. PHARMEXCIL held a reverse Buyer-Seller Meet in Hyderabad from 11-15 February, 2008 in which 14 delegates from Indonesia representing six leading pharmaceutical companies participated.

20. There is still large untapped potential wherein our trade basket can be expanded to include products such as pharmaceuticals, dairy & non-dairy products, processed food including meat, handicrafts, furniture, gems & jewelry, leather goods, handloom and services like tourism, banking and IT.

21. Cooperation can be enhanced between India and Indonesia by investing in sectors such as energy, mining including coal, oil and natural gas both upstream and downstream, power generation, nonconventional energy, plantation, infrastructure such as toll roads, ports, railways, telecommunications and healthcare facilities. Investments can also flow in service sector such as consultancy (both legal and engineering), IT, telecommunication and tourism.

22. Some of the Indian companies, especially in oil and natural gas and infrastructure have evinced interest in Indonesia. However, their efforts have been episodic and unfocussed. Indonesia has large untapped potential in natural resources and is a maritime neighbour of India with a strategic location. This should motivate Indian players to be more focused on Indonesia and make concerted efforts to work towards better economic partnerships for mutual interest.

VI. NON-TARIFF BARRIERS

23. Non-tariff barriers on the following Indian products have been imposed by Indonesia:

- Bovine Meat & Skimmed Milk Products – *Banned because of FMD;*
- Wheat Flour – *11.4% till the end of 2010;*
- Uncoated Writing Paper and Printing Paper – *6.19% to 40.13% till November 2009;*
- Hot Rolled Coil – *0 – 56.51% till February 2012.*

Indonesia has banned India's bovine meat products and milk products on the ground that India is not free from Foot & Mouth Disease (FMD) even though India is one of the largest exporters of halal bovine meat in the world and exports deboned and deglanded frozen bovine meat to 64 countries including several which are FMD-free such as Mauritius, Philippines, Malaysia in South-East Asia. As per the OIE guidelines, international trade in deboned and deglanded frozen bovine meat prepared in accordance with the International Animal Health Code ensures against any risk of transmission of FMD virus. The OIE Charter is signed by 164 member countries including India and Indonesia. Each signatory is obliged to practice OIE tenets and avoid insertion of its own phyto sanitary conditions. Similarly, Indonesia banned import of Skimmed Milk Products (SMP) from India in 2005 on the similar grounds that India is not free from FMD. FMD virus is not transmitted through milk

products and India has been exporting SMP to several countries including Indonesia in the past.

24. Indonesian Government had imposed a 14% anti-dumping duty on the import of Ampicillin Trihydrate and Amoxicillin Trihydrate from India till the end of 2008. Now it has been discontinued. Indonesia has imposed an anti-dumping duty of 11.40% on the sourcing of wheat flour from India over and above 5% duty on the product from India. This additional tariff of 11.40% will be operative till November 2010 which has practically dried up sourcing of Indian wheat flour in Indonesian market. Indonesia has imposed 0 – 56.51% anti dumping duty on the import of hot rolled coil from India till February 2012.

25. An anti-dumping duty of 6.19% to 40.13% has been imposed on uncoated writing and printing paper from November 2004 till November 2009. However, India is importing large quantities of waste paper, pulp and paper & paper board from Indonesia. There was also an anti-dumping duty of 11% on import of Carbon Black from India which has discontinued. The import of Polyester Staple Fibre (PSF) from India is under investigation by the Anti Dumping Committee of Indonesia.

26. Also, the registration process and other formalities for pharmaceutical imports from India are so cumbersome that they virtually act as an effective deterrent for any Indian pharmaceutical products to access the Indonesian market. This is despite the fact that Indian pharmaceutical products are exported to many markets world over including Europe and USA.

VII. COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT (CECA)

27. The First India-Indonesia Joint Study Group was held in Jakarta on 30-31 October, 2007. The Indian side consisted of a 7-member delegation headed by Mr. G.K. Pillai, Commerce Secretary and the Indonesian Co-Chair was Dr. Hadi Soesastro. At the end of the meeting a report was signed on the feasibility of the Comprehensive Economic Cooperation Agreement wherein it reviewed the India-Indonesia economic relations and discussed terms of reference, modality and time-frame for the Joint Study Group.

28. The 2nd India – Indonesia JSG was held in New Delhi from 9-10 May 2008 in which the two sides exchanged the first draft of the chapter on ‘other areas of cooperation’. With this the first drafts on all chapters of the agreement have been exchanged by both sides with a view to further develop on them.

29. India- Indonesia 3rd Joint Study Group – The third meeting of the India-Indonesia Joint Study Group (JSG) on the feasibility of a Comprehensive Economic Cooperation Agreement (CECA) was held in Batam on 24 – 25 July 2008. The Indian delegation was led by Mr. P.K. Dash, JS (FT-EA), Ministry of Commerce and Indonesian delegation was led by Dr. Hadi Soesastro, Executive Director of Centre for Strategic & International Studies (CSIS). The two sides discussed the drafts on Trade in Goods, Investment and Other areas of Cooperation as well as Trade in Services. India- Indonesia 4th Joint Study Group was held in New Delhi on 16-17 March 2009. The delegation was led by Mr Marzuki Usman, Chairman of the Economic Association of Indonesia and India (ECAII). More than 25 delegates attended this meeting from Indonesia. The Indian Delegation was led by Mr G.K.Pillai, Commerce Secretary.

VIII. INDIA-ASEAN FREE TRADE AGREEMENT

30. India and ASEAN have signed a framework agreement for Comprehensive Economic Cooperation Agreement (CECA) in 2003. several rounds of negotiation at Trade Negotiation Committee (TNC) level, Senior Economic Officers Meeting (SEOM) level and ASEAN Economic Minister (AEM) level have taken place between India and ASEAN.

31. H.E. Shri Kamal Nath visited Indonesia on 4th May 2008 to attend the Retreat of India-ASEAN Economic Ministers Meet held in Bali from 02 – 04 May 2008. He led the Indian delegation in the India – ASEAN segment of the AEM. While interacting with the media, the Commerce Minister revealed that India is close to clinching a free trade deal with Southeast Asian Nations spurred on by a bleak global economic outlook and rising food prices.

32. The 21st Meeting of the ASEAN – India Trade Negotiating Committee (AITNC) was held at the Jakarta ASEAN Secretariat on 26-27 July 2008. The Indian delegation was led by Mr P.K. Dash, JS (FTEA), Ministry of Commerce. The CLMV countries submitted their proposed modality for tariff reduction/elimination to the Indian side. A first reading of draft Trade in Goods Agreement took place at the meeting with further discussions scheduled. ASEAN member countries and India also negotiated various issues pertaining to the proposed FTA during the meeting. In August 2008 ASEAN-India concluded negotiations in Trades in Goods which they are expecting to sign in the ASEAN-India Summit in December 2008. They have also agreed to commence negotiations on Trade in Services and Investment as a single undertaking and to work towards the conclusion of substantive discussions on these two agreements by 2009 to bring about a complete ASEAN-India Comprehensive Economic Cooperation Agreement (CECA).

IX. RECENT BILATERAL VISITS

Indonesia to India

33. H.E. Mr. Hassan Wirajuda, Foreign Minister of Indonesia visited India in March 2005 for the 2nd JCM held in New Delhi. The Indonesian Minister of Trade Mari Elka Pangestu visited India in August, 2005. A joint FICCI – KADIN Joint Business Council Meeting was held in New Delhi during the visit. The Indonesian Agriculture Minister Mr. Anton Apriyantono visited India in March 2005 for G-20 Meeting. Vice President Jusuf Kalla headed a business delegation to India (Delhi & Mumbai) in January-February 2007. He had interactions with both FICCI and CII and visited the steel plant of Indo-Ispat near Mumbai. Indonesian Health Minister, Dr. Siti Fadillah Supari visited India from 4-5 December, 2007 as head of 10-member delegation to attend the Ministerial Conference on Avian and Pandemic Influenza in New Delhi.

34. Indonesian Minister of Trade H.E. Ms. Mari Elka Pangestu led a delegation consisting over 50 delegates representing Government and business interests to Mumbai and New Delhi to attend the Partnership Summit 2008 sponsored by CII from 16-18 January, 2008.

India to Indonesia

A. Ministerial Delegations

35. EAM Mr. K. Natwar Singh visited Jakarta in July 2004 (for ARFPMC Meeting) and then in January 2005 (for Special ASEAN Leaders' Meeting on the aftermath of earthquake and tsunami). Prime Minister Dr. Manmohan Singh visited in April 2005 for Asian-African Summit 2005 held in Bandung. Commerce and Industry Minister Kamal Nath visited Jakarta in September 2004 (for AEM), July 2005 (for G-33 meeting), April 2006 (for UN-ESCAP meeting) and March 2007 (for G-33 Meeting).

36. The Indonesian President paid a State Visit to India in Nov. 05, accompanied with a large business delegation, during which he signed a Joint Declaration with the Prime Minister of India. The Joint Declaration establishes a New Strategic Partnership between the two countries. The salient features on the economic and commercial side were:

- MOU signed to constitute a Joint Study Group to examine the feasibility of a Comprehensive Economic Cooperation Agreement (CECA)
- MOU signed on Marine and Fisheries cooperation
- Increase cooperation in various sectors such as Energy, IT, S&T, Bio-technology, Non conventional energy including Bio-energy, etc.
- Take steps to facilitate increasing bilateral trade to US\$10/- billion by 2010 in a balanced and mutually advantageous way.

