

Strengthening the Regulatory Aspects of Special Economic Zones in Indonesia as a Key Factor Driving Economic Growth in Indonesia

Elen Setiadi¹, KMS Herman²

^{1,2} Universitas Borobudur, Indonesia

elensetiadi@gmail.com¹, kms_herman@borobudur.ac.id²

ABSTRACT

KEYWORDS

Special Economic Zones; Regulation; Economic Growth; Investment

ARTICLE INFO

Accepted:

Revised:

Approved:

Special Economic Zones (SEZs) serve as strategic instruments to boost Indonesia's economic growth through investment acceleration, job creation, and industrial competitiveness. However, their implementation faces significant regulatory barriers, including overlapping regulations, legal uncertainty, and inefficient licensing processes. This study aims to analyze the urgency of strengthening regulatory frameworks to optimize SEZ performance. Employing a normative juridical approach and policy analysis, this research examines the effectiveness of existing legal norms, particularly Law No. 39/2009 on SEZs and its implementing regulations. The findings show that regulatory disharmony between central and regional authorities hampers investment realization and operational efficiency within SEZs. Inadequate coordination and rapidly changing policies have further eroded investor confidence. Therefore, this study emphasizes the need for integrated legal reforms, establishment of a centralized SEZ authority with executive power, and implementation of a streamlined, automated licensing system. The implications of this research are critical for policymakers. Strengthening the regulatory environment will not only improve the ease of doing business but also enhance legal certainty and attract sustainable investment. Furthermore, legal reform can facilitate the redistribution of economic growth to underdeveloped regions, promote inclusive development, and align Indonesia's SEZ governance with international best practices. This study provides a policy-oriented foundation for drafting a more responsive and globally adaptive SEZ legal framework in support of Indonesia's long-term economic transformation.

INTRODUCTION

Special Economic Zones (SEZs) are one of the strategic instruments designed to accelerate national economic development (Sutrisna, 2022). In the context of globalization and increasingly tight economic competition between countries, SEZs are expected to be a catalyst for increasing foreign and domestic investment, creating new jobs, and stimulating the growth of technology-based and efficiency-based industries (Suryani, 2019). Indonesia, as a developing country with great natural and human resource potential, is in dire need of concrete policy breakthroughs to accelerate its economic growth (Wartono, 2024). It is where SEZs come in as a promising alternative to distribute economic centers outside areas that have so far been too concentrated, such as Jakarta or Surabaya (Triana, 2024).

However, the idealism inherent in the SEZ concept is not fully reflected in the reality of its implementation (Xiao et al., 2023). One of the main obstacles that arises is the problem of regulations that are not yet effective and often not in sync between the central and regional governments (Lubis, 2025). Policies that should be the driving force often become obstacles due to overlapping regulations and slow licensing processes. It shows that the success of a Special Economic Zone is not only determined by the geographical potential or resources of

an area but also depends heavily on the quality of governance and legal certainty that supports it (Trisniati, 2022).

This ineffective regulatory problem shows a gap in drafting and harmonizing laws and regulations related to Special Economic Zones. In some cases, investors have difficulty understanding and implementing applicable legal provisions because the regulations conflict with each other or change too quickly (Darnawan, 2020). As a result, many potential investments are ultimately not realized or experience obstacles in the early stages of implementation. It certainly injures the government's efforts to create a healthy and competitive business climate.

To understand this problem more deeply, it is important to look back at the basic concept and definition of Special Economic Zones as regulated in the Indonesian legal system. According to Law Number 39 of 2009 concerning Special Economic Zones, a Special Economic Zone is an area with certain territorial boundaries that is given certain facilities and incentives to increase national economic competitiveness (Efendi, 2022). This means that SEZs are not ordinary areas, but areas that are legally treated specially with the expectancy of being able to provide a double effect on national economic growth (Zeng, 2021).

