

# Special Economic Zone in Indonesia

The Indonesian government has been building the Special Economic Zone (SEZ) or Kawasan Ekonomi Khusus (KEK) to locate investment in a specific region. It is different from Industrial Estates in some aspect. Each of the zones varies in the core business relating to the region's potential.

In the recent years, Indonesia has been preparing more locations for SEZ. With investment-ready areas, the country aims for more investment and development across the archipelago. Eligible infrastructures support the Special Economic Zone such as housings, road, harbors, power plants, and airports.

Currently, Indonesia has ten SEZ, and the number will reach 25 by 2019. From the ten SEZ, three of it has been operating commercially. Those three SEZ are Tanjung Lesung in Java and Mandalika in West Nusa Tenggara which concentrates in tourism, and Sei Mangkei in North Sumatra which focuses on rubber processing and palm oil.

## **The rest of the zones are:**

1. Lhokseumawe, Aceh
2. Tanjung Api-Api, South Sumatra
3. Belitung, Bangka Belitung Islands
4. Maloy Batuta Trans Kalimantan, East Kalimantan
5. Mandalika, West Nusa Tenggara
6. Palu, Central Sulawesi
7. Bitung, North Sulawesi
8. Morotai, North Maluku

## **The Differences with Industrial Estates**

Aiming for a more effective way to develop the country's potential, Indonesia seeks more opportunity in investment by providing the infrastructure. So far, Indonesia has developed

industrial estates and special economic zones to attract more investors. However, the two types of area are different in some aspect.

The industrial estates provide a basic infrastructure which will support the production and distribution of the industry's product. The industrial estates offer resources and utilities and administrative services for the investors and companies. Located in different areas across the archipelago, industrial estates are not limited to any field and business types. Still, each area has its local potential.

As for the special economic zone, Indonesia wants to direct foreign investors into specific locations. Each location has a different focus depending on its potential such as mining, tourism, ecotourism, forestry, and much more. The area is also typically equipped with adequate infrastructures.

### **Proposing a City as a Special Economic Zone**

Though the government has planned 25 special economic zones for the next two years, a city with adequate potential may propose to be one of the zones. To do this, the city government needs to be in coordination with the provincial government. The proposal can start from an enterprise or a company and should be verified and evaluated by the city and provincial government.

Then, the proposal can be ensued to the National Council. However, the establishment of the special economic zone should be reviewed and signed by the President of Indonesia. A meeting should also be held before the review to talk about the criteria and requirement of the special economic zone.

One of the factors that could attract investor is the fiscal facility that is offered on the special economic zone. The company or investor that has the requirement is entitled to have a fiscal facility service. The facilities are an exemption on import duty on machinery, material, and tax allowance.

With the development of more special economic zones, Indonesia aims to promote its potential to foreign investors to gain on the economic and commercial benefits.