37. External Affairs Minister, Mr. Pranab Mukherjee visited Jakarta from 18-19 June 2007 to attend the 3rd JCM between India and Indonesia. Indonesia hosted an Informal Dialogue of Trade Ministers on Climate Change on the sidelines of UN Conference on Climate Change on 8-9 December, 2007 in Bali, in which Mr. R. Gopalan, Additional Secretary, Ministry of Commerce, represented India. Also on the sidelines, a High Level Event of Minister of Finance on Climate Change was held in Bali on 10-11 December, 2007. Mr. Pradeep Kumar, Secretary (Disinvestment), Ministry of Finance represented India and presented a statement on "Economic Magnitude and Consequences of Climate Change". H.E. Shri Kamal Nath visited Indonesia on 4th May 2008 to attend the Retreat of India-ASEAN Economic Ministers Meet held in Bali from 02 – 04 May 2008. The Minister of Labour & Employment of India Shri Oscar Fernandes visited Indonesia to attend the 2nd ASEM Labour & Employment Minister's Conference. A 15 member delegation led by EEPIC visited Jakarta on 01st Dec 2008 to hold a Buyer – Seller Meet. Key businessmen in the engineering sector were invited during the event. The President of India Hon'ble Smt. Pratibha Devisingh Patil visited Indonesia from 28 Nov – 01st Dec 2008. During her visit, the Memorandum of Understanding for the Cooperation in the field of Agriculture and Allied Services and the MoU on the Cooperation in the field of Sports and Youth Affairs were signed. Hon'ble Minister for Commerce & Industry Shri Anand Sharma led a delegation to 33rd Cairns Group Ministerial Meeting in Bali on June 7-9, 2009. CIM addressed a Special Session of the Cairns Group Meeting at which he urged the resumption of the discussions on the stalled Doha Round. During the visit, he also had meetings with Trade Ministers of Indonesia, Australia, New Zealand, Malaysia, US Trade Representative (USTR) and DG, WTO. During these meetings CIM discussed the resumption of negotiations on the Doha Round and reviewed bilateral trade and investment relations. The Minister of State for Commerce and Industry of India, H.E. Mr Jyotiraditya Scindia

inaugurated the Made in India exhibition organized by Confederation of Indian Industry (CII) in Jakarta from August 7-10, 2009. Sixty Indian companies participated in the event covering sectors which included the automobile, two wheeler, auto component, electrical machinery, handicrafts etc.

B. Conferences & other delegations

38. A delegation from the Planning Commission of India visited Jakarta on 6th Feb 2009 and held talks with the National Planning Agency of Indonesia. The Indian delegation also visited Bali and held discussions with the Provincial Planning Agency of Bali. The 42nd annual meeting of ADB was held from 2nd – 5th May 2009 in Bali, Indonesia. A delegation headed by H.E. Mr Ashok Chawla, Secretary (EA) Finance, Govt of India, attended the meeting. A delegation headed by Shri T.Nanda Kumar, Secretary, Ministry of Agriculture visited Indonesia for participation in the High level Joint Working Group Meeting from 25 – 29 April 2009. During their stay, the delegation visited the livestock research centre in Bali and held bilateral meetings with their counterparts in Jakarta. The delegation also had the opportunity to visit the Center of Agriculture R& D in Bogor, West Java.

C. Buyer & Seller Meets

Chemexcil and Capexil Buyer Seller Meet – The Embassy of India in coordination with the CAPEXCIL (Chemicals & Allied Products Export Promotion Council), and CHEMEXCIL (Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council) organized a Buyer and Seller Meet on 11 February 2009 at the Gran Melia Hotel. The Buyer – Seller Meet was a success with attendance of over 100 businessmen from prominent Indonesian companies. Pharmexcil Buyer-Seller Meet. The Embassy of India in collaboration with Pharmexcil organized a Buyer and Seller Meet on 6th April 2009. A Delegation comprising of more than 13 businessmen from India attended the meet, showcasing pharmaceutical raw materials, pharmaceutical formulations, dermatological products, herbal medicines, healthcare products, formulations for animals etc. During their visit, the Embassy facilitated their meetings with the officials at the registration authorities for Food and Drug as well as the Ministry of Health. A 16 member delegation from “The Solvent Extractors Association of India (SEA)” held a buyer seller meet on 3rd June 2009 at Four seasons Hotel, Jakarta. The delegation comprised of exporters of oil meals such as soya meal, rape seed meal etc used as ingredient in animal feed. A number of Indonesian and multi national companies attended the Meet.

(P.T.O for Bilateral Trade Statistics –Annexure 1)

ANNEXURE - !

**Embassy of India,
Jakarta
Bilateral Trade with Indonesia**

Bilateral trade was down by 12% during Jan-Sept 2009 as compared to the same period in 2008. Trade statistics gathered from the Central Bureau of Statistics, Indonesia (BPS) are as under:

I. Bilateral Trade between India and Indonesia

Trade between India and Indonesia
(January – September, 2009)

(In US\$)

Period	India's Exports	India's Imports	Total Trade
During September 2009	179,516,735	691,938,503	871,455,238
During Jan – Sept 2008	2,348,940,089	5,414,538,568	7,763,478,657
During Jan – Sept 2009	1,550,172,768	5,272,488,931	6,822,661,699
Percentage Variation (+ or -)	(-) 34%	(-) 2.6%	(-) 12%

II. Overall balance of Trade India-Indonesia

Value: 000 US\$

Total trade	2006	2007	Change (%)	Jan-Sept 2008	Jan-Sept 2009	Change (%)
Total Trade	4,798,214	6,553,512	36.6	7,763,478	6,822,660	(-) 12
Oil & Gas	160,196	64,268	(-) 59.8	398,592	150,692	(-) 62.2
Non Oil & Gas	4,638,018	6,489,244	39.9	7,364,886	6,671,968	(-) 9.4
India's Export	1,407,423	1,609,606	14.3	2,348,940	1,550,172	(-) 34
Oil & Gas	95,856	5,324	(-) 94.4	300,036	89,677	(-) 70
Non Oil & Gas	1,311,567	1,604,282	22.31	2,048,904	1,460,495	(-) 28.7
India's Import	3,390,790	4,943,905	45.8	5,414,538	5,272,488	(-) 2.6
Oil & Gas	64,340	58,944	(-) 8.3	98,556	61,015	(-) 38.1
Non Oil & Gas	3,326,450	4,884,961	46.8	5,315,982	5,211,473	(-) 2
Balance of Trade (In favour of Indonesia)	1,983,367	3,334,299	70.9	3,065,598	3,722,316	21.4
Oil & Gas	31.516	53,620	70.1	201,480	28,662	(-) 86
Non Oil & Gas	2,014,883	3,280,679	62.8	3,267,078	3,750,978	15

Source: Central Bureau of Statistics, Jakarta (Indonesia) publication

III. Indian Exports

The following table gives the top fifteen items of Indian exports to Indonesia during, Jan-Sept 2009 and their percentage variation from the previous year.

Value: 000 US\$

SITC	Commodity	India's exports during 2006	India's exports during 2007	Change (%)	India's exports Jan-Sept, 2008	India's exports Jan- Sept, 2009	Change (%)
764	Telecommunication equipments & parts	5,077	57,144	1025	182,319	284,286	56
511	Hydrocarbons, n.e.s. and their alogen-nated, nitrated Derivatives	293,468	269,609	(-) 8.1	260,687	141,026	(-) 46
222	Oil seed used for extraction of soft fixed vegetable oils	48,972	49,242	0.5	61,357	109,842	79
081	Feeding Stuff for Animals	168,687	174,222	3.2	268,883	102,708	(-) 62
334	Petroleum products refined	91,646	4,649	(-) 95	287,472	75,530	(-) 74
782	Motor vehicle for the transportation of goods	19,947	34,554	73.2	55,065	69,568	26
675	Flat rolled product, alloy steel	79,749	117,701	47.5	60,960	40,712	(-) 33
672	Ingots & other iron/steel in primary forms	29,197	31,194	6.8	110,307	29,332	(-) 73
263	Cotton	52,138	69,801	33.8	151,340	26,152	(-) 83
531	Synthetic organic colouring matter	21,480	23,191	8	30,327	25,242	(-) 17
515	Organic-inorganic and heterocyclic compounds	18,957	28,504	50	27,815	23,979	(-) 14
522	Inorganic chemical elements, oxides and halogen salts	17,600	19,777	12	32,920	21,020	(-) 36
575	Other plastics in primary forms	22,269	17,119	(-) 23	17,418	20,016	15
671	Pig Iron, spiegeleisen, sponge iron and ferro alloys	6,983	20,479	193	31,661	19,300	(-) 39
591	Disinfectants, insectides & fungicides put in forms	5,484	5,711	4	7,108	19,033	167

IV. Indian Imports

The following table gives the top fifteen items of India's imports from Indonesia during Jan-Sept, 2009 and their percentage variation from the previous year.

