

# RELEVANCE OF SHIPPING COMPANIES IN THE REALIZATION OF THE WORLD MARITIME AXIS PROGRAM: A CASE STUDY OF PT SAMUDERA INDONESIA TBK

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## Abstract

PT Samudera Indonesia as a non-state actor has a contribution to Indonesian maritime trade. However, the condition of Indonesia's maritime trade is still far from good criteria based on the Logistics Performance Index in 2014. At the same time, the Indonesian government is making efforts through an international maritime policy, namely the Global Maritime Fulcrum. This article explains the contributions made by the shipping company PT Samudera Indonesia Tbk as a non-state actor in realizing this policy so that makes it relevant. This article uses a descriptive-qualitative approach and uses purposive sampling techniques. By using Liberalism theory and the concept of multinational companies (MNC), it is hoped that we can analyze the studies discussed more objectively. The aim of this research is not only to find out the contributions and relevances of the company PT Samudera Indonesia Tbk itself, but also to find out the extent to which the government involves non-state actors to realize the World Maritime Axis policy. The research results show that PT Samudera Indonesia Tbk contributes to the World Maritime Axis policy, especially on the points of maritime connectivity and maritime culture.

## Keywords:

Trade; Multinational Corporation; Indonesia's sea policy; Global Maritime Fulcrum

## Introduction

Indonesia is known as an archipelagic state. The condition of the sea adjacent to these islands makes Indonesia the only largest archipelagic country in the world. As a country surrounded by two oceans, the vast expanse of sea that surrounds Indonesia is a symbol of sovereignty. The sea is the vanguard of all forms of foreign trade and transportation that want to enter Indonesia. How important the role of the sea is, requires Indonesia to prepare a strategy to maintain its role in the maritime sector.

The role and authority of Indonesia's maritime territory are manifested in foreign policy and the

affirmation of the authoritative maritime territory. Indonesia's maritime political policy begins with preparing all forms of maritime activities. The maritime activities in question include the country's ability to utilize natural resources contained in the sea and its derivative activities such as authoritative and independent maritime trade and transportation. Previously, the Indonesian government's policy in the maritime strategic field began to form and stabilize in the era of President Susilo Bambang Yudhoyono (SBY). In his administration, SBY carried the concept of "million friends-zero enemy" where opportunistic and adaptive policies were the most appropriate choices to increase the sovereignty of Indonesia's maritime territory in the international political constellation.

This idea was re-implemented in the early days of Joko Widodo's first term through Indonesia's foreign policy as the Global Maritime Fulcrum (GMF). There are 5 main priority programs of the Global Maritime Fulcrum which are developed into 7 Pillars of the Global Maritime Fulcrum. These pillars are Marine Resources Management and Human Resource Development; Defense, Security, Law Enforcement, Safety at Sea; Marine Governance and Institutions; Marine Economy and Infrastructure and Welfare Improvement; Marine Space Management and Marine Environmental Protection; Maritime Culture; and Maritime Diplomacy (Presidential Regulation Number 16 of 2017 concerning Indonesian Maritime Policy, 2017). These seven pillars certainly represent the targets achieved as parameters for the success of the Global Maritime Fulcrum policy.

Reflecting on the many achievement targets represented in the 7 pillars, Indonesia's strategic partners are not enough to rely on the existence of the government alone. In international relations, it is also explained that the actors of international relations are not only countries, but also non-state actors. One example of a non-state actor is a multinational company or commonly known by the English term MNC or multinational corporation. According to UNDP, MNC in a broad sense is a company that controls assets, factories, mines, sales offices, and the like in two or more countries (UN. Department of Economic and Social Affairs, 1973).

One of the multinational companies that is oriented towards exports and imports is a shipping company. Shipping companies have contributed to the program that has been legalized in the

law by the relevant government. Shipping companies have the opportunity to become one of the tools for the government to form a wider network at the international level, especially in the realization of the World Maritime Axis policy. However, there are several facts on the ground that make the policy not run optimally.

*First*, the gap in sea transportation facilities between public and private transportation. Ninety percent of all sea transportation infrastructure is used as public transportation. Meanwhile, only 10 percent of the rest is used in the private sector (Kalinichenko & Kalinichenko, 2016). Second, there are approximately 1,129 relatively small and underdeveloped non-commercial ports in Indonesia. These ports are partly owned by port operator units, local governments, or the private sector that are not developed for high-pace trading activities. This is one of the factors in the low logistics performance index. Based on the Logistics Performance Index in 2014, Indonesia was ranked 53 out of 160 countries, below Southeast Asian countries such as Singapore (5), Malaysia (25), Thailand (35). This is an ironic note for Indonesia, which is known as a country with a very large water area. The problem that has been felt by maritime industry players, especially in the logistics sector, is dwelling time<sup>1</sup> which is ineffective and the logistics costs are relatively expensive compared to neighboring countries.

According to these data, it can be concluded that the maritime infrastructure intended to realize PMD, especially in terms of inter-island connectivity, is not maximized for export-import purposes. In fact, export-import shipping service providers in Indonesia are executed by private parties and even foreign private parties. Indonesia does not yet have an international-scale national shipping company capable of supporting exports and imports (Widi Hendriyo, 2021). The role of private shipping companies is so great in creating PMD policies. This is an important concern because ideal international trade activities and are realized through PMD policies must involve national private parties.

