

RI raises most funds since'98, draws foreign lawyers

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Mark Nelson, a deal lawyer who left Jakarta after the 1998 collapse of Indonesia's government and economy, now finds it hard to get back to the country to advise companies that have raised billions from investors this year.

So many bankers and lawyers are flying to Southeast Asia's largest economy that "you practically have to be a Solitaire member to get a booking," said Nelson, a Singapore-based partner of a US law firm Latham & Watkins LLP, referring to Singapore Airlines Ltd's elite frequent flier status.

Investors, drawn by Indonesia's consumer and resources-driven boom, have bought US\$23.3 billion of debt and equity from the country this year, according to data compiled by Bloomberg. That's close to the \$25.4 billion raised for acquisitions or other spending in 2009, the most in at least 11 years.

"We're moving back to where we were in the mid 1990s when Indonesia was where the action was in terms of consistent, large deals," said David Dawborn, a partner of London-based Herbert Smith LLP who has worked in Jakarta since 1992 and is assigned to its associate office there. Companies like Krakatau Steel, whose privatization has been delayed since former President Suharto's rule ended in 1998, will help boost initial share sales to \$2.2 billion this year, according to the data, a similar to 1995 when PT Telekomunikasi Indonesia sold shares in the nation's biggest IPO.

Lawyers say President Susilo Bambang Yudhoyono's six-year record of fighting corruption and terrorism and spending on infrastructure has helped restore confidence.

The number of registered foreign lawyers working in Indonesia has risen from 20 in 2005 to 50,

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according to the Indonesian bar association Peradi. Foreign law firms, barred from having their own offices in the country can post their lawyers with domestic firms, which they can form alliances with.

Allen & Overy LLP in July became the first major international firm in 10 years to form an exclusive association agreement in Indonesia. Its associate office was formed by Daniel Ginting, who had previously been a partner at Baker Mcenzie's local affiliate.

"None of our peers will be able to advise on Indonesia by flying in and out, said Kenneth Aboud, managing partner of London-based Allen & Overy's Singapore office. Who's been advising on Indonesian deals since 1996. About 40 international firms are pitching for deals in the country, he said.

Other firms like Sydney-based Allens Arthur Robinson have been expanding in Singapore, a 1 1/2- hour flight away. Singapore allows foreign law firms to open offices and the number has doubled to about 100 since 2005.

Indonesia-related matters are keeping at least 30 lawyers at White & Case LLP busy at any one time, the most in Southeast Asia, said William Kirschner, head of Asia mergers and Acquisitions at the New York-based firm.

White & Case, Allen & Overy, Herbert Smith and Latham & Watkins and two other firms won Singapore law licenses in 2008 and have added lawyers there to do regional work.

Indonesian bonds are now the best-performing in Asia and recently costs less to insure against default than investment-rated Italy. Fitch ratings in January raised Indonesia's credit Rating to BB+, the highest since 1997-1998 Asian financial crisis, and some analysts expect an upgrade to investment level next year.

"There's renewed sense of optimism and stability now," said Rajeev Duggal, a Singapore-based mergers and acquisitions partner at Skadden Arps Slate Meagher & Flom LLP.

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China Investment Corp. has earmarked \$25 billion to invest in Indonesia, the world's biggest producer of thermal coal. Indian billionaire Anil Ambani's Reliance Power Ltd., which bought two Indonesian coal companies in June, may spend \$5 billion in the nation, according to Yopie Hidayat, a spokesman for Indonesia's vice president Boediono.

"The Chinese and Indians are definitely making their presence felt and looking to invest more," said Tuti Hadiputranto, a founding partner of Hadiputranto, Hadinoto & Partners, Baker Mcenxie's local affiliate. "We've got natural resources – oil, gas, coal – that's gold today."

International investors and banks still prefer to have their Indonesian disputes decided in courts elsewhere or in arbitration, said Todung Mulya Lubis, an Indonesian lawyer who helped Total SA's unit defeat a bankruptcy petition by its former contractors.

Indonesian judges are paid as little as Rp 2 million (\$225) a month, enhancing the temptation to accept bribes from middlemen when they preside over case where far more is at stake, Lubis said.