

# GUNTINGAN BERITA

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## RI wants to meet Powell over power project dispute

### Dow Jones

Jakarta

The Indonesian government said Wednesday it hopes to hold talks with U.S. Secretary of State Colin Powell over a dispute between its state-owned oil and gas company and Karaha Bodas Co., a power company owned mainly by U.S. investors.

Powell will be in Jakarta Friday for a one-day visit.

Energy Ministry Purnomo Yusgiantoro said he hoped to bring up Pertamina's dispute with Karaha Bodas with Powell during the visit.

"The government is seeking a win-win solution," Purnomo told reporters.

An international arbitration court ordered Pertamina to pay US\$261 million to Karaha Bodas as compensation for canceling a power project in 1998 in the wake of the Asian financial crisis.

But Pertamina has refused to pay the award, and is attempting through the Jakarta court system to overturn the arbitration decision. A U.S. court has ordered Pertamina to drop the attempt and found the company in contempt of court.

The U.S. Court of Appeals ruled in June to uphold a decision in the U.S. courts to allow Karaha Bodas to freeze

Pertamina assets worth \$275 million.

The Karaha dispute is the latest in a series of heated legal battles over Indonesian power projects, some of which have caused considerable tension in relations between the U.S. and Indonesia.

Many of those ventures began during Indonesia's boom years in the mid-1990s and involved family members of former President Suharto or other politically powerful Indonesians. But the Asian economic crisis and the plunge in the value of the rupiah caused many of the deals to fall apart amid allegations of graft and contract padding. Foreign investors denied those allegations and responded with counterclaims for compensation for breach of contract.

Karaha, which is controlled by Florida-based FPL Group Inc. and Caithness Energy LLC of New York, agreed in 1994 to build a geothermal power project on Indonesia's main island of Java with Pertamina and Indonesia's state electricity company, Perusahaan Listrik Negara, or PLN. But under pressure from the International Monetary Fund to reduce expenditure during the financial crisis, the government canceled the plan in 1998 along with 15 other projects.