

Chapter 5

The Grand Design for Future Maritime Highway Management

The eastern part of Indonesia is largely an archipelago separated by straits and seas; there are only two large islands, Sulawesi, and Papua. With these geographical conditions, the movement pattern of goods and people will always rely on sea-based transportation. For this reason, an efficient maritime transportation system is one of the key prerequisites for the economic development of provinces in eastern Indonesia.

The Maritime Highway programme is one of the government's efforts to accelerate economic development in eastern Indonesia by increasing the effectiveness of the maritime transportation system in eastern Indonesia with the provision of regular and affordable shipping services to key ports in various regions of eastern Indonesia. With the existence of this programme, connectivity between western and eastern Indonesia as well as between regions within eastern Indonesia itself will increase. This will ultimately boost the welfare of the people in eastern Indonesia through economic development and will act as one of the triggers for the growth of new industries in eastern Indonesia.

During the 5 years that the Maritime Highway programme has been operating, its impact on improving the welfare and economic activities of the people in the Eastern Indonesia Region remains limited. However, the role of sea-based transportation is undeniable given the geographical condition of the Eastern Indonesia Region, which comprises mostly sea waters. The government must continue to pay attention to the optimisation of the sea-based transportation system, including increasing the effectiveness of the Maritime Highway programme as the backbone of connectivity in eastern Indonesia.

In addition to increasing the effectiveness of the Maritime Highway, efforts to improve sea-based transportation also need to be directed towards the creation of a more integrated logistics system. In other words, all programmes and policies in the maritime transport sector – including the Maritime Highway – need to have an integrated design with an integrated logistics system in the long run. To create a more integrated logistics system, a logistics system grand design is required.

5.1 Grand Design for an Integrated Logistics System

A policy grand design needs to establish clear and measurable objectives to be achieved. The main objective of an integrated logistics system is creating ease in the transportation of goods and people between regions. In order to achieve the main objective, several intermediate objectives can be established according to timeframes for their achievement. The grand design document will later act as a reference in developing short- and medium-term policies.

Short Term (until 2021)

In the next year or two, the development of an integrated logistics system is directed at efforts to increase the effectiveness of the Maritime Highway programme that is in operation and to overcome

unresolved obstacles such as low connectivity between coastal areas and hinterland areas, low productivity of loading and unloading at ports, limited port facilities and infrastructure, as well as the low quality of roads and bridges.

In terms of connectivity, the priority for improvement is directed at increasing connectivity between coastal areas and the hinterland areas on each island. In addition, connectivity between regions in eastern Indonesia also needs to be a priority. Therefore, the existing centres of economic activity in the Eastern Indonesia Region can be better connected to each other.

Good connectivity within the Eastern Indonesia Region will be the starting point for the development of new industries that are the main motors for accelerating economic development in the region. For this reason, there needs to be an effort in the short term to identify leading commodities to be the basis of new industrial development in the Eastern Indonesia Region.

Medium Term (2021 to 2024)

In the next 5 years, policies in maritime transport will be directed towards efforts to create new regional-based industrial centres. Current regional-based industrial policies are encouraged by the central government through the development of special economic zones and industrial estates. In eastern Indonesia itself, several regions have been designated as special economic zones or industrial estates to support the acceleration of regional economic development in accordance with the leading resources possessed by each region.

In terms of connectivity, the priority for improvement is directed at increasing connectivity between the regions in eastern Indonesia and those in western Indonesia. Economic integration between provinces in eastern and western Indonesia needs to be a priority in the medium term.