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<sup>1</sup>Dwelling Time according to Hasan, et al (2019) is the duration required for a container at the port before being transferred to the next mode of transportation. Or the time calculated from when a container is unloaded from a ship until the container exits the main gate of the terminal or the main gate of the port.

One of the Indonesian private shipping companies that contributes to the sustainability of the maritime industry in Indonesia is PT Samudera Indonesia Tbk. PT Samudera Indonesia Tbk (SI) was established on November 13, 1964 in accordance with the attached Deed No. 33 of 1964 with the official owner Soedarmo Sastrosatomo (Tjandra, 1988). This company was initially pioneered in Surabaya which at that time the company's ownership was still in the hands of the Dutch East Indies under the name NV. ISTA (Internationale Scheepvaart Transport Agenture) and merged with another shipping company, namely Indonesia Stevedoring Ltd (INSTEL). In 1964, along with the policy of selecting shipping companies throughout Indonesia, PT Samudera Indonesia (SI) was officially established. This company has a subsidiary in Singapore and has been listed on the Singapore Stock Exchange since 1997. The company is one of the 7 largest shipping companies in Indonesia following PT Pelni, PT ASDP Indonesia Ferry, and PT Temas (Kliklogistics, nd).

Research on the contribution of shipping company PT Samudera Indonesia Tbk is expected to increase insight into non-state actors that play an important role at the international level. In addition, to find out to what extent the government during President Joko Widodo's first term has involved non-state actors in order to realize the World Maritime Axis policy.

## **Literature Review**

### **1. Liberalism Theory**

In a democratic government, liberalism brings great progress, especially in economic growth. Privatization of assets and wealth is one of the things that drives economic liberalization. This phenomenon is known as *laissez-faire*, where state or government power is not much involved in economic activities carried out by its citizens. Not only that, liberalism also gives rise to economic liberalization at the domestic and international levels. Liberalism does not use the political power of the state as a reference. This is strengthened by the emergence of the development of the ideology of Sociological Liberalism. Sociological liberals are at odds with the understanding that the state is the main actor in the connection between sovereign countries. Sociological liberals consider this understanding to be narrow.

International relations are not only relations between sovereign countries. But also transnational actors such as individuals, communities, groups, and organizations from other countries. According to James Rosenau, transnational is described as "a process in which international relations carried out by governments have been accompanied by relations between individuals, groups and private communities that can and have important consequences for the course of various events (Jackson Robert & Sorensen Georg, 2013).

## **2. The Concept of Multinational Corporations (MNCs)**

*Multinational Corporation*(MNC) in Indonesian means multinational company. By definition according to UNDP, MNC emphasizes the word 'multinational', namely company activities involving more than one country. In general, MNC has branches abroad and is still part of the parent company. Branches abroad can be subsidiaries with a minimum of 25% of the total shares, fully under the control of the parent company or 25% of sales and assets (UN. Department of Economic and Social Affairs, 1973).

MNCs become important actors in the economy. The presence of MNCs has become a global phenomenon in international relations to date. The presence of MNCs has triggered cooperation between countries, especially in terms of economic development and investment. This is in line with the definition of MNC according to John H. Dunning who prefers the term MNE (multinational enterprise) to MNC.

*"A multinational or transnational enterprise is an enterprise that engages in foreign direct investment(FDI) and owns or in some way controls value-added activities in more than one country."*

This means that multinational companies are companies that generally operate in a foreign direct investment system or better known as foreign direct investment or FDI.<sup>2</sup> In addition, this

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<sup>2</sup>According to James Crotty et al. in a journal entitled *Multinational Corporations, Capital Mobility and the Global Neo-Liberal Regime*, Foreign Direct Investment (FDI) or foreign direct investment is an investment of equity capital outside the parent company's home country. This investment represents control over the economic activities of a company that generally has more than 10 percent of shares.

company has a certain way to control and manage activities that have added value in more than one or many countries. In this case, the international relations that are established are formed based on the economic interests of the country. One of them is by opening up direct foreign investment as widely as possible in order to realize the economic growth of the country concerned. However, FDI remains a challenge for both developing and developed countries.

### **3. The Concept of the World Maritime Axis**

The world maritime axis (PMD) or in English, Global Maritime Fulcrum (GMF) is a national grand strategy or general concept of maritime strategy initiated by the 7th president of the Republic of Indonesia, Joko Widodo. This concept was conveyed by him in his victory speech in the 2014 Presidential-Vice Presidential Election on July 22, 2014. This speech was very unique because the maritime discourse that was widely conveyed in the presidential-vice presidential debate was executed as a symbolic performance in the victory speech which took place on the Phinisi Ship, Sunda Kelapa Harbor, North Jakarta. This further convinced the Indonesian people that the Joko Widodo government would always pay attention to its maritime conditions.