The purpose of establishing SEZs is also closely related to the strategy of inclusive and equitable national development. SEZs are intended to attract large-scale investment, expand employment opportunities, and accelerate equitable development in previously underdeveloped areas (Tambunan, 2021). With this approach, SEZs are expected not only to contribute to economic growth quantitatively but also to reduce inequality between regions which has so far been one of the classic problems in Indonesian development (Bhaskara, 2023).

From a legal perspective, the legal basis for the existence of SEZs is quite strong because it is supported by special laws and various implementing regulations. Law Number 39 of 2009 is the main basis, followed by Government Regulations and Presidential Regulations which further regulate the establishment mechanism, incentives provided, and the role of SEZ administrators (Rahayu, 2021). However, the power of this regulation will not be optimal if it is not accompanied by good synchronization between institutions and levels of government. In addition, the absence of an efficient legal supervision system has also worsened conditions.

This condition is in contrast to the practice of SEZs in other countries such as China and the United Arab Emirates, where the success of SEZs is largely determined by stable legal certainty and minimal intervention by complicated bureaucracy (Wu, 2021). In these countries, SEZs are managed with a modern, fast, and integrated governance approach. Business actors are given extraordinary convenience in matters of licensing, customs, and infrastructure availability so that the business ecosystem in SEZs is growing rapidly (Sakka, 2023). This comparison is important as a reflection so that Indonesia can redesign the SEZ legal system to be more adaptive and globally competitive.

Furthermore, the existence of SEZs has a significant impact on national economic growth, especially through increased investment. In a conducive business climate, investors feel safer to invest their capital, either in factory construction, logistics centers, or high-technology industrial areas (Purba, 2023). This increase in investment will directly create a chain effect on employment, increased regional income, and the growth of small and medium enterprises around the area (Mahadiansar, 2021).

In addition to investment, SEZs also play a role in encouraging industrial innovation. Many SEZs are designed as specific industrial clusters such as manufacturing, digital, or modern agriculture (Juliana, 2023). This encourages technology transfer and the creation of added value for the products produced. The products produced in SEZs also have a great opportunity to penetrate the export market because they receive adequate fiscal and non-fiscal incentives. Thus, SEZs are not only a place for business actors to gather, but also a driving force for national productivity (Fatimah, 2024).

The last impact of SEZs that is no less important is a more even distribution of development. So far, centers of economic growth have tended to be concentrated on the island of Java (Santoso, 2024). SEZs spread across various regions, such as Sumatra, Kalimantan, Sulawesi, and Papua, are instruments to encourage more balanced regional development. With the growth of SEZs in various regions, infrastructure has also developed, labor mobility has increased, and connectivity between regions has strengthened (Amsyah, 2025).

Through an understanding of the basic concepts, legal basis, and strategic role of SEZs in national development, it becomes very clear that regulatory issues are not something that can be considered trivial. Without comprehensive improvements in the legal and administrative aspects, the great potential of SEZs could be wasted. A firm policy direction is needed to integrate the spirit of economic development with a strong legal foundation so that SEZs truly function as the main driver of sustainable economic growth in Indonesia.

Previous studies such as Zeng (2021) and Wu (2021) have highlighted the success of SEZs in countries like China due to coherent regulatory frameworks and minimal bureaucracy. However, Indonesia still struggles with inconsistent licensing mechanisms, overlapping regulations, and slow policy implementation (Trisniati, 2022). Although existing research acknowledges regulatory inefficiencies, few have conducted a focused normative legal analysis to propose integrated regulatory solutions that align with both national and global economic dynamics.

This research seeks to fill that gap by offering a prescriptive approach to reform Indonesia's SEZ legal system through normative-juridical analysis. The novelty lies in evaluating SEZs not only as economic instruments but also as legal entities requiring harmonized, adaptive, and sectorally integrated regulation.

The objective of this study is to analyze the effectiveness of current SEZ regulations in Indonesia and propose concrete legal-policy reforms to strengthen their institutional and regulatory frameworks. The findings are expected to contribute to improving legal certainty, accelerating investment realization, and promoting equitable national development through robust SEZ governance.

