

Realizing the Morotai island as the Indonesia Logistics Center in the Future

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Abstract—The purpose of this paper is to encourage strongly the Indonesia government to immediately realize the Morotai island as a national logistics center in the future. The construction of a logistics center is in need of a very large cost since it includes the construction of a large sea port, logistics facilities, sea ports surrounding as supporting and transport connectivity. The Morotai sea port is not only expected to handle domestic, national, and international cargo transportation, but also responsible for maintaining, manufacturing and leasing containers, as well as for building, managing and operating the port facilities. Meanwhile, the construction of a large sea port in Morotai is also expected to have a multiple effect on the development of regional around the three main islands such as Sulawesi, Maluku and Papua as new industrial areas. What we need now is the awareness and political will of the authorities and political elites to work together to realize a dream into a reality.

Keywords—Special Economic Zone, logistics, national logistics center, transport connectivity

1. Introduction

Mastery of Singapore as a base of exports and imports of various products and commodities produced and/or needed by Indonesia to/from foreign countries, especially countries with large trade balance with Indonesia such as the five countries in the Pacific rim, will be increasingly difficult to be stopped. The emergence of Singapore's sea port, as one of the 10 largest sea ports in the world, will surely reinforce the dependence of Indonesia to Singapore in terms of exports and imports. In a nutshell, it is absolutely ironic that the country which generates the largest GDP in ASEAN in which to all related to exports and imports must rely on Singapore. Meanwhile, the political will of the Indonesian authorities to build a base of exports and imports independently in its own territory is still not visible.

This harsh reality is basically caused by the failure of Indonesia to build its own strategic territory to be utilized to serve exports and imports of all products and commodities. In addition, Indonesia also fails to realize the national logistics center independently and reliable as shelters of variety of products and commodities produced by the society from Aceh to Papua. As a result, products and commodities are certainly not competitive in the world market since they are managed by foreign workers whose wages are much more expensive and financed with a certain foreign currency.

Since the root of the problem is the policy of appointment of Singapore as a base of exports and imports, Indonesia should invest its time and effort to seriously realize the island of Morotai as the Indonesian Logistics Center in the future. The Morotai district, as one of the outer islands of Indonesia, has not only been named as The "Kawasan Ekonomi Khusus" (Special Economic Zone—which is abbreviated with KEK), but also geographically its position so close to the Pacific Ocean which is the location of the five major partners of Indonesia in trade. In contrast to

Singapore, the island of Morotai is the region of the province of North Maluku (read: Rupiah region), and the potential for developing the eastern part of Indonesia such as Sulawesi, Maluku and Papua as new industrial areas in the future, as well as also so close to tourist destinations such as Bunaken in North Sulawesi and Raja Ampat in West Papua.

The aim of this paper is to encourage strongly the Indonesia government to immediately realize the island of Morotai as the National Logistics Center in the future, that is, as a follow up of the KEK status that had just been obtained by this district. To achieve this goal, that is to say, to realize a dream become a reality, the author tries to explain the benefits of ownership of a logistics center in our own territory. The author also reminds the government that the distance (in nautical miles) between the island of Morotai with the sea ports owned by the five major partners in trade are the average 25% shorter rather than the sea port of Singapore. With the shorter distance, we can be sure that the time it takes to sail from/to the island of Morotai would be greatly reduced significantly.

To ensure that the national logistics center abovementioned really happen on the island of Morotai, construction of a large sea port—including warehouses, transit port, a large dock facility, etc.—has become a must. In other words, if this is really true, there are some benefits that would be obtained by Indonesia, namely:

- cost of products and commodities will be lower since they are handled domestically at a cost of Rupiah currency;
- products and commodities will be much more competitive as the shipping cost is reduced significantly as a result of more short distance between sea ports;
- it will certainly be easier to encourage domestic and foreign investors to open up and develop industries in the three main islands such as Sulawesi, Maluku and Papua which surrounds the island of Morotai;
- to encourage investors to build sea ports as supporting in the areas around the three main islands which incidentally are being promoted by the Jokowi administration;
- to save foreign exchange held by Indonesia significantly; and
- the availability of millions jobs and equitable development in Indonesia.