The 5 priority program clusters of the World Maritime Axis are maritime culture, marine resource development, infrastructure and connectivity development, maritime diplomacy, and defense. These five pillars must be based on national interests so that all their benefits are used as much as possible for the welfare of the Indonesian people. This policy is also a representation based on national interests and upholds justice and maximum utilization for the welfare of the Indonesian people. This policy is a form of development of several basic principles, namely the archipelago insight, sustainable development, blue economy or marine economy, integrated and transparent management, participation and equality and equity.

Indonesian President Joko Widodo (Jokowi) brought the PMD concept in a presidential speech at a summit, namely the 9th East Asia Summit in Nay Pyi Taw, Myanmar on November 13, 2014. In his speech, President Jokowi began with the first point, understanding the PMD concept that grew from the insight of the nation and maritime culture of Indonesia. Second, planning regarding the management of marine resources so that Indonesia becomes a sovereign archipelagic country in the fisheries and seafood industry so that it is able to support small

fishermen in coastal areas. Third, increasing connectivity through the development of maritime infrastructure. Fourth, persuasion regarding maritime cooperation and diplomacy between countries. These efforts are aimed at maintaining national and regional stability from the threat of maritime and regional conflicts. Finally, President Jokowi emphasized that Indonesia's role in the Indian Ocean and Indo-Pacific regions is very large, especially in the field of maritime defense and security. The points that further explain PMD have value as tips for the limitations of policy implementation.

After this discourse was launched internationally, many perceptions emerged regarding PMD. The term Global Maritime Fulcrum (GMF) is not the only term interpreted by international media and international relations academics. As stated by TIME magazine with the main topic title, The New Face of Indonesian Democracy. The World Maritime Axis is referred to as the Global Maritime Nexus as a simple form of the term GMF. Furthermore, the term Global Maritime Axis was written in an article analyzing Australian foreign policy. Global Maritime Axis is a concept that spreads the spirit and hope of the old motto, namely *Jalesveva Jayamahe* or in English widely known as the term "it is at sea we shall prevail". This motto has been conveyed by President Jokowi in his inaugural speech after his inauguration in Senayan. He said "We have turned our backs on the sea for too long, turned our backs on the oceans, straits and bays. Now is the time for us to restore everything, so that '*Jalesveva Jayamahe*', at sea we are victorious, as our motto in the past, can return again" ("President Jokowi: As a Maritime Nation, We Return *Jalesveva Jayamahe*," 2014). Perceptions of PMD have different terms but their meanings are not far from the grand concept of Indonesian maritime politics as the world's maritime axis.

## **Methods**

The author uses qualitative research methods. Qualitative research is one of the studies commonly used in socio-political science studies. This research relies heavily on human observation and deals with language and its terminology (Maxwell, 2012). The results of qualitative research data are usually in the form of interview results, field observations, and document information. Literature studies are also a way to obtain supporting information data so that the research is credible.

The research data consists of primary and secondary data. Primary data is the main data that influences the research results. In this study, primary data is in the form of interview results with purposive sampling techniques. Furthermore, secondary data is in the form of literature reviews, academic research results, trusted news sources, and other literature studies that support the validity of the research. In this case, the researcher used data from the Annual Report of PT Samudera Indonesia Tbk from 2014 to 2019, the RPJMN from 2015 to 2019, and relevant literature studies such as academic journals, books, and news sources.

In this study, the collection technique used was purposive sampling technique. Purposive sampling technique is a sampling determination technique based on certain considerations (Rosdianto et al., 2017), which is considered in accordance with the criteria needed to support the research. In this study, the author chose informants as samples with the criteria of informants who were experienced in the shipping sector and/or worked at PT Samudera Indonesia Tbk. The brief biodata of the 2 informants in this study are:

1. Ibrahim Kholilul Rohman, M.Sc., Ph.D.

Mr. Ibra is a lecturer in economics at the University of Indonesia and a senior economist at Indonesia Financial Group Progress (IFG Progress). Mr. Ibra pays a lot of attention to his research on digitalization in the field of financial economics. Prior to IFG Progress, he was the Head of the Samudera Indonesia Research Initiatives (SIRI) Department. He is also the former Director of Crewing Samudera Indonesia. Not only working at the head office, he is also directly involved in the field.

2. Ebi Junaidi, Ph.D.

Mr. Ebi is a lecturer in economics at the University of Indonesia and Head of the Samudera Indonesia Research Initiatives (SIRI) Department. Mr. Ebi is very active in his research, especially in Behavioral Economist (economic behavior) and Risk and Corporate Finance (corporate risk and finance). Until now, he is very active in leading and designing all programs implemented by SIRI.

In this study, both sources were willing to be interviewed based on questions that had been prepared by the author. In this case, data collection was carried out with unstructured interviews.



Each source received approximately 5 core questions along with several supporting questions.

## **Results and Discussion**

### **PT Samudera Indonesia Tbk as a Multinational Shipping Company in Indonesian Shipping**

Economic liberalization is crucial in maintaining the existence of a country. Economic liberalization occurs because of the benefits of exchange between countries that trade both in terms of production and consumption. Given that each country has superior resources that are comparative and competitive. The existence of trade between countries gives rise to free trade or commonly called free trade<sup>3</sup>. Free trade has more or less influenced private companies to expand trade to the global level. At this point, multinational companies have contributed to the development of the country's economy. Some countries consider that free trade causes economic efficiency because trade between countries is free from state bureaucratic barriers. Free trade, of course, in the field of goods and services, results in economic activities from the macro to the micro level.