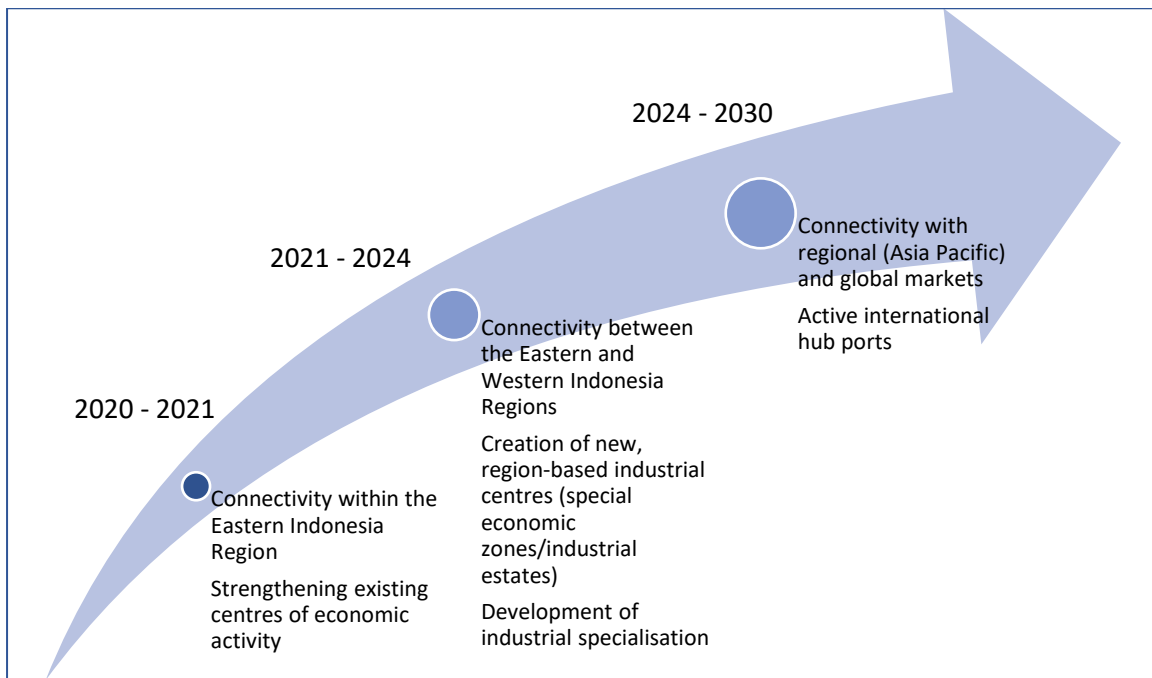
Connectivity between the Eastern Indonesia Region and the Western Indonesia Region will later be a catalyst for the development of new industries in eastern Indonesia that is able to encourage regional economic development and play a role in improving public welfare in the Eastern Indonesia Region.

Long Term (2024 to 2030)

The long-term goal is directed at the integration of the eastern Indonesia economy with the regional economy of the Asia Pacific region. In this case, new industrial centres have been established in the Eastern Indonesia Region that are specialised and capable of being part of international trade. To this end, improvements in the long term need to be directed at efforts to increase international connectivity by improving the quality of key ports in the Eastern Indonesia Region.

In the long run, the provinces in eastern Indonesia are expected to have sufficient capacity to play an active role in the national, regional, and global economy. To support this, in the long run an international hub port will be developed that actively serves shipping to global destinations.

Figure 5.1. Development Milestones for an Integrated Logistics System



Source: Authors.

Chapter 1

Introduction

Background of the Study and Current Policy

Context

March 2022

This chapter should be cited as

ERIA Study Team (2022), 'Introduction- Background of the Study and Current Policy Context', in Zen, Fauziah and M. H. Yudhistira (eds.), *Maritime Highway and Eastern Indonesia Development*. ERIA Research Project Report FY2021 No. 24, Jakarta: ERIA, pp.1-3.

Chapter 2

Maritime Highway Implementation

March 2022

This chapter should be cited as

ERIA Study Team (2022), 'Maritime Highway Implementation', in Zen, Fauziah and M. H. Yudhistira (eds.), *Maritime Highway and Eastern Indonesia Development*. ERIA Research Project Report FY2021 No. 24, Jakarta: ERIA, pp.4-9.

Chapter 3

Impact of the Maritime Highway on Public Welfare and Regional Economic Activities

March 2022

This chapter should be cited as

ERIA Study Team (2022), 'Impact of the Maritime Highway on Public Welfare and Regional Economic Activities', in Zen, Fauziah and M. H. Yudhistira (eds.), *Maritime Highway and Eastern Indonesia Development*. ERIA Research Project Report FY2021 No. 24, Jakarta: ERIA, pp.10-18.

Chapter 4

Policy Development Leading to Logistics Systems in a More Integrated Eastern Indonesia

March 2022

This chapter should be cited as

ERIA Study Team (2022), 'Policy Development Leading to Logistics Systems in a More Integrated Eastern Indonesia', in Zen, Fauziah and M. H. Yudhistira (eds.), *Maritime Highway and Eastern Indonesia Development*. ERIA Research Project Report FY2021 No. 24, Jakarta: ERIA, pp.19-37.

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March 2022

This chapter should be cited as

ERIA Study Team (2022), 'The Grand Design for Future Maritime Highway Management', in Zen, Fauziah and M. H. Yudhistira (eds.), *Maritime Highway and Eastern Indonesia Development*. ERIA Research Project Report FY2021 No. 24, Jakarta: ERIA, pp.38-40.