METHOD

This study uses a normative juridical method, which is an approach that focuses on the analysis of applicable positive legal norms, both in the form of laws and regulations, legal principles, and relevant legal doctrines. In the context of strengthening the regulation of Special Economic Zones (SEZs), this approach is used to examine in depth how existing legal provisions regulate the management of SEZs and the extent to which these regulations are effective and synchronized in practice. This study relies on primary legal materials such as Law

Number 39 of 2009 concerning Special Economic Zones, as well as various implementing regulations, including government regulations, presidential regulations, and sectoral regulations related to investment, taxation, licensing, and employment in Special Economic Zones. In addition, secondary legal materials are also used in the form of legal literature, scientific journals, results of state institution studies, and the views of economic law experts as supporting references for the analysis. This study also utilizes a conceptual approach and a legislative approach to examine the relationship between formal legal norms and the expected ideal conditions. The focus is to identify gaps, overlaps, or disharmonies in norms that can hinder the success of Special Economic Zones as a motor of economic growth. In this way, this study is not only descriptive-analytical but also prescriptive, namely providing policy recommendations and legal reforms that are considered relevant and applicable to strengthen the regulatory aspects of Special Economic Zones in Indonesia.

RESULT AND DISCUSSION

Analysis of Regulatory Problems in the Implementation of KEK

The main problem in strengthening the regulation of Special Economic Zones (SEZs) in Indonesia lies in regulatory harmonization, especially in the context of authority between the central government and regional governments. Although Law Number 39 of 2009 concerning Special Economic Zones has provided a fairly clear legal framework, its implementation in the field still often faces conflicts of authority. Article 24 of the law states that SEZ management is carried out by the SEZ Administrator appointed by the central government, but in practice regional governments often have different perceptions regarding the scope of their authority, especially regarding licensing, environmental management, and employment. This inconsistency triggers overlapping policies that hinder the smooth operation of SEZs and cause confusion for investors.

The lack of synchronization between sectors also exacerbates uncertainty in SEZ management. Although SEZs are promised fiscal and non-fiscal convenience, various sectoral regulations such as taxation, employment, and environmental management are often not in line with the spirit of deregulation carried out in the development of this area. For example, Government Regulation Number 40 of 2021 concerning the Implementation of Special Economic Zones provides certain incentives in the field of taxation, but its implementation often conflicts with the technical provisions of the Directorate General of Taxes which still uses a general administrative approach. Likewise in the employment sector, although SEZs are allowed to have certain flexibility in workforce management, business actors are often faced with different demands from regional employment offices that do not yet understand the special provisions in SEZs.

In the context of the licensing system, bureaucratic obstacles are still a major obstacle even though the government has launched the Online Single Submission (OSS) system regulated through Government Regulation Number 5 of 2021 concerning the Implementation of Risk-Based Business Licensing. OSS should be an integrated entry point that makes it easier for business actors to access licensing services, but in practice, this system has not been optimally integrated with SEZ management at the field level. Many investors complain about the length of the verification process, as well as the lack of synchronization of data between

OSS and SEZ management institutions which causes delays in the issuance of location permits, operational permits, and environmental permits.

The absence of an effective single service point in the Special Economic Zone indicates that coordination between related technical agencies is not yet optimal. It occurs because the institution managing the Special Economic Zone, namely the Special Economic Zone Administrator, does not have full authority to follow up on the licensing process independently, and must still coordinate with various ministries and institutions. Article 25 of Law Number 39 of 2009 explains that the Special Economic Zone Administrator is responsible for organizing licensing services, but it is not explicitly explained regarding the power of execution of this authority, thus opening up space for different interpretations between institutions. As a result, the investment process that should be simple becomes complicated again because it has to go through the conventional bureaucratic path that is intended to be avoided.

The next problem that also has a serious impact is the legal uncertainty that still shrouds the policy of managing the Special Economic Zone. One real form of this uncertainty is the frequent changes in regulations in a short time without any transition period or adequate socialization. For example, changes to fiscal policies and tax incentives in the Special Economic Zone as stated in the Regulation of the Minister of Finance often undergo revisions in less than a year, as seen in the adjustment of the import duty or VAT exemption policy in certain areas. This makes it difficult for business actors to prepare medium and long-term business plans because there is no guarantee of policy stability.