Strategic geographical conditions make Indonesia have the opportunity to utilize marine resources, one of which is export-import trade. This is a responsibility as well as a great opportunity for shipping-based companies. Shipping companies are the most easily accessible business option for the creation of export-import activities. Shipping companies in Indonesia act as a liaison in international trade, especially in the Asia Pacific region. Company expansion is a target that must be achieved for some shipping companies in Indonesia. Therefore, national shipping companies emerged that established their subsidiaries abroad and gradually developed into multinational shipping companies or MNCs.

Company expansion is one of the targets pursued by a private multinational shipping company called PT Samudera Indonesia Tbk. PT Samudera Indonesia Tbk (SI) is a multinational shipping company that has been established for a long time, precisely on November 13, 1964. This

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<sup>3</sup>Free Trade or free trade is a government policy in the economic sector in which a country wishes to simplify the conditions for carrying out trade activities between countries or at the international level.

company was founded by an Indonesian nationalist named Soedarpo Sostrosatomo. Before becoming one of the pioneers of Indonesian shipping after independence, Soedarpo was a nationalist follower of Sutan Sjahrir who played a major role in the sovereignty of Indonesian sea territory. He became a political courier in the Amir Sjarifuddin Cabinet during the Linggarjati negotiations in 1946. From that point, Soedarpo finally began his career as a diplomat representing the Republic of Indonesia in the United States from 1945 to 1950. Negotiation became Soedarpo's main key in realizing Indonesian sea sovereignty after independence. After deciding to resign from his position as a diplomat, Soedarpo had a great desire to Indonesianize Dutch East Indies companies that were still full of foreign human resources (Anwar Rosihan, 2001). Next, he decided to charter and operate his own ship and carry out the project so that finally he changed NV. ISTA into an Indonesian shipping company. The spirit of high nationalism was applied in the policies taken by Samudera Indonesia while sailing in the Indonesian sea.

At the beginning of its establishment, SI became a shipping company that received public recognition and from authoritative institutions both domestically and abroad. One form of company expansion carried out by SI was to establish a subsidiary in Singapore. The company is known as SSL or Samudera Shipping Line Ltd. Samudera Shipping Line Ltd was formerly one of the divisions for the extension of SI's international container shipping from Feeder<sup>4</sup>Division. The division was established in 1988 and operated in Singapore. Eventually, the division developed into an independent business unit on December 22, 1993. SSL then conducted an Initial Public Offering (IPO)<sup>5</sup> on the Singapore Stock Exchange under the name Samudera Shipping Line Ltd on September 13, 1997. SSL offers regional container shipping business services as a feeder (Samudera Indonesia, 2022). According to the current head of the Samudera

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<sup>4</sup>According to Kliklogistics, Feeder vessels are container-carrying cargo ships that operate as a link between small ports and major ports or hubs. Given that small feeder vessels allow them to operate in shallower ports or with limited access.

<sup>5</sup>According to MNC Sekuritas, Initial Public Offering (IPO) is a stage carried out by a company where the issuer sells some of its shares to the general public. This is done with the aim of supporting the company's operational costs and supporting the company's expansion.

Indonesia Research Initiative (SIRI) department, Ebi Junaidi, until now SSL contributes 80 percent of income to our company in the Samudera Shipping business line as the 'backbone' of its business (Personal Communication, 2024). SSL is also trusted to carry out export-import activities by the Singapore government through coordination with the Maritime Port Authority of Singapore (Pemmaraju Satya Prem, 2024).

Currently SI has 73 offices in Indonesia and 13 branches abroad. The total number of employees is more than 6,500 employees who have capabilities according to their fields. There are 3 key strengths as values that are upheld, namely; 1. Reliable Professionals or reliable professional human resources. 2. Solid and Trustworthy Reputation or a solid, consistent, and trustworthy company reputation. 3. Integrated Services or integrated services or integrated shipping, port, and logistics services. SI develops 5 business lines, namely Samudera Shipping, Samudera Logistics, Samudera Ports, Samudera Property, and Samudera Services. SI has 3 types of international container shipping lines, including, the Southeast Asia Line operates 9 container shipping from hub ports<sup>6</sup> in Singapore connects major ports in Indonesia located in Jakarta, Surabaya, Semarang, Belawan, Palembang, and Pontianak. The East Asia route covers China operating from Shanghai to Singapore, Malaysia, India, and Sri Lanka. The Intercontinental route operates 17 container shipping in Chennai, Kolkata, Mumbai, Mundra, and Pipavav in India, Chittagong in Bangladesh, Colombo in Sri Lanka, and Karachi in Pakistan. While the domestic route operates hub ports in Jakarta, Surabaya, and Makassar. As well as branch ports in Medan, Padang, Pontianak, Banjarmasin, Samarinda, and Bitung. In addition to container shipping, SI serves bulk cargo (bulk) and tanker (oil) shipping by operating approximately 25 ships including bulk cargo, LNG (Liquified Natural Gas), and gas and chemical tankers.