Value: 000 US\$

SITC	Commodity	India's imports during 2006	India's imports during 2007	Change (%)	India's imports during Jan-Sept, 2008	India's imports during Jan-Sept, 2009	Change (%)
422	Fixed vegetable fats and oils, solid, crude, refined/fractionated	1,042,037	2,282,856	119	3,257,812	2,343,428	(-) 28
321	Coal, pulverized or not	615,194	803,669	30.6	845,366	1,473,621	74
283	Copper ores and concentrates	701,174	533,939	(-) 23.8	180,276	506,529	180
231	Natural rubber latex, natural rubber and similar natural gums	56,706	100,633	77.5	65,713	113,180	72
512	Alcohols, phenols, phenol alcohol sand and their halogenated	6,190	100,687	1526	136,594	64,041	(-) 53
335	Residual petroleum products and related materials	10,287	58,905	472	96,439	44,626	(-) 54
251	Pulp and waste paper	52,338	59,456	13.6	75,392	44,491	(-) 41
641	Paper and Paperboard	41,396	57,858	10.5	57,322	42,501	(-) 26
776	Thermionic, cold cathode and photo cathode valves/tubes	2456	7,366	200	39,114	39,007	(-) 0.3
057	Fruit and nut, fresh or dried	66,822	67,327	0.75	53,675	36,392	(-) 32.2
562	Fertilizers manufactured	0	55,709	-	60,311	31,782	(-) 47
532	Dyeing/tanning extracts and synthetic tanning materials	14,954	20,888	39.7	24,742	25,349	2.4
513	Carboxylic acids and their anhydrides, halides peroxides	42,056	17,094	-59	23,530	23,428	(-) 0.4
763	Sound Recorders or Reproducers	13,516	9,077	(-) 32	4,957	21,315	330
651	Textile yarns	8,037	8,767		19,502	20,111	3.1

3. INVESTING IN INDONESIA – AN OUTLINE

To invest in Indonesia, an investor should first look at a so-called “Negative List of Investment” (Daftar Negative Investasi/DNI). The list (see chapter 6) contains those business sectors that are absolutely closed to all domestic as well as foreign investments, those closed to only foreign investments, those that are open to investment under condition of a joint venture between foreign and domestic capital and those that are open to investment under certain conditions. Foreign direct investment (Penanaman Modal Asing/PMA) companies in Indonesia can be established in the form of 100% foreign ownership or a joint venture between foreign and Indonesian parties and should be incorporated as an Indonesian limited liability company (Perseroan Terbatas / PT) and domiciled in Indonesia. Applications for investment under the Foreign Investment Law can be submitted to the Government of the Republic of Indonesia through one of the following offices:

1. The Investment Coordinating Board (BKPM). For foreign investment projects located in Bonded Zones, investors should submit the application to BKPM through the respective Bonded Zone Authority
2. The Regional Investment Coordinating Board (BKPMMD) or
3. Indonesian missions and posts in various countries

The applications are then evaluated by these offices for their compliance with sectoral policies, finance etc. Clarifications, if any, would be sought from the investors.

Following the evaluation process, the Chairman of BKPM or Head of Corresponding Representative of the Government of the Republic of Indonesia or the Chairman of BKPMMD concerned will issue the investment approval.

Upon the issuance of the investment approval, a foreign investment company can be legally established through the execution of the articles of incorporation in notary deed form.

An Investment Policy Package released by Indonesia in February 2006 indicates the resolve of the Government to reduce the processing time taken by authorities while processing business licenses for new Investment proposals.

4. NEGATIVE LIST OF INVESTMENTS*

*Source: www.bkpm.go.id

Attachment I

LIST OF BUSINESS FIELDS CLOSED FOR INVESTMENT

A. Agricultural Sector

- Cultivation and processing of marijuana and the like.

B. Marine and Fishery Sector

- Fishing Species mention in the Appendix 1 of Presidential Regulation NO.111 of 2007.

C. Industrial and Trading Sector

- Industries producing chemicals harmful to the environment, such as penta chlorophenol, Dichloro Diphenyl Trichloro Ethane (DDT), dieldrin, chlordane, carbon tetra chloride, Chloro Flouro Carbon (CFC), methyl bromide, methyl chloroform, halon etc.;
- Industries producing chemicals stipulated in Schedule - 1 of the Chemical Wea-on Convention (sarin, soman, tabun, mustard, levisite, ricine and saxitoxin);
- Industries producing weapons and related components;
- Industries producing cyclamate and saccharine;
- Industries producing alcoholic drinks (liquor, wine and drinks containing malt).

D. Culture and Tourism

- Casino and gambling facilities;
- Monument;
- Historical and Archeological Relics;
- Governmental Museum.

E. Transportation

- Provider and Operator of Inland Terminal; Management and Operation of Weighing Bridge;
- Air traffic system providers (ATS providers), ship certification and classification inspections;
- Management and operation of Radio Frequency Spectrum and Satellite Orbit Monitoring Stations.

F. Forestry

- Utilization of Natural Coral

LIST OF BUSINESS FIELDS OPEN TO INVESTMENT UNDER CERTAIN CONDITIONS

A. Reserved for Micro, Small and Medium Size Enterprises and Cooperatives (UMKMK)

Small Scale Electric Power Plant; Travel Agent; tourism Service; Fishing in Public Water and Fishery; Courier Services; Public Transport; Public Shipping; Tobacco drying and processing industry; Plantation Business less than 25Ha; Smoking Rubber Industry

B. Partnership

Essential Oil Business; Seawater and Freshwater Sea breeding; cigarette industries; Food processing from grain; Resin business; Silver jewellery industry; Milk Powder and sweetened condensed milk procession industry

C. Capital Ownership

(i) Maximum 95 % Foreign Capital Ownership is allowed

Onshore and Offshore Oil and Gas drilling; Nuclear Power Plant; Engineering Procurement Construction Services; Power Plant Transmissions; Data Communication System, Toll Road Operator; Drinking Water Operator; Plantation business for 25 Ha or more, Power Plants;

(ii) Maximum 80%

General Insurance Company.

(iii) Maximum 75%

Pharmaceutical Industry.

(iv) Maximum 65%

- Health Care Support Services; Mobile Network Operator
- Public Works; Construction Services

(v) Maximum 49%

Higher Education

D. Certain Location (No conflict with Regional Regulation)

Hotel; Catering; Restaurant; Bar/Café; Professional Convention Organizer; Breeding and Cultivation of Pigs; Recreation and Entertainment Operation.

E. Special Permit

Plywood Industry; Sawn Timber Industry; Woodchip Industry; Marine Capture Fisheries; Narcotic Production (Pharmaceutical Industry); Operation of connecting ports; Securities paper printing industry; pulp industry.

F. 100% Domestic Capital

Film Production; Recording Studio; utilization of Wood forest products at natural forests; pharmaceutical wholesale; Traditional Medicine Industry; Basic Health Service; Private Maternity House; Pharmacy (pharmacist profession practice); press

G. Capital Ownership and Location

Hotels; catering; karaoke and bars; restaurants; travel bureau; and professional convention organizer Only for Medan and Surabaya- private hospital services; Nursing Services.

H. Special Permit and Capital Ownership

Raw material for explosives; Plantation of Palm Products about 25 Ha.

I. 100% Domestic Capital and Special Permits

Weapon; Ammunition; Detonator and War Equipment Production

For more Information check Presidential Regulation No.111 of 2007 available on:

<http://www.bkpm.go.id/index.php/main/lawregdetail/15>

http://www.bkpm.go.id/file_uploaded/PP_77_2007.pdf

For information on the Income Tax Facility for Investment you can log on

http://www.bkpm.go.id/file_uploaded/PP_RI_No_1_2007_English.pdf

5. ROLE OF THE INVESTMENT COORDINATING BOARD (BKPM)

The Investment Coordinating Board (Badan Koordinasi Penanaman Modal, BKPM) is an investment service agency of the Indonesian Government set up with the purpose of effectively implementing the enactment of law on foreign and domestic investment.

The BKPM is serving under and directly responsible to the President of the Republic of Indonesia. It is chaired by the Chairman of the Investment Coordinating Board.

The services provided by BKPM are:

1. Investment Licencing and Approval

BKPM provides guidance to investors in applying for new investment, expansion of investment and change of investment projects.

2. Investment Monitoring Representative

BKPM undertakes the monitoring and evaluation of progress of investment projects. In addition, BKPM also provides guidance to investors in overcoming problems and constraints encountered during implementation of projects.

3. Investment Information Services

- a) BKPM provides information on government policies, laws, regulations and other related information with respect to investment.
- b) BKPM periodically publishes Investment Statistics and other publications such as A Brief Guide for Investment and Investment Procedures in Indonesia.
- c) BKPM maintains a website giving current information on investment in Indonesia.

The contact address of BKPM is as follows:-

The Investment Coordinating Board (Badan Koordinasi Penanaman Modal – BKPM)
 Jalan Jenderal Gatot Subroto No. 44
 Jakarta 12190
 Indonesia
 Phone: 62-21-5250023, 5255041
 Fax: 62-21-5254945
 E-mail: sysadm@bkpm.go.id
 Websites: www.bkpm.go.id , www.investindonesia.go.id

6. OPENING A REPRESENTATIVE OFFICE IN INDONESIA

MoT Regulation No. 10/M-DAG/PER/3/2006 on the Provisions and Procedures for Issuing Trade Business License of Representatives of Foreign Trade Companies dated March 26, 2006 (“Decree 10”) revokes and replaces the prior MoT Decree No. 402 of 1997.

Both Indonesian and foreign citizens can be appointed by foreign trade companies as their representative in Indonesia, to undertake promotional activities, market research, and sales supervision. Representatives of foreign trade companies are prohibited from carrying trading activities and selling transactions, including submitting tenders, signing contracts or settling claims. However, they are explicitly allowed to close contracts for and on behalf of the appointing companies with companies in the country in the framework of export.

A Foreign Company that wishes to assess the potential market in Indonesia may establish a Representative Office and not a branch office.

Indonesian laws and regulations classify representative offices into three types:

1. Foreign Representative Office
2. Foreign Trading Representative Office
3. Foreign Construction Service Representative Office

I. FOREIGN REPRESENTATIVE OFFICE

(Source: Simbolon & Law Firms)

Scope of activities

The Presidential Decree No. 90/2000 allows an overseas company (principal company) to establish a Representative Offices in Indonesia. According to this Decree, representative office is an office led by one or more Indonesian or foreign citizen appointed by a foreign company or a group of foreign companies abroad.

Activities of Foreign Representative Offices are limited to:

1. Its role as supervisor, connector, coordinator, and to manage the interest of the company or affiliated companies in Indonesia an/or overseas;
2. Will not look for earnings from Indonesian resources, that includes not conducting activity or made a contract/sale and purchase of goods or services with domestic companies or personal;
3. Will not participate in any other forms of the management of a company, subsidiary company or branch company that located in Indonesia.