Policy inconsistencies also often occur between central regulations and their implementation at the regional level. The central government often issues policies that support ease of doing business in SEZs, but at the implementation level, regional governments tighten supervision and limit the promised flexibility. For example, even though an area has been designated as a SEZ with a regional levy-free scheme based on Regional Regulations, business actors are still asked to pay levies in other forms that are not listed in central regulations. It creates uncertainty and inconsistency that reduces the government's credibility in maintaining a healthy investment climate.

The direct impact of this uncertain legal condition is a decrease in investor interest in investing in SEZs. Investors, both domestic and foreign, tend to look for investment locations that not only offer interesting incentives but also guarantee legal certainty and long-term investment protection. When regulations are easily changed and there is no guarantee of consistent treatment, the legal risks faced become too high and are not commensurate with the potential benefits. It has a direct impact on the stagnation of regional growth, as well as the failure to achieve the strategic objectives of the SEZ as a driver of national economic growth.

Certainty of doing business should be the main principle in SEZ development, as reflected in Article 33 paragraph (4) of the 1945 Constitution which emphasizes the importance of efficiency and justice in economic activities. In this context, the state is obliged to create a legal environment that not only encourages investment but also protects business actors from policy uncertainty. For this reason, simplifying regulations, increasing coordination between institutions, and granting full authority to SEZ management institutions are important steps that must be prioritized to strengthen the existence of SEZ as a highly competitive national economic development instrument.

Urgency of Strengthening Special Economic Zone Regulations as the Driving Force of the National Economy

The urgency of strengthening Special Economic Zone (SEZ) regulations does not only stem from the current problems but from the long-term need to ensure that SEZs become the driving force of sustainable national economic growth. In this context, harmonization and synchronization of regulations are key elements. Regulations governing SEZs must be designed in an integrated and coordinated manner between the central and regional governments so that they no longer cause differences in interpretation or implementation in the field. Policies issued by ministries and institutions must refer to the principles of integration and collaboration, not run independently based on sectoral authority alone. Restructuring fragmented regulations into a systematic legal roadmap will be the foundation for more effective SEZ governance.

To achieve this synergy, the establishment of a cross-sectoral coordination body that specifically handles SEZs is an inevitable necessity. This body does not merely function administratively but also has regulatory and execution capacity across ministries/institutions. Its functions include policy harmonization, dispute resolution between agencies, and monitoring policy implementation at the operational level. The existence of such a body will create a direct communication channel that unites fiscal, monetary, employment, environmental, and international trade policies that apply in SEZs. When coordination runs optimally, efforts to increase the competitiveness of SEZs as leading economic entities will become more realistic to realize.

Reforming the licensing system and legal incentives is another important agenda that needs to be carried out seriously. Digitalization of licensing services is not enough in the form of data integration on the surface, but must reach the stage of automation of processes based on artificial intelligence or a risk-based management system that reduces direct human intervention. SEZs need a system that can provide services in a matter of hours, not days or weeks, and this system must be able to accommodate all types of permits, from operational, environmental, and taxation, to employment permits. Easy, fast, and transparent procedures will provide a positive image of the efficiency of SEZs in serving the needs of business actors.

The mechanism for providing incentives and fiscal facilities also needs to be simplified with a more accommodating approach. Many incentives are currently available in theory, but in practice are difficult to access due to complicated administrative processes. Revisions to the incentive scheme, including the evaluation and supervision mechanisms, must be directed at efficiency without reducing accountability. The government can apply the principle of self-assessment with post-audit-based supervision to accelerate the disbursement of fiscal and non-fiscal facilities in SEZs. If this system is developed with a reliable control mechanism, the potential for misuse can be minimized, while providing room for growth for business actors.

