

# PERSPECTIVE

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## **Developing Indonesia’s Maritime Infrastructure: The View from Makassar**

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### **EXECUTIVE SUMMARY**

- Maritime infrastructure has been a distinctive focus of Joko Widodo’s presidency. He is seeking to improve ports, maximize inter-island connectivity, and turn Indonesia into a “Global Maritime Axis.” The Makassar New Port (MNP), which Jokowi inaugurated in May 2015, is an important part of this plan.
- Situated at the “Gateway to East Indonesia,” the MNP is meant to rectify the over-saturation of Makassar’s current port terminals. Despite sometimes conflicting reports about the project design, budget, and schedule for completion, the MNP appears to be on track for Stage One operations in late 2018.
- An analysis of outer-Indonesian developments like the MNP offers unique insights into the regional implementation of the president’s strategy. Indeed, if regional strategic projects like the MNP become objects of public interest and are carried out in a timely manner, maritime infrastructure may play a crucial role in the president’s chances of re-election.

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## INTRODUCTION

On 27 July 2016, President Joko Widodo announced his second cabinet reshuffle. Much attention centred on Wiranto's replacement of Luhut Binsar Pandjaitan as coordinating political, legal and security affairs minister. Wiranto's appointment has raised the eyebrows of national and extra-national audiences due to lingering allegations of his involvement in 1999 human rights violations in East Timor.

Notwithstanding the salience of these concerns and the importance of Wiranto's new position, Luhut's appointment as Coordinating Minister of Maritime Affairs is also worthy of widespread attention from followers of Indonesian development politics. While his move to the Ministry of Maritime Affairs can be interpreted as a demotion, it might best be thought of as a re-affirmation of the president's vision to develop Indonesia's maritime sector. Indeed, that he would appoint someone widely characterized as his "right-hand man" to the position of Coordinating Minister of Maritime Affairs suggests that Jokowi is again highlighting his commitment to the transforming of Indonesia into a "global maritime axis".<sup>1</sup>

The first-term president took a major step toward implementing his vision on 8 January 2016, when he issued Presidential Decree No.3/2016. This decree enumerated over two hundred "national strategic projects" whose collective success will prove crucial for driving national and regional economic growth. This essay describes the ongoing development of one such project in East Indonesia — the Makassar New Port — as a point of departure for evaluating emerging developments in Indonesia's maritime sector. It sketches the background necessary for understanding broader dynamics surrounding Indonesia's maritime infrastructure and Jokowi's national vision, and offers an overview of how these dynamics are shaping the development of the Makassar New Port project. Observations from Makassar are then brought to bear on larger national issues, evaluating the promise and potential setbacks of Indonesia's push toward maritime development.

## WHY MARITIME INFRASTRUCTURE?

It was at the 2014 ASEAN-US Summit in Myanmar that Jokowi formally articulated his maritime vision. In what would come to be referred to as the "Jokowi doctrine," the president asserted the crucial role that Indonesia must play as an axis between two oceans and, in a move that conjures to mind the "Five Pillars" of *Pancasila*, enunciated five pillars that define his doctrine:

1. Rebuild Indonesia's maritime culture.
2. Maintain and manage marine resources.
3. Prioritize the development of maritime infrastructure and inter-island connectivity.
4. Emphasize maritime diplomacy.
5. Develop the country's navy and maritime defense forces.

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<sup>1</sup> See especially U. Fionna (2016), "Consolidating Support: Jokowi's Second Cabinet Reshuffle," Today Online (<http://www.todayonline.com/commentary/consolidating-support-jokowis-second-cabinet-reshuffle>) Accessed 7 August 2016.

Ongoing geopolitical issues in the South China Sea have led to much scrutiny and commentary on the fourth and fifth pillars of Jokowi's doctrine, insofar as they reflect Indonesia's changing security and foreign policy concerns. The successful realization of these pillars, however, is itself contingent upon the realization of pillar three — the prioritization of maritime infrastructure and inter-island connectivity. Indeed, the expansion of sea-lanes, the development of ports, and the construction of ships should be interpreted as the beating heart of Jokowi's maritime doctrine, crucial not only for maritime diplomacy or defense, but also for intensifying economic growth.

