

## Inter-Island Trade

by Ricky Hasiholan

Indonesia, being the largest archipelagic country in the world where two-thirds of its territory is water, the regulation of Inter-island trade activities is quite important for it in order to realize domestic market integration. Therefore, the Minister of Trade (“MOT”) issued MOT Regulation No. 29/M-DAG/PER/5/2017 on Inter-island Trade (“MOT Regulation No. 29/2017”).



Inter-island trade is a trade activity and/or distribution of goods from one island to another within a province or inter-province, conducted by an inter-island trader by means of crossing the goods by sea or river transportation.

Regulation of Inter-island Trade activities as referred to above must be directed to a) maintain a balance between surplus areas and minus areas; b) minimize price gaps between regions; c) secure the distribution of restricted goods trade; d) developing superior product marketing for every region; e) provide inter-island Trade facilities and infrastructure; f) prevent the entry and circulation of contraband goods in the country; g) prevent smuggling of goods abroad; and h) eliminate barriers to Inter-island Trade.

Inter-island Trade Goods regulated in MOT Regulation No. 29/2017 include a) basic needs goods; b) essential goods; and c) other goods; which can be distributed through Inter-island trade after local needs are met.

Inter-island Trade Business Entities must a) submit the Inter-island Manifest Domestic document to the Head of the Port Authority Office or *Syahbandar*, the head of the trade office, the Director General or the Director

with a copy for the head of the agency in charge of transportation and the local Central Bureau of Statistics; b) distribute Preferred Goods from surplus areas to minus areas in the event of certain conditions which may disrupt national trade activities.

Inter-island *Manifest Domestic* mentioned above must at least contain data and information concerning: a) the identity of the shipper; b) the identity of the recipient; c) the type and quantity of the goods; d) the territory of origin and destination of delivery; e) the transportation mode; and f) the description of goods and tariff heading / HS.

The Inter-island Domestic Manifest shall be submitted by Inter-island business entities to the Director online through SIPT. The Integrated Licensing Information System (Indonesian: *Sistem Informasi Perizinan Terpadu*), hereinafter abbreviated as SIPT, is a domestic trade licensing service system of the Ministry of Trade which is done online through portal <http://sipt.lcemendag.go.id>.

In order to submit the Domestic Manifest through SIPT, inter-island trade business entities shall have SIPT access rights. To obtain SIPT access rights, the business entities must re-

gister through SIPT by filling out the complete and correct forms available and uploading the SIPT registration documents.

The granting of SIPT permission in the form of username and password will be sent by electronic mail (e-mail) to an inter-island trade business entity, no later than 2 (two) working days after the complete and correct documents mentioned above are received. In order to support inter-island trade especially to remote, outlying, and border areas, this process is facilitated by the Maritime Front (Indonesian: *Gerai Maritim*). The activities of the Maritime Front are implemented by the Regional Government in collaboration with the Business Service Providers of logistics services.

In distributing the goods, Inter-island Trade Entities may a) cooperate with the private sector, state-owned enterprises, regional-owned enterprises, cooperatives and banks; b) utilise promotional programs for local superior products; c) utilise existing distribution centers in the region; d) utilise Inter-island Trade facilities and infrastructure; and e) utilise other programs related to Inter-island Trade.

An Inter-island trade business entity which violates the provisions concerning the Manifest Domestic or which is declared to be violating the provisions of laws and regulations in conducting inter-island trade activities based on the supervision report, shall be liable for administrative sanctions in the form of: a) revocation of licenses in the field of trade; b) revocation of other technical licenses by the head of relevant agencies / authorized officials.

## Registration and Nationality of Ships

by Georgy Mishael

The Minister of Transportation of the Republic of Indonesia has issued Minister of Transportation Regulation No. 39 of 2017 on Registration and Nationality of Ships (“**MOTR No. 39/2017**”). Registration of Ships based on MOTR No. 39/2017 includes registration of property rights, the imposition of a mortgage, and registration of other material rights to the ship.