In writing this paper, the writer uses the simplified phasing guidelines. This is done in an attempt to exhibit that the heart of this paper is focused on the political will of the government to independently build a national logistics center in the country. The writer, in this case, performs the following guidelines;

1. to review representative literature in attempting to put the basis for subsequent analysis and appraisal, the writer invests his time and effort to conduct a study of some periodical local and international journals and books by focusing on qualitative method;
2. add live dimension by personal contacts and discussion; and
3. finalise presentation.

The reminder of this paper is organized into four sections. Section 2 briefly discusses the literature review on the position and potential of the island of Morotai, logistics and trade as well as the benefits of a logistics center. Section 3 discusses the facts and analysis of the basis of export/import commonly held by Indonesia. The author also discusses the followings:

- the dependence of Indonesia to Singapore;
- the location and potential of the island of Morotai that can reliably replace Singapore in the future; and
- efficiency in exports and imports.

Section 4 provides solutions and recommendations, and finally Section 5 elaborates some action plans for implementation needed to be done by the government in the near future.

2. Literature Review

This section covers the review of literature forming the basis of the paper. The aim is to establish the extent and nature of current practice as well as the existence theoretical concepts which are relevant to the paper. The remainder of this section is organized into four parts. The position and potential of the island of Morotai are described first. The following parts describe what logistics and trade are—including the five major countries and/or partners of Indonesia in trade. The benefits of a logistics center that should be owned by Indonesia in the near future are described on the next parts.

Though this section is mainly allocated to examine and draw references to the current body of knowledge found in published materials, journals and books relevant to the areas of study, by no means is the literature review confined to this section alone. Such review can also be found in other section of this paper, where appropriate, to lend credence to the areas discussed. This is however intended to bring the existing literature into the right perspective which would render the paper more meaningful and reassuring to Indonesia, the government that is introduced to how important a logistics center for the big country such as Indonesia is.

The island of Morotai, one of the outer islands of Indonesia and is in the north of the island of Halmahera, North Maluku province, strategically located on the lip of the Pacific Ocean (see Figure). In the north, the island of Morotai is sandwiched in the middle between Japan, Korea, Taiwan, Philippines and China—some of which are major trading partners of Indonesia. In the west is Singapore and and the ASEAN countries, and to the south is Australia and New Zealand, while to the east is the Republic of Palau islands and the other island countries in the Pacific. So it is no exaggeration when the Regent of the Morotai island, Weni R. Paraisu, stating that our island is the front page of the Republic of Indonesia, and is disclosed at time of launch “Wonderful Morotai” in June 2016.

The potential of the Morotai island, which is a district of the division from the North Halmahera District based on [1], to serve as a national logistics center is virtually no doubt. The district with the capital Daruba—with an area of about 1,800 square kilometers and a total population of around 53,000 inhabitants—was once the site of fierce fighting dozens of fighter planes roaring when taking off and landing along the bay Daruba. Thus it is not surprising that for the moment it already has an international airport with a runway 3,000 meters long, which is far more sophisticated than the Soekarno-Hatta airport. In addition, it was also used as a large naval base by the United States under the leadership of Commander of the Western Pacific, General Douglas MacArthur.

In accordance with the objectives of regional divisions as outlined above, the development of potential of a region, based on [2] would have to be the maximum, either in the form of human resources and natural resources owned. This, based on [3], is one of the basic tasks of the government, namely the acceleration of the development of the Morotai district which enable the island immediately transformed into a national logistics center. Although Morotai is not one of locations that can be calculated its distance to other locations in the world, but the distance of Morotai to other location can be determined by using Ternate, the capital of North Maluku. Because of the distance of Ternate (Indonesia) to Pusan (Korea), for instance, is 2,373 (in nautical miles), then the distance of Morotai to Pusan is the distance of Ternate-Pusan which is reduced by 75 (in nautical miles), that is 2,298 (in nautical miles). This distance is much shorter than the distance of Singapore-Pusan, which about 2,843 (in nautical miles).

Although, based on [4], the Strait of Malacca is ranked first in global container shipping line, but it is reasonable since Singapore which in fact does have a large sea port—on of the 10 largest sea ports in the world—its position is very close to the strait. For the future, it is also possible that the Morotai Strait is going to prevail in the first rank, which can simultaneously reduced activities in the strait that separates the island of Sumatera and the Malaysian peninsula. In addition, Morotai island also has another potential, namely tourism, particularly in nautical tourism that is no less charm than Singapore. With the enactment of the Morotai island as one of ten destinations in Indonesia by

President Joko Widodo, the tourism sector on the island, based on [5], will be one of the mainstays for foreign exchange earnings for Morotai in particular and Indonesia in general. The island will also reap other revenues from its own sea port as had been enjoyed by Singapore.