Advantages of establishing a foreign representative office in Indonesia:

1. Foreign Representative Office is an ideal way for a foreign company to gain a market presence in Indonesia.
2. Foreign Representative Office can be 100% foreign-owned and controlled, and has no director or shareholder requirements.
3. Foreign Representative Office has no minimum share capital requirements.

Obtainment of License

Referring to the rules and regulations with respect to the operations of a Representative Office in Indonesia as stipulated in the frame work of the Decree of the Head of BKPM No. 1/SK/2008, to establish a Foreign Representative Office, the followings are the permits/licenses shall be obtained:

1. A Letter of Approval issued by the Investment Coordinating Board (BKPM) as main license;
2. A Domicile Letter from by the local government;
3. A Tax Payer Registration Number (NPWP) from the Tax Office; and
4. A Company Registration Certificate from the Company Registration Office.

Subsequently, the initial requirements to obtain the above permits/license:

1. Letter of appointment from the parent company.
2. Power of Attorney to sign the application if the participant is represented by another party.
3. Articles of Association of the parent company and any amendment(s).
4. Copy of valid passport (for foreigner) or copy of identification card number (for Indonesia) who will be proposed as a Representative Office Executive.
5. Letter of statement concerning the willingness to stay, and only work in the position as a Representative Office Executive without doing other business in Indonesia.

The obtaining Letter of Approval issued by BKPM normally takes a time frame of 10 (ten) working days.

II. FOREIGN TRADING REPRESENTATIVE OFFICE

Scope of activities

The Regulation of Minister of Trade no. 10/M-DAG/PER/3/2006 concerning Terms and Procedures of Issuance of Trade Representative Business License, specifies that the opening of Trade Representative Office should be in the form of Selling Agent and/or Manufactures Agent and/or Buying Agent.

The Trade Representative Office is permitted to:

1. Introduce, promote and improve the marketing of products that manufactured overseas by Foreign Company or Groups of Foreign Companies;
2. Provide information or instruction regarding the usage and import of such products to the company or user; (in this regards, the Trade Representative Office shall appoint national company as an agent for the products that promoted, and the appointment shall be based on the approval from the Foreign Company or Groups of Companies);
3. Conduct market research and supervise the sales of product in relation to the promotion of the products in Indonesia;
4. Conduct market research in relation to supplying of products from Indonesia as required by the principal company;
5. liaise and provide information and guidelines to any prospective Indonesian counterpart on the requirements for the exportation of products;
6. Conclude contracts with an Indonesian entity or business counterparts on behalf of the principal company in relations to exportation.

Trade Representative Office is prohibited to conduct trade and sales transactions such as conducting tender application, signing contact, conducting claims and others.

Obtainment of License

Trade Representative Office is required to have a Foreign Representative Office Trade Business License (*Surat Izin Perwakilan Perdagangan Asing/ SIUP3A* to conduct its activities). The license is valid for the maximum period of 3 (three) years unless regulated differently in the appointment letter, and can be renewed in conformity with the appointment letter.

There are 5 (five) types of SIUP3A, i.e.:

1. New SIUP3A for Principal Office;
2. New SIUP3A for Branch Office;
3. Amendment SIUP3A
4. Renewal SIUP3A;
5. Replacement of SIUP3A that damage or lost.

Application procedures

- (i) A letter of intent, a letter of appointment (indicating the appointed representative), and a letter of statement from company headquarters, must be sent to the Indonesian Embassy or an Indonesian Consulate for notarization.
- (ii) A letter of reference from the Indonesian embassy or consulate is also required.
- (iii) The notarized letter of intent, the notarized letter of appointment, and the notarized letter of statement, copy of guarantee fee payment, along with the curriculum vitae of the appointed company representative and his or her copy of latest diploma, passport size photos, and Indonesian work permit needs to be submitted.
- (iv) If the appointed company representative is an Indonesian citizen, a copy of the Personal Identity Card (KTP) needs to be submitted instead.
- (v) All the material need to be submitted to:

Director for Domestic Business Development and Enterprise Registration
 Director General of Domestic Trade
 Ministry of Trade
 Jl. M.I. Ridwan Rais 5
 Jakarta 10110
 Tel: (62-21) 3858188
 Fax: (62-21) 3858188
- (vi) The Director of Domestic Business Development and Enterprise Registration will then issue a temporary Foreign Trading Representative Office License (SIUP3A), which is valid for 2 (two) months after the issuance date. A representative has to fulfil all the requirements within 2 months since the temporary license is issued.
- (vii) Once all the requirements are fulfilled, SIUP3A will be issued within 5 days.
- (viii) A refundable guarantee fee must be transferred to the account of Trade Distribution Institution (LPP) of Ministry of Trade through PT. Bank Negara Indonesia (BNI) as a requirement to obtain SIUP3A. The amount of guarantee fee is as follows:
 - Expatriate Representative : Rp. 5,000,000/-
 - Indonesian Representative : Rp. 1,000,000/-

SIUP3A is valid for maximum 3 (three) years, unless stated less than that and is extendable.

Obligations

Foreign Trade Representative Office is obliged to:

1. Pay for guarantee fee
2. Conduct company registration at the very least 3 (three) months from the issuance date of SIUP3A;
3. Provide realization activity report to the SIUP3A Issuer Official, with the following schedule:
 - First report, for the period of January – June continuing years, submitted at the latest of July 31st of the continuing year;
 - Second report, for the period of July – December continuing year, submitted at the latest of January 31st of the following year;
4. Provide report and data/information concerning the realization of activities if at any time required by Minister or SIUP3A Issuer Official;
5. Provide written report to the SIUP3A Issuer Official, with the reasons of closing and return the original SIUP3A, if the Foreign Trade Representative Office did not conduct it's activities for 6 (six) months in succession or closed the office.

III. FOREIGN CONSTRUCTION SERVICE REPRESENTATIVE OFFICE

Scope of activities

The Minister of Public Works Regulation No. 28/PRT/M/2006 concerning license of Foreign Construction Service Representative Office (FCSRO), construction service defines FCSRO as consultation service in the construction working plan. It provides consultation service for the implementation of construction work and for supervising the construction work.

Application procedures

- (i) Foreign Construction Company shall obtain the License of Foreign Construction Representative Office (hereinafter referred as 'License'), in order to implement its activities in Indonesia.
- (ii) The License considered to be has the same status as business license of the National Construction Service Company, and considered to be valid for 3 (three) years and can be renewed.
- (iii) Furthermore, the license may be obtained after the Foreign Construction Representative Office had obtained participation (*penyertaan*), competence, classification, qualification that stated in the form of certificate from the Institution of Construction Service Development (*Lembaga Pengembangan Jasa Konstruksi/ LPJK*).

(iv) The application for obtaining the license shall be obtained by filling the form that provided (2 copies), and must be completed with the following company data:

1. Company Profile;
2. Personnel data;
3. Explanation of business activities, and competence (classification and qualification) that given by its State;
4. Competency records of the foreign company in its State issued by the authorized institution in its state, and legalized by Indonesian Embassy in it's State, and participation evidence (*bukti penyertaan*) form the institution;
5. Statement Letter form the Representative of Indonesia in the State where the principal office located, which states verification of the company existence;
6. Appointment letter form the mother company to the head of Foreign Construction Representative Office;
7. Taxpayer Registration Number of the company (NPWP);
8. Receipt of administrative fee payment;
9. Curriculum Vitae of the candidate of Head Construction Representative Office.
10. All the above materials should be submitted to the Head of Construction Development Board and Human Resources of the Public Works Department, Ministry of Public Works and copy marked to the National Institution of Construction Service Development (LPJK).
11. An administrative fee must be transferred to the State through the appointed banks. The amount of the fee is as follows:
 - Construction Consultancy/Supervising Service: US\$ 5,000/-
 - Construction Service : US\$ 10,000/-
12. Foreign representative offices in these fields, in conjunction with Indonesian companies, are allowed to seek project opportunities, submit proposals, participate in tenders, and oversee projects at all levels. Foreign engineering firms with representative offices can participate in government projects.
13. For procedure information, interested firms may contact the Ministry of Public Works.

Head of Construction Development Board
 Ministry of Public Works
 Jl. Pattimura 20
 Jakarta Selatan 12110
 Tel: (62-21) 72791682, 7395063

The license is valid for 3 (three) year and is extendable.

Rights and obligations

A) Rights of Foreign Construction Representative Office:

1. Make contact with personal/business entity/government institutions or private national institution for the purpose of looking for the market of construction service;
2. Compose a joint cooperation and permitted to participate in the prequalification/ tender in accordance with article 3 (2) of the Minister of Public Works Regulation No. 28/PRT/M/2006;
3. Designate and determine the local or foreign manpower as the head of representative, and re-designate and re-determine the concerned manpower.

B) Obligations of Foreign Construction Representative Office:

1. Obey the Indonesian Laws and Regulations;
2. Provide annual business activity report to the minister or other appointed officials and send the copy to the Institution, which contains:
 - Activity report; and
 - The implementation of activity is in completion with it's obligations under Indonesian laws and regulation, among others concerning tax.
3. Guarantee the implementation of transfer of knowledge to it's business partner (national business entity);
4. Convey the name of National Construction Service Business Entity, register number and Construction Service license, that considered to be it's business partner and/or its sub contract;
5. Convey names of expert and skillful manpower both national and expatriate that works at its office, and completed with the registration evidence from the institution.
6. If a Foreign Construction Representative Office would like to participate in the prequalification or tender the concerned Representative Office is obliged to have standard capacity for the works or activities that will be conducted in Indonesia and the concerned standard capacity for the works that made overseas must be legalized by the institution.