Article 5 paragraph (2) of MOTR No. 39/2017 explain that a ship which may be registered in Indonesia is a ship with a gross tonnage size of at least seven gross tons, is owned by an Indonesian citizen or legal entity established under Indonesian law and domiciled in Indonesia, and owned by an Indonesian legal entity which is a joint venture majority owned by Indonesian citizens.

For registration of the property rights of ships originating from the procurement of ships by way of entering a foreign-flagged ship must be accompanied by a certificate of deletion from the list of ships issued by the flag state of origin of the ship. The making of a ship registration deed may be rejected if there is a court decision that has permanent legal force over a claim from third party to the ownership of the ship. The owner of the ship will be granted a gross registration deed as evidence that the ownership rights of the ship have been registered.

Ownership rights of ships under construction both domestically and abroad may, according to article 14 of MOTR No. 39/2017, be registered provisionally in Indonesia with a temporary registration deed on the condition that the physical ship construction has reached the completion stage of the hull, main deck, and all upper buildings. Registration of ship ownership may also be removed from the Indonesian ship list. This abolition may be made at the sole request of the ship owner or by court of law or a court decision that has permanent legal force. Article 26 of MOTR No. 39/2017 makes it clear that



the abolition of registration of property rights of ships from the list of Indonesian ships does not remove property on a ship and may be re-registered.

Pursuant to article 28 of MOTR No. 39/201, ships that have been registered in

the list of Indonesian ships can be used as collateral for debt with the imposition of a mortgage on the ship. The mortgage recipient of the ship may be an Indonesian citizen or foreign national, national or international bank, national or international financial institution, or a national or international non-financial institution. Especially for passenger ships of all sizes and gross tonnage of five hundred or more that have been registered in Indonesia and used for international shipping, must have ship history documents in accordance with the provisions of legislation.

If the ship that has been registered in Indonesia is to make a sea voyage, then the ship will be given the National Ship Signs of Indonesia as proof of nationality of the ship. To indicate the identity of Indonesian ships, the ship must fly the Indonesian flag as a national flag on the stern of the ship, listing the ship's name and place of ship registered, and call sign the ship's radio station. Pursuant to article 81 of MOTR No. 39/2017, the ship is prohibited from using the same name as another ship as the identity of the ship, and the name of the ship must consist of a series of letters and numbers but should not begin with the numbers, and the name of the ship must be in capital letters. Indonesian-flagged passenger ships with one hundred gross tonnage or more and Indonesian-flagged cargo ships with three hundred gross tonnage or more carrying international shipping must put down an International Maritime Organization Identity Number.





## Implementation of Mineral and Coal Mining Permits 2017

by Georgy Mishael

The Director General of Mineral and Coal has issued Circular Letter Number 10.E/30/DJB/2017 of 2017 entitled Regarding Follow-up Implementation of Regulation of Minister of Energy and Mineral Resources Number 34 Year 2017 Regarding Licensing in the Field of Mineral and Coal Mining ("**Circular Letter**").

Pursuant to the Circular Letter, the holder of a Mining Business Licence for Production Operation ("**IUP OP**") or a Special Mining Business License for Production Operation ("**IUPK OP**") in carrying out the activities of transporting and selling of mineral and coal may cooperate with other parties who have obtained a Registration Mark of Transport and Sale Company ("**Registration Mark**") from the director general of mineral and coal or governor, in accordance with their authority.

Furthermore, the holders of an IUP or IUPK may cooperate with the holder of a Mining Services Business License ("**IUJP**") to engage in business activities of mining services or other parties who have received the Registration Mark from the director general of mineral and coal or governor, in accordance with their authority, to conduct activities in the field of business other than business which can be undertaken by the IUJP holder. In the event that the holders of the IUP OP or IUPK OP submits the mining activities to the IUJP holders, it is only limited to stripping rock/ground cover activities.

The Circular Letter also explains that licenses issued prior to the enactment of the Regulation of the Minister of Energy and Mineral Resources Number



34 of 2017 Regarding Licensing in the Coal Mining Sector ("**MEMR Regulation No. 34/2017**") are declared valid until their expiry date, and all rights, obligations, and mention of it shall be in accordance with the licensing requirements in MEMR Regulation No. 34/2017.

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