The geographical position which makes Morotai as, based on [6] one of the national strategic areas, namely as a gateway to the archipelago facing directly into the Pacific Ocean. With the potential as describe above, all relating to, based on [7] the moving load, delivery speed, service quality, operation cost, the usage of facilities and energy saving will be easier to be applied.

According to [8] that the scope of logistics has been extended beyond its traditional coverage of transportation and warehousing activities to include packaging, labeling, assembly, purchasing, distribution, manufacturing, finance, customs clearance, and other forms of customer services. These logistics activities are, based on [9] a prime source for revenue generation and add value to distribution centers and warehousing facilities. Regardless of the obstacles that will be faced by Morotai later, the author discusses the benefits that would be obtained by the island.

Firstly, cost of products and commodities produced and shipped from various sea ports in Indonesia will be lower as they are handled in Morotai island, that is in Indonesia territory at a cost of Rupiah (local currency). Thus, products and commodities will be much more competitive as the shipping cost is reduced significantly as a result of more short distance between the Morotai sea port with the sea ports of the five major trading partners. China, for instance, has five large sea ports in the world such as the port of Shanghai, port of Ningbo-zhoushan, port of Tianjin, port of Guangzhou and port of Qinhuangdou, and all of them are much closer to Morotai than Singapore.

Besides that, the government would also be better to invite and convince investors, both domestic and foreign, to be deployed to open up and develop the land and industry areas in the region of the three main islands of eastern Indonesia that surrounds Morotai. The plan to build dozens of small sea ports in the region around Morotai is expected to be quickly contested by investors, and on the other side, they will be more interested in building infrastructure rather than playing on the floor of the stock exchange as long as they have a lot to do. In short, that the construction of infrastructure massively, will surely create millions of new jobs for the people of Indonesia, and in this case, the government would be better prosperity for the people throughout the archipelago.

3 Facts and Analysis

This section covers the identification of facts that is found in Indonesia. The aim is to find factors affecting this country, and on the success or failure of this country in realizing a national logistics center on the one of outer islands owned by the country. Therefore, this will enable the writer to determine which factors owned that should be upheld, for instance, be improved, or be changed.

There are some supporting and inhibiting factors that have to be discussed. Indonesia is a big and rich country that has thousands of islands, where some of them are very strategic, but unfortunately, the country is failing to manage and exploit them. Meanwhile, the small country like Singapore, has the largest sea port in Southeast Asia, and this country is very capable of providing a return for all cargo ships that come with any tonnage.

Since the development of industrial estates in Indonesia is concentrated in Western Indonesia, particularly in Java, then the dependence of this country on Singapore is unavoidable. Silliness that have for years shown by this beloved country in which all related to exports and imports as though fully handled to by the neighbour country, Singapore. In addition, the behaviour and the principle of Indonesian officials who want the easy course, which triggers perpetuation of the dependence.

The government, under the pretext of unreasonable, always said that the country did not have sufficient funds to build infrastructure. They are numb to tell what really happened, for example, that the lack of funds was caused by rampant corruption and so on. They should dare to say the main cause of corruption is, as a matter of fact, consumptive lifestyle which has for years penetrated this nation life, and this can trigger anyone to corruption, kleptocracy, and bribery. Meanwhile, weak law enforcement and rampant injustice are also very potential as a trigger.

From the description and identification given above, it is hope that supporting and inhibiting factors owned by the country in an effort to realize a national logistics center will be easier to be identified. Thus, inhibiting factors will be improved and/or changed, while supporting factors can be maintained. In a nutshell, main reference for analyzing the facts described above is the commitment and political will of the authorities and the Indonesian nation which are supported by the simplicity, honesty and hard work.