7. INDIAN INVESTMENTS AND JOINT VENTURES IN INDONESIA

No.	Name of Company & the Chief Executive (Year of incorporation)	Office Address	Indian Partner	Line of Business	No. of Employees / Indian Nationals (Approx.)
1	PT. Bajaj Auto Indonesia (Established in 2006) Mr. Grihapathy President Director	Menara Imperium, 29 th Floor, Jl. H.R.Rasuna Said Kav 1, Kuningan, Jakarta Selatan Phone: (62-21) 8281787, 8310138 Fax: (62-21) 8307615 Website: www.bajajauto.com	Bajaj Auto	Production of two and three wheelers	44/6
2	Bharat Heavy Electricals Ltd. (BHEL) (Established in 2006) Mr. U.N.Khanna Country Representative	Jl. Wijaya Dua, 77 Kebayoran Baru, Jakarta Selatan Phone: (62-21) 77222617, 72054426 Email: unk1957@gmail.com Website: www.bhel.com	BHEL	Heavy Electrical machinery	
3	PT Bhatia International (Established in 2005) Mr. Vikas Vijayavargia Resident Director	27B, Wisma Nusantara 59, Jl. MH Thamrin, Jakarta Phone: (62-21) 39838404 Fax: (62-21) 39838405	Bhatia International	Coal production	7
4	PT. Elegant Textile Industry (Established in 1973) Mr. C.R. Dugar President Director	Menara Batavia Level 16, Jl. K.H. Mas Mansyur Kav 126, Jakarta Phone: (62-21) 572 2442 Fax: (62-21) 572 0775 E-mail: ptejkt@indosat.net.id Website: www.eleganttextile.com	Birla	Viscose yarn, polyester / viscose blended yarn	2,000/35
5	PT. Essar Indonesia Mr. K.B. Trivedi President Director	Bekasi Fajar Industrial Estate Industries III Area Kav B-1, Cibitung Phone: 8980152 Fax: 8980150-51 E-mail: marketing@essar.co.id Web: www.essar.co.id	Essar Gujarat	Cold Rolling Mill Capacity 200.000 tons	425/26
6	PT. Five Star Textile Indonesia (Established in 1981) Mr. Paul Cauduri President Director	Jl. Raya Rancaekek KM 2.3, Kab. Sumedang Bandung 40394 Phone: (62-22) 7798040 Fax: (62-22) 7798414 Email: ssibdg@indosat.net.id	Bombay Dyeing	Textile	1,112/9
7	Gokak Indonesia (Established in 1981) Mr. B.G. Jain President Director	Kodel House, 8th Floor Jl. H.R. Rasuna Said Kav.B4, Jakarta Selatan Phone: (62-21) 522 1458-59 Fax: (62-21) 522 1515 E-mail: gokindo@indo.net.id Web: www.gokakin.com	Gokak Industry Gujarat	Spinning Mill, cotton yarn, polyester, viscose yarn, polyester cotton yarn	650/6
8	PT. Indo-Bharat Rayon (Established in 1980) Dr. Prakash Maheshwari President Director	Menara Batavia, 16th Floor, Jl. K.H. Mas Mansyur Kav. 126, Jakarta Phone: (62-21) 572 2452 Fax: (62-21) 572 2417 Email : ibrho@indobharatrayon.com	Birla	Producers of Viscose, rayon, staple fibre, anhydrous sodium sulphat, sulphuric acid and carbon disuphide	2,021/44
9	PT. Indo Liberty Textiles (Established in 1980) Mr. C.R. Dugar President Director	Menara Batavia Level 16 Jl. K.H. Mas Mansyur Kav. 126, Jakarta Phone: 5722442 Fax: 572 2442 E-mail: ilt@indoliberty.com Web: www.indoliberty.com	Birla	100% viscose spun yarn polyester/viscose spun yarn	531/18

No.	Name of Company & the Chief Executive (Year of incorporation)	Office Address	Indian Partner	Line of Business	No. of Employees / Indian Nationals (Approx.)
10	PT. Indo Raya Kimia (Established in 2002) Dr. Prakash Maheshwari President Director	Kawasan Industri Kujang Cikampek Jl. Jend. A. Yani no. 39 Cikampek 41373 Tel: (62-264) 317901 Fax: (62-264) 317916/ 16 Email: sks@indorayakimia.com	Birla	Carbon Disulfide	72/0
11	Indo-Rama Synthetics (Established in 1976) S.P. Lohia Chairman	Graha Irama, 17th Floor Jl. H.R. Rasuna Said Blok X-1, Kav.1&2, Post Box 3375 Jakarta 12950 Phone: (62-21) 5261555 Fax: (62-21) 5261501-04 Email: corporate@indorama.com Website: www.indorama.com	Lohia Group (based in London)	Polyester combed, cotton, rayon, polyester yarns, dyed-yarns polyester chips/staple fibre/filament yarns	7,260/132
12	Ispat Indo (Established in 1976) Mr. B.P. Banka Managing Director	Permata Hijau Blok C No.25 Jakarta Selatan Phone: (62-21) 549-4731 / 3543 Fax: (62-21) 532 5176 Website: www.ispatindo.com	The LNM Group	Steel Billet, Steel Wire Rod, plain bar, deformed bar, wire, nails, etc Capacity: 600,000 tonnes	800/48
13	GTL Limited (Established in 2006) Mr R.B Singh Representative-Indonesia	Sona Topas Tower 15th Fl Jl. Jend Sudirman Kav 26 Jakarta 12920 Phone: (62-21) 5213567 Fax: (62-21) 250 6667 Email: rsingh@gtlimited.com Website: www.gtlimited.com	GTL Limited	Cellular services	
14	Jaykay Files Indonesia (Established in 1976) Mr. K.R. Jiwarska President Director	Hotel Sari Pacific, Room 403 Jl. M.H. Thamrin 6 Jakarta Phone: (62-21) 319 22503 Fax: (62-21) 319 22503	J.K. Industries Bombay	Steel Files, High speed steel twist drills, spanner & wrenches	500/7
15	PT. Jindal Stainless Indonesia (Established in 2004) Mr. Ashok Kumar Tyagi President Director	Kawasan Industri Maspion V, Desa Sukomulyo - Manyar Gresik 61511, Jawa Timur Tel: (62-31) 3959565 Fax: (62-31) 3959566 Email: info@jindalstainless.com Website: www.jindalstainless.com	Jindal Group	Cold rolling operations for stainless steel in various grades, thicknesses and finishes	400/1
16	PT. Kewalram Indonesia (Established in 1975) Mr. P.G. Chanrai President Director	Jl. Cikini II No.8 Jakarta Pusat Phone: (62-21) 31925581 Fax: (62-21) 31923683 Email: ptkikt@attglobal.net	Kewalram Groups	Spinning, embroidery, dye house	3,000/18
17	PT. Minda Asean Automotive (Established in 2004) Mr. Sudhir Kashyap President Director	Jl. Permata Raya Lot CA/7, Kawasan Industri KIIC, Karawang Barat 41361, West Java Phone: (62-267) 419701 /2 Fax: (62-267) 419703 Website: www.minda.co.in	Minda	Automotive and engineering component manufacturing company	276/10

No.	Name of Company & the Chief Executive (Year of incorporation)	Office Address	Indian Partner	Line of Business	No. of Employees / Indian Nationals (Approx.)
18	PT. Punj Lloyd Indonesia (Established in 1993) Mr. P.K.Gupta President Director Mr. V.P.Sharma- Director (Operations) (Operations-1993)	Ventura Building, Suite 401B, 4 th Floor, Jl. R.A.Kartini # 26 (Simatupang), Cilandak, Jakarta-12430 Phone: (62-21) 75914766 Fax: (62-21) 75914241 Email: vpsharma@ptpli.com Website: www.ptpli.com	Punj Lloyd Limited Group (PLL)	1.Oil & Gas Infrastructure 2.Petrochemicals & Refineries 3. Power Plants 4. Industrial Civil 5.Transportation- Roads& Expressways MRT / LRT 6. Telecom	2,100/125
19	Sunrise Bumi Textile Industries (Established in 1979) Mr. V.G.Somani President Director	Menara Batavia Level 16 Jl. K.H. Mas Mansyur Kav.126, Jakarta Phone: (62-21) 572 2442 Fax: (62-21) 5722441 Email: pts@sunrise-textiles.com Website: www.sunrise-textiles.com	Birla	Spun Yarn 100% Rayon Yarn TR yarn, TC yarn 100% polyester yarn	1,443/21
20	PT. Techmahindra Representative Office (Established in 2006) Mr. Andrew Tan, Country Director	Ariobimo Sentral 4th Fl Suite #403 Jl. HR. Rasuna Said Kav X2 No 5, Jakarta 12950 Phone: (62-21) 5270718 Fax: (62-21) 252 5760 Email: andrew.tan@techmahindra.com Website: www.techmahindra.com	Tech Mahindra	IT Sevices and Solutions to Telecom Industry	40/52
21	PT. TCS Indonesia Representative Office (Established in 2006) Mr. Parag Wagle Country Manager	Wisma BNI 46, Level 43 Jl. Jend. Sudirman Kav 1 Jakarta 10220 Tel: (62-21) 5748817 Fax: (62-21) 5748888 Email: suranjan.b@tcs.com Mobile: 081546162945 Website: www.tcs.com	Tata Consultancy Services	IT, Software	10/1
22	BankSBI Indonesia (Established in 2007) Mr. Rajiv Saran President Director	Jl. Pasar Baru Selatan no. 19 Jakarta Pusat 10710 Tel: (62-21) 3805080 Fax: (62-21) 3854491	State Bank of India	Banking services	
23	Bank Swadesi (Established in 2007) Mr. P.K. Biswas Vice President Director	Jl. H. Samanhudi no. 37 Jakarta Pusat Tel: (62-21) 350 0007 Fax: (62-21) 380 8178	Bank of India	Banking services	
24	Tata Power Company Ltd Representative Office Mr Manish Dave Chief Representative	Wisma Bakrie 2, 9th Fl. Jl. HR. Rasuna Said Kav B-2, Jakarta 12920 Tel : (62-21) 5794 5678 ext 7806	Tata	Power generation	
25	Reliance Industries Ltd (Representative Office) Mr Amal Khaneja Chief Representative	Jakarta Stock Exchange Tower II, 17th Fl Jl. Jend Sudirman Kav 52-53, Jakarta Tel : (62-21) 5157651 Fax : (62-21) 5157799	Reliance	Mining	

