

**Dr. Ismeth Abdullah,
Governor of Riau Islands Province**

Washington, DC, February 26, 2008

Governor Abdullah recounted the vital statistics describing his province:

- Established in 2004
- Consists of 2,400 islands; 60% inhabited
- Surface area measures 250,000 sq/km; 5% land
- Rich in iron ore, tin, gas, fisheries, and oil
- Population 1.2M; 700k in Batam; 200k in Bintan; 100k in Karimun

The Special Economic Zone, which is comprised of Batam, Bintan and Karimoon islands, holds more than \$9B in direct foreign investment. Over 900 multinational companies operate in the SEZ. Additional investments of \$6B are forecast over the next five years. This investment is attracted to the SEZ because of its strategic location, (immediately across the straits from Singapore) its developed infrastructure, and its attractive tax structure. Moreover, the security situation, including a substantial decline in pirate attacks in the adjacent waters, has improved considerably over the past three years.

Discussion

Q: It's been reported that the provincial government in the Riau province wanted

to purchase extra patrol boats in order to increase security. Has this happened?

A: Four patrol boats were provided by the U.S. Eight to 10 were provided to Indonesia as a whole. Riau will use the patrol boats to protect the province from piracy and smuggling, but we would like to add more. The provincial airports also have improved security with assistance from the U.S. Trade and Development Agency (USTDA).

Q: Who owns the patrol boats? Riau province or Jakarta? What is the Navy's effectiveness patrolling the area?

A: The boats belong to the local provincial police. The islands are guarded by police and the Navy, as the Navy's operation is much wider than the police. The Navy can venture to the South China Sea and the Malacca Straits. But the Navy boats are few in number, which is why we have joint patrols with Singapore.

Q: With the free economic zone regulations, how easy is it to obtain work permits for third country parties? It's not easy in Jakarta, but is it better in Riau?

A: Under the new law, one can obtain a work permit in less than a week. Riau province has a one-stop service, and you no

longer have to go through Jakarta to obtain a work permit in Riau.

Q: What is the potential for separation now? Are the people and Jakarta more relaxed?

A: Decentralization is well under way. The governors are elected by the people, and so is the mayor and the village chief. The new law that brought about the economic zones gives the local government jurisdiction over the zone. Jakarta will only supervise.

Q: What was it that separated the Riau province from mainland Riau on Sumatra?

A: The islanders felt they were not treated well by Sumatra and organized a movement that was supported by Jakarta. From an economic point of view, it was understood that the islands needed to be separate. And in 2004, the provincial government was established.