4 Solutions and Recommendations

In this section, the author provides some solutions, which is also coupled with recommendations that have to be observed, learned and applied by the government. Thus they are required to do the followings:

- a. The government should be more assertive and hard to ensure that all elements of the nation willing and able to change the mindset in an effort to make big changes. Consumptive lifestyle that is increasingly frenzied should be stopped by removing the various policies and regulations strickly, because it is extremely destructive to the national and state life. Consumptive life caused a lot of havoc for the nation, where almost all the officials and the common people who got caught doing a lot of kleptocracy and corruption, and justifies any means to fulfill the desire that hit all rules and regulations enforced.
- b. With assertiveness and far from a compromise, the government will easily embrace and unite all elements of the nation to unite together for the success of the government programs for a common goal, namely the prosperity of the nation.
- c. The government must be firmer and harder to eradicate corrupt practices ranging from the officials to the common people. The punishment for the perpetrators of corruption can be increased to the death penalty, as a successful run by the Chinese government. For the success of this, legislations related to law enforcement officials such as prosecutors, police, and the Comission, in addition to the laws of corruption itself, must be ratified by a referendum. This is intended to avoid a transaction carried out by various stakeholders in the country, which usually weakens any rules and laws that they made themselves. Essentially, judicial reform, however, is very urgent to be done.
- d. Tax amnesty program that has been issued should be introduced not only by the government alone, bjut should also be helped by all elements of the nation, which means they all have to have the determination and passion for the success of the program.
- e. The government must be able to convince all elements of the nation that the acceleration of infrastructure development in eastern Indonesia will generate many benefits for the nation as a whole. Communities should be invited intelligent to understand that the realization of the construction of a large sea port on the Morotai island is the hope of all elements of the nation. Therefore, we must all agree that Morotai ought to be transformed as soon as possible as a national logistics center, since this will have a positive effect for the development of industry in Sulawesi, Maluku and Papua; so that equitable development and increased prosperity of this nation can be realized.

5 Actions plans for Implementation

Indonesia should have the courage to make a major breakthrough in an effort that reliance on Singapore can be terminated immediately. In this case, the government should become fully conscious that changes have to be performed right now. There are three actions which can be implemented by the government. They are as follows:

1. The government should embrace all elements of the nation to unify the vision, passion and energy to build infrastructure in Eastern Indonesia;
2. The government must continue to try and socialize attracting funds owned by Indonesia citizens which are perched abroad in order to finance the development of infrastructure mentioned above; and
3. And then, the government should also immediately realize the Morotai island as a national logistics center in the future.

It is also suggested that the actions plans mentioned above should not only be considered by the government, but should be implemented immediately. These, however, enable the government to immediately reduce the dependency on Singapore, to save foreign exchange, as well as to put the Rupiah exchange rate at the 'actual position'.

Consolidation of vision, passion and energy of all elements of the nation is to jointly work together to prioritize the development of infrastructure in Eastern Indonesia, such as: the development of sea ports as supporting in Sulawesi, Maluku and Papua, roads and railways, and nuclear power plants etc. is very urgent to do. The central government in Jakarta should cooperate with the local governments in the three main islands, so they immediately prepare land in their respective areas to be used as industrial areas in the future.

Indonesia should learn a lot from China, where in difficult circumstances, this state remained consistently to prioritize infrastructure development. In the past, The China state was often dubbed as the country's bamboo curtain, and certainly from an economic point it was underestimated, but the country persisted and keen to build infrastructure. And now, it is undeniable that the country has succeeded and become a rich country, and it can be said that the GDP of this country is nearly to go beyond the United States GDP.

The funds needed to finance infrastructure development on a large scale in Morotai, in particular and in eastern Indonesia, in general, would be enormous. However, when the development effort is accompanied with strong determination and passion to move forward and be successful, then any obstacles will be easily overcome. All elements of the nation must be united, and they are demanded to strongly support the government that is being intensively socialized the tax amnesty program to foreign countries. These efforts are expected to be successful and able to finance various infrastructure projects.

Eradication of corruption should continue to be encouraged, and if necessary, the Act of corruption must be reinforced and amplified, and passed through a referendum. The aim is that corruption can be eradicated completely, and the state-owned money can be saved. And in turn, the funds saved can be directly allocated to infrastructure development. In the author's estimate, if Indonesia does have the desire to become an industrial country in the near future, we require the construction of at least 8 points of nuclear power plants. The author can only pray that the observer and/or the anti-nuclear NGO to stop rejection of unreasonable and unfounded.

The success of efforts to combat corruption and tax amnesty programs is highly awaited and expected, and thus accelerating the development of a large sea port on the island of Morotai can be performed quickly. And thus, the government is going to quickly be able to conjure the district of Morotai as a national logistics center. This would have multiple effects to move economy in the east region of Indonesia. And the result is a strong impetus for investors, both domestic and foreign, to compete to build industrial estates around the island.

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