No.	Name of Company & the Chief Executive (Year of incorporation)	Office Address	Indian Partner	Line of Business	No. of Employees / Indian Nationals (Approx.)
26	PT. Adani Global Services Mr. Ganeshan Country Manager	Graha Mustika Ratu Lt. 5 Jl. Gatot Subroto Kav. 74 Pancoran, Jakarta Selatan 1287	Adani		
27	TVS Motor Co. Indonesia (Established in 2005) Mr. B.L.P Simha President Director	Gedung Wirausaha Lt 3 Jl. HR. Rasuna Said Kav C5, Jakarta 12920 Phone: (62-21) 30020570 Fax: (62-21) 30020576 Website: www.tvsmotor.in	TVS Motors	Motor Cycles	23/10
28	PT. BEML Indonesia	Jl. Jend. Sudirman Balikpapan Superblock, Block A no. 01 Balikpapan 76114, Kalimantan Timur Tel: 081350342347 Email: bemlindonesia@gmail.com Web: www.bemlindia.com			
29	ICICI Bank Representative Office Mr. K. Sankar Chief Representative	Menara Standard Chartered Bank 30th Fl. Jl. Prof. Dr. Satrio Kav. 146 Jakarta 12950 Tel: 62-21-2555 5699 Fax: 62-21- 2555 5698			

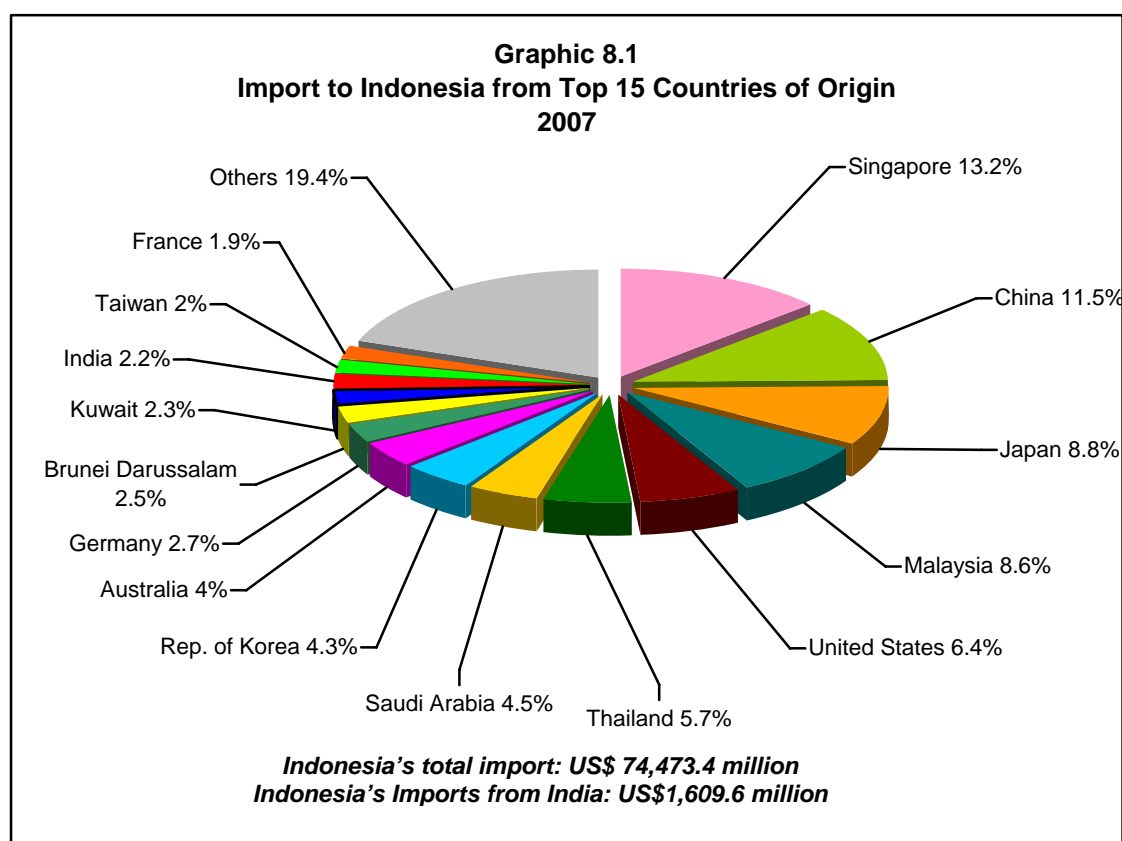
8. INDONESIAN IMPORT DURING 2007

In 2007 import growth was high along with the growth of domestic economy. Indonesia's import increased by 21.96% to US\$ 74,473.4 million compared with the previous year. It was mainly due to the increasing in oil and gas import around 15.66% to USD\$ 21,932.8 million and to the decreasing of domestic oil production, and the increasing fuel domestic consumption. Non-oil and gas import increased as much as 24.79% to US\$ 52,540.6 million.

In 2007, the major trading partner countries of Indonesia which have trading value more than US\$ 5 billion were Japan, Singapore, China, United States, Malaysia, Republic of Korea, Thailand, and Australia. The trade among Indonesia and those eight countries reached to US\$ 121,163.1 million or 64.25% of Indonesia's total external trade.

Singapore was the biggest exporting country to Indonesia during 2007 with a share of 13.21% of Indonesia's total import (Graphic 10.1), followed by China (11.49%), Japan (8.76%), Malaysia (8.61%), United States (6.43%), Thailand (5.76%), Saudi Arabia (4.53%) and Republic of Korea (4.29%).

In 2007, India is in the 13th position with a share of 2.16% of Indonesia's total import.



Mineral fuels, lubricants, etc. was the biggest commodity group being imported into Indonesia. The second biggest commodity group was machinery and transport equipment (Table 8.1).

Table 8.1. Import of Commodity by 1 Digit SITC in 2007
(In USD\$)

SITC	Rank	Commodity Group	CIF Value (million)
0	5	Food and live animals	6,883.7
1	8	Beverages and tobacco	330.5
2	6	Crude materials, inedible	4,468.5
3	1	Mineral fuels, lubricants, etc.	21,994.3
4	9	Animal and vegetable oils and fats	83.4
5	3	Chemicals	10,064.5
6	4	Manufactured goods	9,611.3
7	2	Machinery and transportation equipments	19,038.3
8	7	Miscellaneous manufactured articles	1,990.3
9	10	Special commodities and transaction	8.6
Total			157,781.1

Source: Foreign Trade Statistics: Imports 2007, Central Bureau of Statistics, Jakarta.

Mineral fuels/oils, products of their distillation were mostly imported from Singapore, Malaysia, and Saudi Arabia. Machinery and transportation equipments were mainly imported from Japan, USA, and Singapore. Chemicals were mainly imported from Singapore, China, and Japan.

Import from India was increasing as much as 60.4% from US\$ 637.8 million in 2002 to US\$ 1,609.6 million in 2007 (Table 8.3).

Table 8.3. Import of Indonesia from India in 2002 – 2007

Year	Import
2002	637.8
2003	665.6
2004	1,102.4
2005	899.3
2006	1,407.4
2007	1,609.6

Source: Foreign Trade Statistics: Imports 2007, Central Bureau of Statistics, Jakarta.

Table 8.2. Top 10 Commodities Imported into Indonesia in 2007**(In US\$)**

No.	SIT C	Commodity Description	CIF Value (million)	India's Share	
				CIF Value (million)	Percentage (%)
1.	33	Petroleum and petroleum products	21,884.9	5.3	0.02
2.	67	Iron and steel	4,388.2	216.7	4.94
3.	51	Organic chemical	3,731.3	352	9.43
4.	74	General industrial machinery and equipments	3,402.2	33.7	0.99
5.	72	Machinery specialised for particular industry	3,163.8	24.7	0.78
6.	78	Road vehicle	2,768.5	78.7	2.84
7.	76	Telecommunication and automatic data proc.	2,477.7	57.1	2.30
8.	79	Other transportation equipments	2,177.7	0.5	0.02
9.	04	Cereals and cereal preparation	2,045.6	14.7	0.72
10.	77	Electrical machinery and apparatus	1,899	28	1.47
			47,938.9	811.4	23.51

Source: Foreign Trade Statistics: Imports 2007, Central Bureau of Statistics, Jakarta.