As a multinational company, SI maintains its global reputation (global exposure) through several ways. According to Samudera Indonesia Annual Reports from 2015 to 2019, these methods include; 1. Adaptive and consistent amidst dynamic international economic conditions. 2. Addition of vessel, tanker, bulk units, as the company's main support. 3. Domestic and

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<sup>6</sup>According to expert Sophia Shkuro in Searates Blog, Hub port or transshipment is a large port that is able to facilitate international shipping mother vessels (large ocean-going mother vessels) to dock to transfer the containers they carry so that they can be easily distributed to feeder ships.

international company expansion. This strategy is carried out to maintain the company's credibility and reputation. From an investor's perspective, any maneuver carried out by SI is important, especially in difficult situations. Such as in 2015, when global economic conditions declined due to falling oil prices. This phenomenon harmed European countries, the United States, China, Japan, Brazil, India, and Asian countries including Indonesia. SI was able to survive by optimizing company assets and eliminating uneconomical assets in all business lines and increasing business effectiveness through efficient time service. In the same year, SI had a total gross income of US\$ 451 million, down 11.6% from the previous year. However, in the Samudera Terminal business line, SI benefits if the revenue is converted into Indonesian rupiah (Towards Second Half of The Century 2015 Annual Report, 2015). SI was able to maintain this resilience and adaptive nature, especially when a similar global phenomenon occurred, namely the COVID-19 Pandemic in early 2020.

The addition of vessels, tankers, and bulk is done according to the company's needs. In 2016, SI added 2 units of ships, namely the Sinar Banda container ship used for regional routes and the MV Sinar Papua container used for domestic routes (Reinforcing Samudera Indonesia 2016 Annual Report, 2016). This effort, in addition to strengthening the business in the national logistics sector, also supports government programs such as port development and cross-island transportation procurement. In addition to container ships, there is also the launch of the iStow bulk carrier ship in 2023 as the largest bulk carrier owned by SI with the ship name MV Amanah Morowali AMC. This ship has also been certified by the International Association of Classification Societies (IACS Class).

Furthermore, SI maneuvered to maintain its company's existence at the global level. SI acquired 50% of Nippon Yusen Kabushiki (NYK) Japan's shares in LNG East-West Shipping Company (LNG-EW). As a multinational company, acquiring shares in an LNG tanker-based shipping company is a very appropriate decision. Given the policies implemented by the International Maritime Organization (IMO) which require SI to run its business based on the principle of sustainability. This is an opportunity for Indonesia as an LNG producing and exporting country because the international market is currently increasingly in need of LNG (Daelami, 2022). In

addition, by owning environmentally friendly ships, it will certainly encourage foreign exporters to use SI ships to export their goods without being hindered by the requirements set by the IMO which require the use of environmentally friendly ships.

SI as one of the non-state actors also tries to maintain Indonesia's diplomatic relations with other countries. After Samudera Shipping Line Ltd (SSL) was finally listed on the Singapore Stock Exchange, in 2000 SSL was successfully listed on the Mainboard of Singapore Exchange Securities Trading Limited. This development has a significant impact on Indonesia's maritime economic diplomacy (Sutrisno, 2024). This is because SSL operates as a leading multinational company, so not just any company can be listed on the Mainboard of Singapore Stock Exchange Securities Trading Limited. This also includes the company's decision to respond to international issues. On March 31, 2016, SI through PT Silkargo Indonesia carried out the export shipment of passenger trains produced by PT INKA (a state-owned railway company) from Madiun to Chittagong, Bangladesh (Reinforcing Samudera Indonesia 2016 Annual Report, 2016). Still with the same subsidiary, on November 22, 2019 PT Silkargo Indonesia signed a contract for the distribution and export of the first national electric motorcycle (Gesits) produced by WIKA Indonesia (a state-owned construction company) (Plowing Through Challenges PT Samudera Indonesia Tbk 2019 Annual Report, 2019). SI also strives to contribute to providing humanitarian assistance on international issues such as sending logistical assistance from the Indonesian government to the Sri Lankan government on February 14, 2017. Sending health assistance to the Rohingya community in Bangladesh on September 21, 2017 (Shifting Paradigms Pursuing Priorities 2017 Annual Report, 2017). Up to sending humanitarian assistance on international issues that have attracted a lot of attention, namely the Palestinian Humanitarian Crisis in collaboration with Aksi Cepat Tanggap on February 21, 2018.

### **The Relevance of PT Samudera Indonesia Tbk in the Realization of the World Maritime Axis Program**

When referring to the meaning of maritime, an archipelagic country like Indonesia should have adequate sea infrastructure to connect activities and mobilization between islands. Given that

the trade supply chain or logistics performance is the backbone of international trade and business. Based on a World Bank survey, national logistics costs in 2014 were quite large, namely 24% of Gross Domestic Product (GDP). Meanwhile, neighboring countries such as Thailand were at 16% of Thailand's national GDP.

The presence of PMD is an approach that integrates supply chain circulation to be more effective, thereby increasing the logistics performance index. Given that PMD is basically a national grand strategy or national grand strategy to achieve national interests. This concept also represents the interests of the Indonesian state, especially in the field of sovereignty security and maritime economy. According to Habibie Center researcher, Muhammad Arif "PMD is a strategic value for Indonesia as an archipelagic country, Indonesia has a strategic position to invite other countries to interact and become a unique diplomatic capital." (Purnamasari & Rastika, 2019). Or in other words, when President Jokowi announces the national grand strategy, it will have an impact on the perspective of foreign countries regarding Indonesia's maritime policy.