Jokowi alluded to this in his ASEAN summit speech, noting that “forty percent of world trade” happens in or around Indonesia's seas.<sup>2</sup> According to the Transportation Directorate at BAPPENAS (the Indonesian Agency of National Development Planning), around ninety percent of world trade occurs by way of the sea, and forty percent of that traffic passes through Indonesian waters.<sup>3</sup> Although Jokowi channeled these statistics to demonstrate the potential of Indonesia's maritime sector, they fail to capture competitive realities, as Indonesia vies with Malaysian and Singaporean ports. In 2014, the World Bank ranked Indonesia twelfth in the world in terms of its container port traffic (11,900,763 twenty foot equivalent units or TEU), whereas two of its ASEAN neighbors, Malaysia and Singapore, ranked fifth and third in the world, doubling and tripling its container port traffic with 22,718,784 and 34,832,276 TEU's respectively.<sup>4</sup> In the 2015-2016 World Economic Forum competitiveness rankings, Singapore and Malaysia also outranked Indonesia in terms of transport infrastructure, positioned at three, ten, and thirty-nine respectively. In terms of quality of port infrastructure, Indonesia again trails its neighbors, lagging behind at eighty-two compared to Malaysia at sixteen and Singapore at two.<sup>5</sup> So too, in the 2016 World Bank logistical performance index (LPI) rankings Indonesia again trails its two neighbors, ranking at sixty-three with an LPI score of 2.98 compared to Malaysia at thirty-two with an LPI score of 3.43 and Singapore at five with an LPI of 4.14.<sup>6</sup> Land and port bottlenecks throughout Indonesia's economic corridors have led to logistical costs estimated at 24 to 26% of GDP, and a senior trade specialist at the World Bank office in Jakarta has written that shipping a container from Padang to Jakarta costs \$600 compared to shipping the same one from Jakarta to Singapore at \$185.<sup>7</sup> These numbers suggest why one Indonesian maritime expert has suggested that in spite of the country's strategic location, much work remains to be done to fully capture the potential of the forty percent of world sea traffic that quite literally passes Indonesia by.<sup>8</sup>

<sup>2</sup> See G. Putro Jati (2014) “Jokowi Sebar Ide Poros Maritim di KTT ASEAN,” CNN Indonesia.

<sup>3</sup> P. Pradhana (2015), “Program Tol Laut dalam Mendukung Indonesia sebagai Poros Maritim Dunia,” Sustaining Partnership Edisi Transportasi Laut, Infrastructure Reform Sector Development Program (IRSDP) BAPPENAS, pp. 4-7.

<sup>4</sup> The World Bank (2014), “Container Port Traffic (TEU: 20 foot equivalent units),” [data.worldbank.org](http://data.worldbank.org), Accessed 5 August 2016.

<sup>5</sup> World Economic Forum 2015-2016 Competitiveness Rankings (<http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>)

<sup>6</sup> World Bank LPI Rankings 2016 (<http://lpi.worldbank.org/international/>), Accessed 5 August 2016.

<sup>7</sup> H. Sandree (2011), “Promoting Regional development in Indonesia through better connectivity,” (<http://www.worldbank.org/en/news/opinion/2011/03/13/promoting-regional-development-indonesia-through-better-connectivity>), Accessed 5 August 2016.

<sup>8</sup> See S. Diamar (2015), “Lima Pilar Membangun Poros Maritim Dunia,” Jurnal Maritim ([jurnalmaritim.com/2015/03/lima-pilar-membangun-poros-maritim-dunia](http://jurnalmaritim.com/2015/03/lima-pilar-membangun-poros-maritim-dunia)) Accessed 5 August

These considerations were taken into account when Jokowi issued his presidential decree prioritizing maritime infrastructure development throughout Indonesia, framing it as a project of nationally strategic importance. One location of interest in Jokowi's maritime development strategy has been the city of Makassar — the capital of South Sulawesi and the ancestral home of Indonesia's seafaring Bugis and Makassar people. During the colonial era, Makassar occupied a crucial position in trade routes linking Batavia (Jakarta) with outer islands in the Dutch East Indies. It continues to occupy this position today, and is popularly characterized as the "gateway to Eastern Indonesia" (Indonesian: "pintu gerbang Indonesia Timur") — the major point of departure for goods and people to Indonesia's eastern frontier.

