

Foreword

As the largest archipelagic economy in the world, Indonesia enjoys both benefits and faces challenges from having more than seventeen thousand islands. Indonesia's large sea provides very rich biodiversity, abundant ocean products, and various sources of blue economy outputs. But there is also a huge challenge in terms of having to provide efficient connectivity across islands and securing optimal transactions for small islands. Indonesia also faces unequal distribution of population, natural resources, natural disaster risks, infrastructure, and productivity factors.

President Joko Widodo has made the maritime sector the priority development agenda. One of his famous policies is establishing a 'maritime highway' (*tol laut* in Bahasa Indonesia), aiming at strengthening shipping lanes focused on eastern Indonesia. The increasing number of shipping lanes to eastern Indonesia is expected to improve logistics distribution to remote, outermost, and disadvantaged areas. This way the government expects to reduce commodity prices and the imbalance in trade between the western and the eastern parts of Indonesia.

This study analyses the impact of maritime highway policy since its implementation in 2015. We use both quantitative and qualitative methods to show its impact on the commodity price and economic activities in eastern Indonesia. We also look at the potential international hubs in eastern Indonesia. The study also provides some suggestions for government intervention by presenting feasible schemes for immediate, mid-term, and long-term planning. It is found that it is essential to take immediate action in terms of reorganising routes, schedules, and commodity types for subsidy. To establish more robust economic development in eastern Indonesia in the future it is of critical importance to build hubs, new economic centres, and expand direct international routes.

The study also comes as a timely response to Indonesia's mega-project plan. President Joko Widodo has just officially announced to relocate the Jakarta capital to a new capital city *Nusantara (Ibukota Nusantara (IKN))* in East Kalimantan. One of the objectives of the capital's relocation is to boost the economy of eastern Indonesia and reduce the welfare gaps between west and east. As the IKN is located in the middle of Indonesia, the maritime nexus will be vital for connecting the new capital with the rest of Indonesia. Since the completion of the study in 2020, the government has taken some practical actions, especially in lane and port system development. New lanes have been created and revised routes implemented, and major ports have been modernised applying green principles.

I thank the Ministry of Transport for its support for this study, and we expect more cooperation in the future. ERIA is also grateful to LPEM FEB-UI, for providing an excellent intellectual contribution as an academic partner. I hope the implementation of the maritime highway will further contribute to the development of Indonesia's maritime sector and support Indonesia's role in the Indo-Pacific maritime nexus.

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Professor Hidetoshi Nishimura

President, ERIA