Still under the same policy, the government enforces the cabotage principle<sup>7</sup> since 2008 until now. This principle strengthens the sovereignty of Indonesia's maritime territory, especially inter-island connectivity. It also helps people's shipping and the national private shipping industry to be more empowered domestically. However, there are several important notes in the policy according to the Chairperson of INSA, Carmelita Hartoto, who revealed that Indonesian shipping is still less competitive than international shipping. The reason is, there are still many foreign ships sailing in Indonesian waters that are not taxed at all, while Indonesian-flagged ships are subject to many taxes. It will be difficult to compete, especially at the international level (Jawa Pos, 2016).

According to Coen van Dijk, Indonesia has great potential for investment in the maritime

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<sup>7</sup>The Cabotage Principle is a requirement for national shipping companies to encourage the growth of national shipping. This means that cargo transportation activities in Indonesian waters must use Indonesian-flagged ships. Hardani (2016). The Existence of the Implementation of the Cabotage Principle in Indonesian Waters in Facing the Implementation of the ASEAN Economic Community. Journal of International Law and Relations. Accessed on January 14, 2025.<https://ejournal.uajy.ac.id/11118/1/JURNAL.pdf>

industry driven by its strategic geographic location and the government's great interest in maritime infrastructure represented in the PMD. BKPM (Investment Coordinating Board) announced that the estimated amount of investment in

national in the first quarter of 2017 reached 12.3 billion USD, 13.2% higher compared to the first quarter of the previous year (Realization of Domestic Direct Investment-Foreign Direct Investment in the First Quarter of 2017, 2017). The potential and openness of large investments are expected to boost infrastructure development in the maritime sector. In accordance with the National Industrial Development Master Plan 2015-2035, the transportation industry is the 4th priority industry for development after the food, health, and clothing industries.

Funds from investors in the PMD policy have provided quite real developments felt by Indonesia. The development of this PMD policy can be seen from one of its programs, namely the construction of sea toll roads accompanied by improvements to port infrastructure spread across Indonesia. This marine-based transportation program also strengthens the image that it wants to build as a Global Maritime Fulcrum. In this case, the construction of sea toll roads aims to provide a definite and orderly transportation network through the provision of water transportation services with a subsidy pattern, accompanied by improvements to port facilities. In addition to the development of water transportation infrastructure such as sea transportation and ports, the government is also accelerating connectivity and reducing logistics costs in order to obtain greater economic benefits. The impact that can be felt most by the Indonesian people, especially in Eastern Indonesia, is the price disparity between commodities. Price disparities in eastern Indonesia can be reduced. The government provides subsidies for the transportation of basic necessities and other important goods so that transportation costs are reduced by 50 percent from the initial price (Herin, 2024). Of course, this phenomenon has not occurred throughout Indonesia.

#### **A. Efforts to Build Connectivity in the World Maritime Axis**

Along with the implementation of the sea toll in 2015, in the same year, SI also participated indirectly through a long-term corporate plan. 2015 was SI's first step in planning long-term development by continuing its 50-year business as a pioneer of cross-regional connectivity both at the national and international levels. Although not directly involved, in accordance with one

of the priority program clusters of the World Maritime Axis, namely Maritime Connectivity and the points contained in the 5th pillar, namely 'Maritime Economy and Infrastructure and Prosperity Improvement', Samudera Indonesia was able to demonstrate its contribution to Indonesian maritime affairs.

In 2015, SI still had 4 categories of company sub-fields, namely Samudera Shipping, Samudera Logistics, Samudera Terminal, and Samudera Agencies. This categorization aims to regulate the types of services of companies under SI's management. First, Samudera Shipping is a business unit that provides goods delivery services using ships such as container transportation, containers, and bulk cargo with a shipping area coverage in Asia and globally. Second, Samudera Logistics is a business unit that provides goods management services from the point of origin to the final destination or in other words, the arrangement of the goods distribution process. Including warehouse arrangements, domestic shipping, and services involving the integration of various modes of transportation. Third, Samudera Terminal is a business unit that provides port terminal operation services and loading and unloading from ships. This helps improve the operational efficiency of the port. Fourth, Samudera Agencies is a business unit that provides ship agency services such as arranging ships to dock and all needs involving the port (Samudera Indonesia, 2022).

Four business lines are provided by SI from the starting point of production of goods until they reach the hands of customers across regions, both domestic and international. These business lines are provided to create an integrated logistics system. Integrated logistics or in Indonesian integrated logistics is an approach or strategy to optimize SCM or supply chain management. This strategy focuses on the process of the flow of goods or services from producers, suppliers, manufacturers, retailers<sup>8</sup>, to consumers who are interconnected. This is done with the aim of improving customer service, reducing costs, optimizing warehouse inventory, increasing flexibility, and encouraging continuous improvement (Bunyan, nd).