**Table 8.4 Indonesian Imports in 2007 from 15 Major Countries of Origin
Confined to 10 Prominent Commodities**

					(in US\$ million)
	Country of Origin	Rank	SITC	Commodity Description	CIF Value
1.	Singapore	1	334	Petroleum products, refined	5,820.9
		2	511	Hydrocarbon and their halogenated, nitrated derivatives	724.7
		3	793	Ships, boats, and floating structures	354.0
		4	575	Other plastics in primary forms	201.9
		5	723	Civil engineering and contractor plants and equipments/parts	150.0
		6	571	Polymers of ethylene in primary forms	111.8
		7	512	Alcohols, phenols, phenol-alcohols and their halogenated	101.9
		8	335	Residual petroleum products, and related materials	101.8
		9	752	Automatic data processing machines and their units	90.1
		10	551	Essential oils, perfumes, and flavour materials	80.4
2.	China	1	764	Telecommunication equipments and parts	695.7
		2	334	Petroleum products, refined	374.2
		3	673	Flat rolled products, not clad	272.9
		4	672	Ingots and other iron/steel in primary forms	265.5
		5	752	Automatic data processing machines and their units	229.1
		6	057	Fruit and nut, fresh or dried	225.0
		7	333	Petroleum oil, crude	196.4
		8	679	Tubes, pipes, hollow profile, pipe fitting of iron/steel	194.4
		9	523	Metallic salts and peroxy salts	187.7
		10	684	Aluminium	178.1
3.	Japan	1	723	Civil engineering and contractor plants and equipments/parts	427.9
		2	713	Internal Combustion Piston Engines and Parts	425.9
		3	673	Flat rolled products, not clad	357.2
		4	782	Motor vehicle for the transportation of goods	350.2
		5	784	Parts and accessories of the motor vehicles	290.8
		6	748	Transmission shafts and cranks	237.1
		7	781	Passenger motor cars	228.7
		8	778	Electrical machinery and apparatus	155.8
		9	676	Iron/steel bars, rods, angels, shaped and sections	139.0
		10	575	Other plastics in primary forms	124.7

	Country of Origin	Rank	SITC	Commodity Description	CIF Value
4.	Malaysia	1	334	Petroleum products, refined	3,036.4
		2	333	Petroleum oil, crude	1,215.8
		3	511	Hydrocarbon and their halogenated, nitrated derivatives	132.0
		4	512	Alcohols, phenols, phenol-alcohols and their halogenated	90.9
		5	672	Ingots and other iron/steel in primary forms	79.9
		6	562	Fertilisers, manufactured	65.9
		7	513	Carboxyl acids and their anhydrides, halides, peroxides	62.3
		8	061	Sugar, molasses and honey	62.1
		9	751	Office machines	57.0
		10	673	Flat rolled products, not clad	55.8
5.	United States	1	792	Aircraft and associated equipments and parts	442.7
		2	222	Oil seeds use for extraction of soft fixed vegetable oils	409.9
		3	263	Cotton	300.0
		4	041	Wheat and meslin, unmilled	259.6
		5	723	Civil engineering and contractor plants and equipments/parts	208.8
		6	081	Feeding stuff for animals	208.3
		7	597	Additive for mineral oils	142.5
		8	251	Pulp and waste paper	121.4
		9	022	Milk, cream, and milk products other than butter or cheese	111.6
		10	598	Miscellaneous chemical products	98.6
6.	Thailand	1	061	Sugar, molasses, and honey	470.5
		2	781	Passenger motor cars	432.5
		3	784	Parts and accessories of the motor vehicles	297.2
		4	713	Internal combustion piston engines and parts	196.5
		5	511	Hydrocarbon and their halogenated, nitrated derivatives	151.1
		6	782	Motor vehicle for the transportation of goods	147.7
		7	741	Heating and cooling equipments and parts	130.5
		8	042	Rice	122.4
		9	723	Civil engineering and contractor plants and equipments/parts	111.5
		10	553	Perfumery, cosmetics and toilets preparations	110.7

	Country of Origin	Rank	SITC	Commodity Description	CIF Value
7.	Saudi Arabia	1	333	Petroleum oil, crude	2,847.4
		2	512	Alcohols, phenols, phenol-alcohols and their halogenated	147.9
		3	334	Petroleum products, refined	142.5
		4	511	Hydrocarbon and their halogenated, nitrated derivatives	122.3
		5	282	Waste and scrap metal of iron/steel	24.6
		6	598	Miscellaneous chemical products	18.2
		7	575	Other plastics in primary forms	16.4
		8	342	Liquefied propane and butane	15.4
		9	571	Polymers of ethylene in primary forms	15.1
		10	699	Manufacturers of base metals	10.9
8.	Rep. of Korea	1	334	Petroleum Products, refined	1,200.2
		2	673	Flat rolled products, not clad	121.2
		3	764	Telecommunication equipments and parts	112.8
		4	575	Other plastics in primary forms	105.5
		5	686	Zinc	107.2
		6	674	Flat rolled products, clad or plated	102.8
		7	511	Hydrocarbon ad their halogenated, nitrated derivatives	99.9
		8	232	Synthetic rubber latex, synthetic/reclaimed rubber	64.7
		9	571	Polymers of ethylene in primary forms	54.9
		10	679	Tubes, pipes, hollow profile, pipe fitting of iron/steel	45.9
9.	Australia	1	041	Wheat and meslin, unmilled	370.4
		2	061	Sugar, molasses, and honey	241.7
		3	684	Aluminium	220.9
		4	001	Live animals other than fish	216.9
		5	285	Aluminium ores and concentrates	173.3
		6	333	Petroleum oil, crude	138.4
		7	022	Milk, cream, and milk products other than butter or cheese	128.8
		8	282	Waste and scrap metal of iron/steel	100.5
		9	263	Cotton	92.8
		10	699	Manufactures of base metals	67.2
10.	Germany	1	764	Telecommunication equipments and parts	282.0
		2	728	Other machines and equipments specialised for particular industry	82.0
		3	724	Textile/leather machinery and parts	56.3
		4	741	Heating and cooling equipments and parts	53.5
		5	752	Automatic data processing machines and their units	52
		6	575	Other plastics in primary forms	45.8
		7	772	Electrical apparatus for making and breaking electrical circuits	45.4
		8	598	Miscellaneous chemical products	44.8
		9	745	Other non-electrical machinery, tools, and mechanical apparatus	43.3
		10	542	Medicaments, incl. veterinary medicament	40.6

	Country of Origin	Rank	SITC	Commodity Description	CIF Value
11.	Brunei Darussalam	1	333	Petroleum oil, crude	1,861.1
		2	282	Waste and scrap metal of iron/steel	3.3
<i>Other commodities are not reflected as their individual values are less than USD 1 million</i>					
12.	Kuwait	1	334	Petroleum Products, refined	1,665.0
		2	512	Alcohols, phenols, phenol-alcohols and their halogenated	24.5
		3	571	Polymers of ethylene in primary forms	11.8
		4	282	Waste and scrap metal of iron/steel	1.8
		5	651	Textile yarns	1.1
<i>Other commodities are not reflected as their individual values are less than USD 1 million</i>					
13.	India	1	511	Hydrocarbon and their halogenated nitrated derivatives	269.6
		2	081	Feeding stuff for animals	174.2
		3	675	Flat rolled products and alloy steels	117.7
		4	061	Sugar, molasses, and honey	80.9
		5	263	Cotton	69.8
		6	684	Aluminium	58.7
		7	764	Telecommunication equipments and parts	57.1
		8	222	Oil seeds use for extraction of soft fixed vegetable oils	49.2
		9	782	Motor vehicle for the transportation of goods	34.5
		10	598	Miscellaneous chemical products	33.9
14.	Taiwan	1	673	Flat rolled products, not clad	125.7
		2	511	Hydrocarbon and their halogenated, nitrated derivatives	89.9
		3	728	Other machines and equipments specialised for particular industry	70.0
		4	575	Other plastics in primary forms	66.7
		5	334	Petroleum products, refined	54.2
		6	727	Paper mill/pulp mill machinery and paper cutting machines	42.9
		7	513	Carboxylic acids and their anhydrides halides, peroxides	36.3
		8	724	Textile/leather machinery and parts	36.0
		9	266	Synthetic fibres suitable for spinning	34.0
		10	657	Special yarns, textile fabrics	31.8
15.	France	1	792	Aircraft and associated equipments and parts	815.7
		2	764	Telecommunication equipments and parts	51.4
		3	772	Electrical apparatus for making and breaking electrical circuits	32.8
		4	723	Civil engineering and contractor plants and equipments/parts	30.0
		5	022	Milk, cream, and milk products other than butter or cheese	26.2
		6	874	Measuring, checking, analysing and controlling instrument and apparatus	20.6

Country of Origin	Rank	SITC	Commodity Description	CIF Value
France (contd.)	7	679	Tubes, pipes, hollow profile, pipe fitting of iron/steel	19.9
	8	251	Pulp and waste paper	19.7
	9	542	Medicaments, including veterinary medicaments	18.5
	10	516	Other organic chemicals	15.9

Source: Foreign Trade Statistics: Imports 2007, Central Bureau of Statistics, Jakarta.

9. INDONESIAN EXPORTS DURING 2007

In 2007, Indonesia's export registered to US\$ 114,100.9 million or rose by 13.20%. The robust export growth was driven by keen demand for coal, palm oil and rubber. The oil and gas export increased by 4% to US\$ 22,088.6 million. The increasing of export is attributable to non-oil and gas export that rises 15.6% from US\$ 79,589.1 million (2006) to US\$ 92,012.3 million.

The contribution of non-oil & gas export grew up from 77.64% in 2003 to 80.64% in 2007. In contrast, the share of oil & gas export went down from year to year where its share dropped from 22.36% in 2003 to 19.36% in 2007 (Table 9.1).

Table 9.1. Growth and Share of Oil & Gas and Non-Oil & Gas of Indonesian Export 2005 – 2007

Year	Growth (%)			Contribution (%)	
	Oil & Gas	Non-Oil & Gas	Total Export	Oil & Gas	Non-Oil & Gas
2003	12.70	5.24	6.82	22.36	77.64
2004	14.61	18.00	17.24	21.86	78.14
2005	22.92	18.75	19.66	22.45	77.55
2006	10.28	19.81	17.67	21.04	78.96
2007	4.09	15.62	13.20	19.36	80.64

Source: Foreign Trade Statistics: Exports 2007, Central Bureau of Statistics, Jakarta.