Legal certainty must also be interpreted as concrete protection of the rights and obligations of investors and business actors in SEZs. The state is not enough to just provide promises of legal stability, but must also demonstrate its seriousness in defending the interests of business actors from arbitrary actions or policies, both from government institutions themselves and third parties. This legal certainty includes guarantees of the validity of contracts, protection of asset ownership, and the existence of a fast, fair, and accessible dispute

resolution mechanism. In the context of SEZs, the existence of a special court or economic arbitration that has competence over cases in the region is one option that should be considered.

The role of the SEZ management authority also needs to be strengthened not only in administrative aspects but also as an institution that has the legal authority to make strategic decisions. SEZ administrators should have the capability and legal legitimacy to resolve conflicts in the field, provide approval for strategic investments, and even recommend changes to regulations that are considered to be inhibiting. In many cases, the weak legal position of the administrator makes it only function as a facilitator, not as a decision-maker. In fact, for SEZs to function optimally, a strong, independent authority figure is needed who can navigate the complexity of policies directly.

Future legal policy recommendations must include efforts to revise regulations that are no longer relevant to today's challenges. Many regulations were made in the context of the old economy, which is now a burden on the flexibility and competitiveness of the region. This revision is not just about replacing articles or updating legal terms, but must also involve a paradigm shift that SEZs are experimental zones that require a progressive legal framework. This update must be based on concrete evaluation results, not assumptions, and consider input from business actors as the parties most affected by the issued regulations.

Adjusting regulations to global dynamics and international markets is also a step that cannot be ignored. SEZs as economic instruments cannot stand outside the global context, because current investment and trade flows are very competitive and changing rapidly. SEZ regulations must be able to respond to international issues such as carbon trading, digital data protection, intellectual property rights, and technological transformation. If SEZs in Indonesia cannot adapt regulations to respond to these global developments, then it is difficult to imagine that this area can attract the interest of world-class investors seeking legal certainty, efficiency, and sustainability. Therefore, regulatory strengthening should not only stop at internal improvements but should also be outward-looking and responsive to global market movements.

CONCLUSION

The conclusion of this discussion shows that the success of Special Economic Zones (SEZs) as a strategic instrument in driving national economic growth is highly dependent on the quality of the underlying regulations. Strong, harmonious regulations between sectors and adaptation to developments in the era are the main foundations for creating an efficient, transparent, and attractive SEZ ecosystem for investment. When regulations governing SEZs are drafted with an integrated approach, various obstacles, such as overlapping authority, complicated licensing, and legal uncertainty can be significantly minimized. In practice, SEZs that are managed effectively will be able to make a real contribution to increasing direct investment, creating jobs, and strengthening the competitiveness of the national industry, thereby encouraging more inclusive and equitable economic growth in various regions of Indonesia. As a follow-up, a comprehensive and visionary SEZ regulation update is needed, covering all legal aspects related to the operationalization of the area, from licensing, fiscal, and employment to institutional governance. The government also needs to strengthen the capacity of SEZ management institutions so that they not only act as administrative facilitators but also as decision-makers who have strategic authority in directing regional policies. In addition, ongoing dialogue between policymakers, business actors, academics, and civil society

is essential to ensure that SEZ regulations remain relevant, responsive, and based on real needs in the field. With synergy between law and mature public policy, SEZs can truly become the driving force of sustainable national economic growth.