In addition, integrated logistics generates revenue that rotates from upstream to downstream. According to former head of the Samudera Indonesia Research Initiative (SIRI) department,

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<sup>8</sup>According to One-ERP, Retailer is a trading business model through individuals or companies by selling products directly to consumers (end users) or commonly known as Business to Consumer (B2C).



Ibrahim Kholilul Rohman,

*"Integrated logistics is a lot of economic activities generated by the company"* (Personal Communication, 2024).

Economic activities that occur from upstream to downstream due to integrated logistics greatly boost the company's income so that employees are paid appropriate salaries. In addition to benefiting the company, income also increases the country's foreign exchange. The current head of the SIRI department, Ebi Junaidi,

"For example, an exporter wants to send goods abroad using an Indonesian-flagged ship, automatically the profit from the shipping service goes into Indonesia's state revenue. Likewise, when Indonesia exports goods using an Indonesian-flagged ship abroad, the profit from the shipping service also goes into state revenue" (Personal Communication, 2024).

Moreover, Indonesia is geographically an archipelagic country and is located on a crossroads. Of course, the existence of integrated logistics carried out by SI greatly encourages a more efficient shipping system and does not require a long time in carrying out export-import activities between islands spread throughout Indonesia.

In line with the integrated logistics concept above, basically the concept adapts to the geographical conditions of Indonesia which is an archipelago, requiring the government to facilitate infrastructure connecting the islands from Sabang to Merauke. Of course, the PMD program is not an easy program. Openness of investment is needed for development and the involvement of private parties who are also engaged in the maritime and logistics industry. However, so far, maritime and logistics industry players in Indonesia have been dominated by the private sector.

"Pertamina and PELNI, they charter cargo for their own interests (state needs) They do not perform at all. Not a single BUMN operates at sea." (Personal Communication, 2024).

This is where the role of shipping companies is really needed to create connectivity between islands throughout Indonesia, such as PT Samudera Indonesia Tbk.

In accordance with the Presidential Regulation on Indonesian Marine Policy Number 16 of 2017, sources of financing for marine development other than the APBN and APBD, one of which also comes from private contributions. The financing scheme that can be done through several options, namely Public Private Partnership (PPP) or cooperation between the government and the private sector or non-governmental organizations, Corporate Social Responsibility (CSR), direct lending from development partners to BUMN, and Municipal Development Fund.

Samudera Indonesia together with the government is collaborating in the PPP scheme on several national programs as maritime support such as the construction of a port in Palaran, namely the Palaran Ocean Port. The plan was initiated in 2015, through the signing of the MoU for the construction of the Palaran Ocean Port as a national vital object together with Pelindo IV. This cooperation aims to maintain the security stability of the Palaran Ocean Port, which is a subsidiary of Samudera Indonesia, so that it can operate safely, effectively, and efficiently as one of the buffer ports of the Indonesian Capital City (IKN) (Antarafoto, 2023). Until 2023, PSP was made a national vital object because along with the relocation of the National Capital City (IKN) (Daton & Rusiana, 2023), the demand for freight traffic in Samarinda City, East Kalimantan increased rapidly.

In addition to the port in Palaran, SI launched ships to support the sea toll program. Through its subsidiary PT Yasa Wahana Tirta Samudera (Samudera Shipyard), SI launched the Sabuk Nusantara 98 ship in October 2017 and Sabuk Nusantara 106 in June 2017. The two ships were ordered by the Directorate General of Sea Transportation, Ministry of Transportation of the Republic of Indonesia (Forddanta, 2017). The construction of the two ships began on November 3, 2015 through the signing of a contract by Samudera Shipyard. The two ships are used as connectors for small islands that cannot be accessed by large ships.

"In addition, SI through SIRI conducted joint research with the World Bank regarding the welfare of coastal communities in the Nusa Tenggara Islands" (Personal Communication, 2024).

The port infrastructure that has not yet been built has hampered the local community from working, so the World Bank is willing to help build a Ro-Ro Ship to support community activities and connect the sea toll road in the Nusa Tenggara Islands ("Minister of Transportation: World Bank Will Help Build Ro-Ro Ships, Improve Connectivity in NTT," 2022).

There are several important notes that the government must pay attention to regarding PMD, especially in the sea toll policy. During the implementation of the sea toll, transportation cost subsidies were only given to ships under the auspices of the operator PT Pelayaran Nasional Indonesia (Persero) or Pelni. Private ships have only been given subsidies recently (Herin, 2024). This is a consideration that is quite difficult to do considering that the APBN is also limited.

In addition, logistics infrastructure is still not sufficient for the needs of the supply chain flow, even though Indonesia is an archipelagic country. In this case, logistics infrastructure is not only ports, but also other supporting facilities such as highways, terminals, logistics warehouses and the like. Supporting facilities to be able to access seaports have a significant impact on economic development in areas outside Java. This supports the economic activities that occur and the creation of jobs for the surrounding community. Human resources who have capabilities, especially in the logistics and maritime fields, especially outside Java, are greatly needed.