### **THE MAKASSAR NEW PORT (MNP) PROJECT**

On 22 May 2015, Joko Widodo travelled to Makassar to inaugurate the Makassar New Port (MNP) project after having officiated at a slew of groundbreaking ceremonies at ports in Sumatra, Jakarta, and Surabaya. Accompanied by South Sulawesi Governor Syahrul Yasin Limpo, Makassar Mayor Danny Pamonto, then-coordinator minister for maritime affairs Indroyono Soesilo, and Pelindo IV Director Mulyono, the president gave a speech at Soekarno-Hatta Seaport, translating his national maritime vision into a regional roadmap for Makassar. He discussed how improved maritime transportation in the form of a "Tol Laut" or "Sea Toll" would affect the lives of South Sulawesi's citizens, suggesting that if inter-island transportation costs drop, so would the cost of everyday goods. In so doing, he spoke of two recurring issues that plague the nation's maritime sector: logistics and quality of maritime infrastructure. To address these issues in Makassar, he directed the coordinating ministry for maritime affairs to perform an in-depth analysis of loading and unloading costs and to calculate waiting times, dwelling times, and other indicators of container terminal productivity. Goods transportation costs will be mitigated through MNP's integration with toll roads and the Trans-Sulawesi freight railway project overseen by city and state governments, which will also link the MNP with South Sulawesi's Hasanuddin Airport.

Initiated by Pelindo IV in consultation with city, state, and national governments, the MNP will play nationally and regionally strategic roles. At the national level, the MNP will constitute a "major port" (Indonesian: pelabuhan utama) in the president's "Sea Toll," joining five other major ports in Medan, Jakarta, Surabaya, Bitung, and Sorong that will serve as regional logistics hubs for auxiliary ports. These major and auxiliary ports aim to intensify inter-island connectivity and improve the transport of goods throughout Indonesia's economic corridors. At the local level, the MNP is meant to remedy the over-saturation of Makassar's port terminals whose designed capacity is 400,000 TEU's per year. As of 2015, this capacity had become overstretched, reaching 560,000 TEU's per year with an anticipated 600,000 TEU's for the 2016-2017 year, and rapidly approaching the port's maximum yearly capacity of 700,000 TEU's. Foreseeing these issues, development plans for MNP land reclamation began in 2004, and followed a series of environmental impact, deep-sea, and pre-construction surveys allegedly dating to 2001. In June 2015 – two weeks after the project's inauguration by Jokowi – state-owned PT Pelindo IV and state-run PT

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2016. See also C. Sidjabat (2016) "Challenges and Opportunities of Indonesia's Maritime Sector," Ina Magazine 2nd ISSUE April/June.

Pembangunan Perumahan co-signed a Rp 326 billion contract to embark on Stage One of land reclamation and jetty construction for the MNP.

The MNP project is divided into two stages. Stage One plans to augment port capacity by 400,000 TEU's, and Stage Two is intended to bring the port of Makassar's total capacity up to as many as 3,500,000 TEU's per year, although these numbers vary across reports. The project has been reported by various sources in the national and regional media to cost between Rp. 7 to 12 trillion, and will be financed by a Public-Private Partnership (PPP). Bank Mandiri has provided an investment loan to the tune of Rp 3 trillion, and informants in Makassar allege that undisclosed international entities in Japan and Abu Dhabi have expressed passing interest in collaboration. The MNP's second and final stage has been estimated by officials cited in the news media to conclude any time between 2024 to 2030, while the MNP Master Plan posted at the construction site suggests an end date of 2032 (See Figure 1).