REFERENCES

- Xiao, F., Zhou, Y., & Huang, Y. (2023). Old Wine in a New Bottle: Understanding the Expansion of the Shenzhen Special Economic Zone in China. *Journal of Urban Planning and Development*, 149(4), 2523001.
- Amsyah, U. &. (2025). Faktor-Faktor yang Berpengaruh terhadap Pertumbuhan Ekonomi Daerah dalam Era Desentralisasi Indonesia. *Jurnal Ilmu Manajemen, Bisnis dan Ekonomi (JIMBE)*, 3(1), 14-27.
- Bhaskara, M. S. (2023). Urgensi penerapan kawasan ekonomi khusus dalam meminimalisir konflik horizontal di Laut China Selatan. *Jurnal Kewarganegaraan*, 7(1), 222-233.
- Darmawan, A. (2020). Politik Hukum Omnibus Law Dalam Konteks Pembangunan Ekonomi Indonesia. *Indonesian Journal of Law and Policy Studies*, 1(1), 13-24.
- Efendi, E. &. (2022). Analisis terhadap Politik Hukum Pembentukan Kawasan Ekonomi Khusus. *Jurnal Tana Mana*, 3(2), 155-165.
- Fatimah, A. &. (2024). Analisis Pengaruh Kesenjangan Infrastruktur Terhadap Perkembangan Kawasan Ekonomi Khusus (KEK) di Indonesia. *Convergence: The Journal of Economic Development*, 34-49.
- Juliana, I. S. (2023). Dinamika Ekonomi Pembangunan Indonesia: Mengungkap Faktor-Faktor Kualitatif yang Mendorong Pertumbuhan. *Harmoni: Jurnal Ilmu Komunikasi Dan Sosial*, 1(2), 1-13.
- Lubis, A. F. (2025). Strategi Pencegahan Potensi Konflik Sosial Dan Penegakkan Hukum Dalam Pengembangan Kawasan Ekonomi Khusus (KEK) Guna Mewujudkan Keberlanjutan Pembangunan Nasional. *Joong-Ki: Jurnal Pengabdian Masyarakat*, 4(2), 327-338.
- Mahadiansar, M. S. (2021). Realitas Perkembangan Investasi Asing Langsung di Indonesia Tahun 2019. *Matra Pembaruan: Jurnal Inovasi Kebijakan*, 5(1), 65-75.
- Purba, O. M. (2023). *Dasar Hukum & Analisis Tata Kelola Ibu Kota Negara Dari Berbagai Bidang*. Jambi: PT. Sonpedia Publishing Indonesia.
- Rahayu, G. E. (2021). Analisis Hukum Fasilitas Penanam Modal Pada Kawasan Ekonomi Khusus Penikta Dari Uu No 25 Tahun 2007 Dan Uu No 39 Tahun 2009 Tentang Kawasan Ekonomi Khusus: Fasilitas Penanam Modal Pada Kawasan Ekonomi Khusus. *Journal of Law and Policy Transformation*, 6(2), 10-18.
- Sakka, F. &. (2023). Human capital development, special economic zones, and Dubai as case study: A literature review. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev*, 8(4), 26.
- Santoso, E. &. (2024). Disparitas Pembangunan Antar Wilayah Di Indonesia: Model Data Panel. *CERMIN: Jurnal Penelitian*, 8(2), 355-367.
- Suryani, N. I. (2019). Kawasan Ekonomi Khusus Dan Pembangunan Ekonomi Regional: Sebuah Studi Literatur. *Convergence: The Journal of Economic Development*, 1(2), 40-54.

- Sutrisna, C. (2022). Kawasan Ekonomi Khusus dan Aspek Hukum Ekonomi Internasional. *Wacana Paramarta: Jurnal Ilmu Hukum*, 21(4), 33-40.
- Tambunan, M. R. (2021). Suatu catatan atas tantangan implementasi insentif fiskal di kawasan ekonomi di indonesia. *INOVASI*, 17(3), 578-592.
- Triana, A. R. (2024). Kepastian Hukum dalam Penanaman Modal Investasi di Kawasan Ekonomi Khusus dari Perspektif Investor. *Politika Progresif: Jurnal Hukum, Politik dan Humaniora*, 1(3), 246-262.
- Trisniati, E. C. (2022). Collaborative Governance Dalam Pengembangan Kawasan Ekonomi Khusus. *Jurnal Governansi*, 8(1), 59-68.
- Wartono, T. M. (2024). *Ekonomi Indonesia: Tantangan, Peluang, dan Masa Depan Perekonomian Indonesia 2030*. Jambi: PT. Sonpedia Publishing Indonesia.
- Wu, M. L. (2021). The special economic zones and innovation: Evidence from China. *China Economic Quarterly International*, 1(4), 319-330.
- Zeng, D. Z. (2021). The past, present, and future of special economic zones and their impact. *Journal of International Economic Law*, 24(2), 259-275.