#### **B. Efforts to Develop Maritime Culture in the World Maritime Axis**

During SI's operation, the company prioritizes the quality of its human resources. According to SI, quality human resources are a long-term investment and can be a competitive advantage for the company. Human resources with high competence and performance make the company able to compete in the industry they are in so that it will be easier to achieve the goals and objectives that have been set. In this case, SI is recruiting Indonesian human resources who have the capability and are able to compete nationally and internationally. The integrated logistics concept that SI has implemented since 2015 has created many economic activities that generate income, thus having a positive impact on the welfare of its human resources.

The quality of human resources is closely related to one of the priority program clusters of the World Maritime Axis, which is fundamentally maritime culture. Based on Presidential Regulation Number 16 of 2017, the purpose of the maritime culture point is to provide a broad and comprehensive fundamental understanding to all levels of Indonesian society regarding

maritime insight. Later, maritime insight is expected to take root so as to form a sustainable culture and can be passed down from generation to generation. One of the programs implemented based on the presidential regulation is to increase education and public awareness about maritime affairs which is realized through all paths, types, and levels of education (Presidential Regulation Number 16 of 2017 concerning Indonesian Maritime Policy, 2017). It can be concluded that this maritime culture program is realized through educational institutions, both formal and non-formal.

Samudera Indonesia has formed a human resource development department called SICU or Samudera Indonesia Corporate University. SICU facilitates SI employees in building competencies and skills regarding all things maritime and logistics business both at national and international levels. Since 2017, SI has involved 1,496 of its employees in 25,048 hours of training for a year (Shifting Paradigms Pursuing Priorities 2017 Annual Report, 2017). The training held is adjusted to the company's needs and in collaboration with various related institutions. SI believes that human resources are the company's intangible assets that must be developed and continued from time to time.

"In the future, this human resource development program will be able to produce "the so-called global maritime professional" for Indonesian people who are interested in working in the maritime sector, not only in the Indonesian Ocean, but also abroad." (Personal Communication, 2024).

An important note that the government must remember regarding the understanding of maritime culture lies in the lower middle class of Indonesian society. The same presidential decree states that "the maritime culture policy aims to provide a comprehensive understanding of maritime insight in all levels of society..." In fact, until now, the assumption based on research results that have developed in Indonesian society is that work at sea does not guarantee welfare such as ship crews or fishermen (Indraswari, 2023). Meanwhile, based on data from the Ministry of Transportation of the Republic of Indonesia, there are 10 maritime vocational colleges and 2 maritime training centers under the Ministry of Transportation, 18 colleges and academies

outside the Ministry of Transportation or private, and 34 state and private maritime vocational schools (Ministry of Transportation of the Republic of Indonesia, 2021). The potential for human resources is very large, but there is a "distance" in the understanding of maritime culture between levels of society because fundamental knowledge about the sea and maritime can only be accessed by people who have access to education.

Samudera Indonesia utilizes a corporate social responsibility financing scheme to respond to the issue. SI through the Samudera Indonesia Peduli department built a sustainable village in Tayan Village, West Kalimantan. SI also built a reading park in the coastal area of Muara Gembong, Bekasi, West Java. The development program aims not only to improve the welfare of coastal communities but also to support the younger generation (generation Z and Alpha) in coastal areas to be proud of their identity as coastal communities who play an important role in the sustainability of marine resources, maritime affairs, and marine culture.

Basically, SI's contribution in realizing the concept of the World Maritime Axis has a positive impact on the sustainability of Indonesia's maritime and marine conditions. As a multinational company, SI also openly accepts the cooperation that will and has been built by the government in realizing the concept. However, in its implementation, the PMD policy has not fully mobilized maritime actors, especially the shipping and logistics industry in Indonesia optimally. There is a disconnect between the phrases in the national wide strategy and the reality that occurs around us (Personal Communication, 2024).

Nevertheless, all forms of activities that have been implemented by PT Samudera Indonesia Tbk have been able to demonstrate the relevance and synergy in the World Maritime Axis policy in real terms. The task of the Indonesian government is to accommodate all forms of trade activities in accordance with applicable laws so that cooperation between the parties is established in a real way and is not temporary.

## **Conclusion**

Indonesia's foreign policy, the World Maritime Axis, is expected to support national programs so that they have a positive impact on the country's economy. The World Maritime Axis as a national image strives for Indonesia to be connected in its maritime activities at the national and

global levels. The programs contained in the World Maritime Axis can be carried out through cooperation with national private shipping companies. Private companies as non-state actors actually play a very important role in the sustainability of maritime activities in Indonesia.

PT Samudera Indonesia Tbk as a national shipping company that has long been global is trying to contribute to the World Maritime Axis policy. The company contributes to two priority PMD program clusters, namely Maritime Connectivity and Maritime Culture. Through the concept of integrated logistics, SI is able to connect maritime connectivity between islands in several regions of Indonesia through the procurement of ship units in collaboration with the government. In addition, the construction of ports as national vital objects is one form of cooperation between Samudera Indonesia and authoritative institutions, namely the government. In the Maritime Culture program, human resources are the most fundamental thing for the implementation of the PMD program. Through SICU (Samudera Indonesia Corporate University), SI is able to produce trained workers who are able to compete internationally. In addition, by utilizing the company's CSR funds, SI through the Samudera Indonesia Peduli program builds sustainable villages in coastal areas to support its people to be more prosperous and proud of their identity as coastal communities.

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