**Figure 1:** Master Plan of the Makassar New Port (photograph by the author)

Physical work on Stage One (valued at Rp. 1.8 trillion) began in September 2015 with Stage 1A (See Figure 2), entailing the construction of a 320-meter long dock and the reclamation of about three hectares. At the beginning of June 2016, Stage 1A was 29% complete, exceeding the target of 25% completion put in place following President Jokowi's inauguration of the project in 2015. Pelindo IV officials are aiming to complete Stage 1A by 2017, and one informant noted that regular audits ensure that construction progress aligns with established expectations. Stage 1B and 1C are to begin concurrently at the end of

August 2016, and to conclude in mid-to-late 2018. These stages continue reclamation efforts and involve constructing a container terminal around sixteen hectares in size and a causeway and adjacent breakwater over a kilometer long. With Stage One scheduled for completion



**Figure 2:** Stage One Phase 1A of the MNP (photograph by the author)

in 2018, officials hope that MNP will be fully operational by the end of that year. This would be excellent timing for the first-term president of whose maritime vision the MNP is a part. As he seeks re-election in 2019, Jokowi must gesture toward tangible progress in the maritime sector in order to demonstrate that his maritime vision is more than mere rhetoric.

Notwithstanding the MNP's reported progress, project efforts have yet to scratch (or break) the surface — of the sea, at least. With land reclamation still in its early- to mid- stages, it will be some time before visitors to the MNP site can observe much in the way of visible progress. Today, Pelindo IV officials who serve as guides can only show visitors causeway construction efforts, explain the project blueprint displayed by the seashore, and point out over the open sea to the port's future location, describing reclamation efforts while painting a picture of what the MNP will one day look like.

**CONCLUSION: MARITIME INFRASTRUCTURE IS A PATH TOWARD A DESTINATION**

Integrated with Makassar's pre-existing port, the MNP project seeks to deliver on Jokowi's vision of maximizing outer-Indonesian connectivity. Notwithstanding the project's allegedly steady progress and the seriousness with which officials are ostensibly embracing it, I was surprised by how relatively few of Makassar's citizens knew that the project was inaugurated by Jokowi, progressing as scheduled, or even existed. Taxi drivers, *warung* and small-business owners, middle-class state employees, and university students were unaware of the project as of July 2016, and a sampling of one hundred individuals of various ages, educational backgrounds, employments, and places of residence revealed that 76% had never heard of the MNP, let alone of its place in Jokowi's maritime vision. This may suggest that the MNP has yet to receive local media attention commensurate with its importance as a nationally strategic project.

Closing this gap should not be thought of as a challenge, but as an opportunity. One informant suggested that Pelindo IV might engage in a marketing campaign to educate Makassar's public about the importance of the project and Makassar's place as a major hub in Jokowi's archipelagic vision. Regular reports of steady progress could lend credence to Pelindo IV's self-image as the "locomotive of east Indonesia" (Indonesian: "Pelindo IV: Lokomotif Indonesia Timur"). Engaging in such a campaign would also help tackle a practical challenge. First, it would streamline various and at times changing or even conflicting reports of the project's design, budget, financing scheme, and schedule for completion that cast suspicion over the notion of a punctual and well-coordinated effort between institutions.

Second, releasing such reports might be viewed as a sign of accountability, inviting scrutiny from an Indonesian public that has learned to train a wary eye on proclamations of development "progress." Disseminating information about the project's masterplan, intended benefits, and steady progress could have the added benefit of soliciting interest and investment from national and extra-national audiences.

Turning once more to the president's maritime vision, Joko Widodo understands that it is not lofty, age-old rhetorics of *pembangunan* or "development" but direct actions leading to tangible results that are crucial for turning the archipelago into a "global maritime axis." He knows that maritime logistics and quality of infrastructure must be improved in order to truly take advantage of the 40% of world trade that passes by its waters.

And yet, the president also realizes that the performance of politics hinges upon rhetorical strategies. Observers of Indonesian development politics will note that Jokowi has popularly deployed the term "infrastruktur" in his speeches, a word that, as one Makassarese informant told me, lends the sense of something concrete being done. Infrastructure — whether it be sea lanes, ships, ports, bridges, roads, fiber-optic cables, or tolls — may be characterized as a path toward a destination, enabling the movement of goods, people, information, and values from point "A" to "B."

Suffice it to say, if nationally strategic regional projects like the MNP are successfully implemented in a timely manner and made the objects of public interest, maritime infrastructure may be the first-term president's path toward re-election.

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