By country of destination, Japan was the biggest buyer of Indonesia's products with a share of 20.71% of total export (Graphic 9.1). Next biggest buyer was the United States with a share of 10.18% and followed by Singapore (9.2%), China (8.48%), Republic of Korea (6.65%), Malaysia (4.47%), Australia (2.98%), and Thailand (2.68%).

India's share was US\$ 7,163.3 million in 2007 or equal to 5.2% of the total of Indonesian export. Export from Indonesia to India was increasing as much as 73.7% from US\$ 1,301.9 million in 2002 to US\$ 4,943.9 million in 2007 (Table 9.2). However, India has very small share in the 10 major commodities of Indonesian export in 2007, except for fixed vegetable oil and fats and coal, coke, and briquettes (Table 9.3).

Table 9.2. Export of Indonesia to India in 2002 – 2007**(In million US\$)**

Year	Export
2002	1,301.9
2003	1,742.5
2004	2,170.5
2005	2,878.3
2006	3,396.8
2007	4,943.9

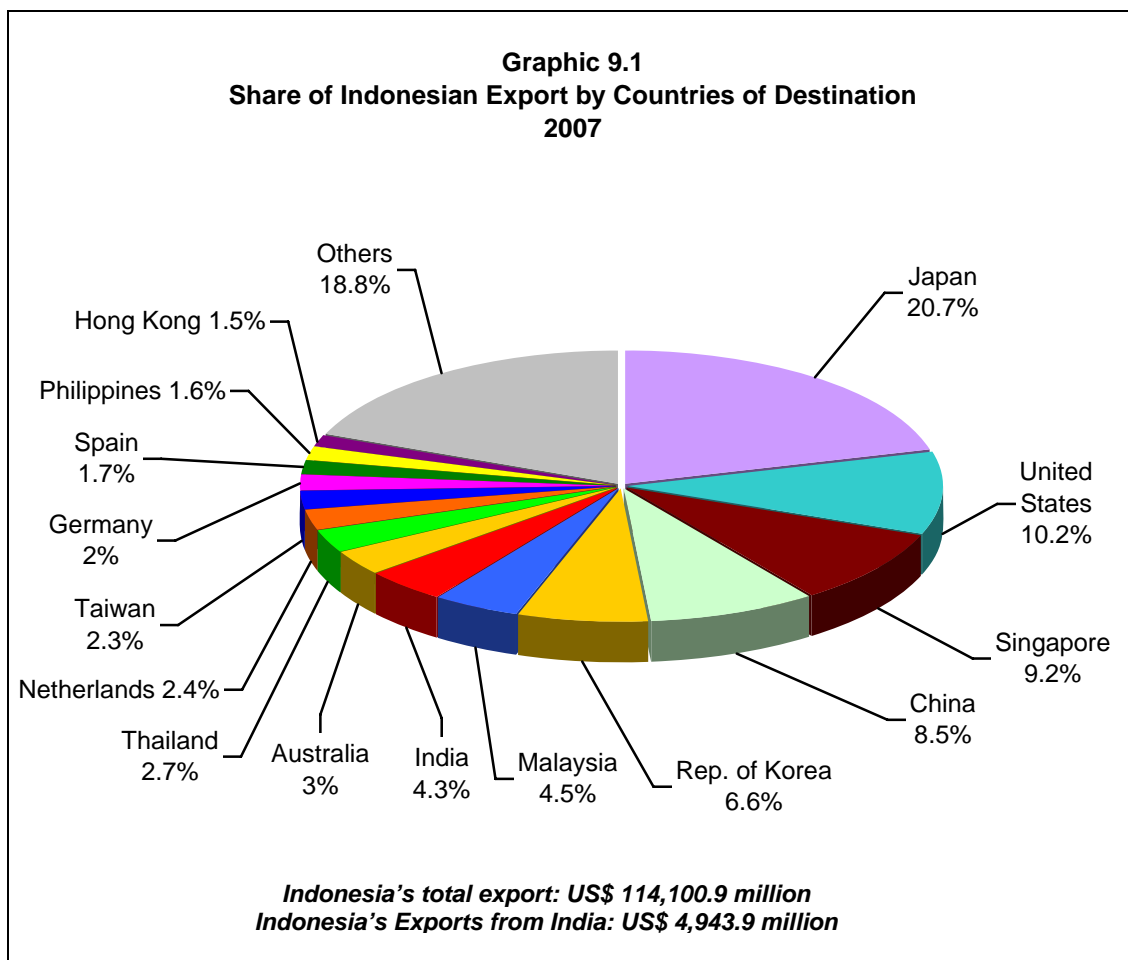
Source: Foreign Trade Statistics: Exports 2007, Central Bureau of Statistics, Jakarta.

Table 9.3. Top 10 Commodities Exported by Indonesia in 2007**(In US\$ million)**

No.	SITC	Commodity Description	CIF Value	India's Share	
				CIF Value	Percentage (%)
1.	33	Petroleum & petroleum products	12,533.8	58.9	0.47
2.	34	Gas, natural & manufactured	9,983.8	0	0
3.	42	Fixed vegetable oil and fats	9,439.9	2,282.8	24.2
4.	28	Metalliferous ores and metal scrap	7,719.4	540.7	7
5.	32	Coal, coke, and briquettes	6,692.8	805.1	12
6.	84	Clothing	5,869.8	3.0	0.05
7.	23	Crude rubber	4,932.0	106.1	2.1
8.	77	Electrical machinery and apparatus	4,391.3	20.7	0.5
9.	68	Non ferrous metal	4,329.6	8.6	0.2
10.	65	Textile yarns, fabrics & products	3,822.6	58.3	1.5
			69,715.0	3,884.2	48.02

Source: Foreign Trade Statistics: Exports 2007, Central Bureau of Statistics, Jakarta.

However five biggest export destinations of non-oil & gas commodities of Indonesia are: Japan (14.3%), USA (12.0%), Singapore (9.6%), China (7.3%), and India (5.3%). The share of export to those five countries is 48.5% of the total non-oil & gas export of Indonesia, slightly lower compare than in 2006.



Non-oil & gas commodities being exported to the five main export destination countries were varied (Table 9.4). The main commodities exported to the USA and Japan were metalliferous ores and metal scrap and clothing. Fixed vegetable oils and fats was the most exported commodity to China and India.

Table 9.4. Indonesian Main Non-Oil & Gas Export Commodities by Countries of Destination in 2007

(In million US\$)

Country	SITC	Commodities	CIF Value
Japan	28	Metalliferous ores and metal scrap	3,680.4
	32	Coal, coke, and briquettes	1,290.3
	68	Non ferrous metal	1,043.8
	77	Electrical machinery and apparatus	791.6
USA	84	Clothing	3,579.5
	23	Crude rubber	1289.0
	03	Fish, crustaceans, molluscs	755.9
	89	Miscellaneous manufactured articles	581.6
Singapore	77	Electrical machinery and apparatus	1,227.8
	68	Non ferrous metal	1,123.3
	75	Office machinery & automatic data proc.	978.9
	76	Telecommunication & rep. apparatus	588.4
China	42	Fixed vegetable oils & fats	1,235.2
	23	Crude rubber	731.8
	28	Metalliferous ores and metal scrap	690.0
	51	Organic chemicals	371.4
India	42	Fixed vegetable oils & fats	2,282.8
	32	Coal, coke, and briquettes	805.1
	28	Metalliferous ores and metal scrap	540.7
	43	Animal & vegetable oils & fats	5.5

Source: Foreign Trade Statistics: Exports 2007, Central Bureau of Statistics, Jakarta.

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Website: www.kristamedia.com

PT. Wahana Kemalania Makkur (exhibition organiser)

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Jakarta 11530
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PT. Peraga Nusantara Jaya Sakti (exhibition organiser)

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Email: peraga@peragaexpo.com
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V. MARKET RESEARCH, CONSULTANTS, AND LAWYERS**Central Bureau of Statistics (Badan Pusat Statistik)**

Jl. Ir. Sutomo No. 8
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Web: www.bps.go.id

PT. NOVO NORDISK INDONESIA

Hijau Arkadia Office Tower B-Penthouse Fl.
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Tel: 62-21- 78844475
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Expertise: marketing & sales consultant: pharmaceutical

PT. MARKPLUS INC

Segitiga Emas Business Park CBD B-01 No. 01
 Jl. Prof. Dr. Satrio Kav. 6
 Jakarta 12940
 Tel: 62-21- 57902338
 Fax: 62-21- 57902339
 Web: www.markplusinc.com
 Expertise: marketing, research consultant & training service

PT. DATA CONSULT, INC.

Maya Indah Bld. II, 1st- 4th Fl.
 Jl. Kramat Raya no. 5-L
 Jakarta 10450
 Tel: 62-21-3904711/ 12, 3901879/ 80, 3909668
 Fax: 62-21-3901877
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 Web: www.datacon.co.id
 Expertise: feasibility study, credit reporting service, economic and engineering report, management consultant

Law Firms**ALI BUDIARDJO, NUGROHO, REKSODIPUTRO**

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 Expertise: counsellor at law

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 Web: www.kusnandar.com
 Expertise: business management and legal firm; audit, finance & tax consulting firm

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Expertise: lawyer, patent, trademark, design & copyright

VI. NEWSPAPERS/ MAGAZINES/ BULLETINS**Bahasa Indonesia****Kompas**

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 Web: www.thejakartaglobe.com

VII. SHIPPING AND FORWARDING COMPANIES**PT. Birotika Semesta**

Siemens Business Park Building F
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 Jakarta 12780
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 Fax: 62-21-79196688
 Web: www.dhl.com

PT. Ritra Cargo Indonesia

Wisma Ritra Basement Fl.
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PT. Samudera Indonesia, Tbk

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PT. Skypak International

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PT. UPS SCS Indonesia

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