



THE PRESIDENT
OF THE REPUBLIC OF INDONESIA

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 39 YEAR 2009

REGARDING

SPECIAL ECONOMIC ZONES

BY THE GRACE OF GOD THE ALMIGHTY

PRESIDENT OF THE REPUBLIC OF INDONESIA

- Considering:
- a. that the just and prosperous society based on Pancasila and the Constitution of the Republic of Indonesia of 1945 must be manifested through the implementation of national economic development based on the economic democracy principles;
 - b. that to accelerate the economic development in certain areas which are strategic for the national economy development, and to maintain balance in the progress of a region within the national economy unity, it necessary to develop Special Economic Zones;
 - c. that under the provisions of Article 31 paragraph (3) of Law No. 25 of 2007 on Investment, the provisions on the Special Economic Zones shall be regulated by law;
 - d. that based on the considerations referred to in letters a, b, and c, it is necessary to draft a Law on Special Economic Zones;

- In view of :
1. Article 5 paragraph (1), Article 20, Article 27 paragraph (2), and Article 33 of the Constitution of the Republic of Indonesia of 1945;
 2. Law No. 25 of 2007 concerning Investment (State Gazette of the Republic of Indonesia of 2007 No. 67, Supplementary State Gazette of the Republic of Indonesia No. 4724);

With the Joint Approval of
The HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA
and
PRESIDENT OF THE REPUBLIC OF INDONESIA
HAVE DECIDED:

To stipulate : LAW ON SPECIAL ECONOMIC ZONES.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Law the meaning of:

1. Special Economic Zones, hereinafter referred to as SEZ, shall mean zones with certain boundaries within the territories of the Unitary State of the



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Republic of Indonesia, and designated to carry out the economic function and are granted certain facilities and incentives.

2. Zones shall mean areas within SEZ with certain boundaries and are utilized according to their designated roles.
3. The National Council shall mean a council at the national level which is responsible to administer SEZ.
4. The Zone Council shall refer to a council set up at the provincial level to assist the National Council in administering SEZ
5. Administrator shall mean an apparatus of the Zone Council which is established for each SEZ to assist the Zone Council in administering SEZ.
6. Business entities shall mean companies, namely State-owned Enterprises, Regional Government Enterprises, cooperatives, private companies and joint ventures to administer SEZ.
7. Business players shall mean company entities, without legal entity status or individual businesses engaged in business activities in SEZ.

CHAPTER II FUNCTION, FORM, AND CRITERIA

Part One Function

Article 2

SEZ shall be developed by first preparing areas having geo-economic and geo-strategic advantages and serving to accommodate manufacturing activities, export, import and other economic activities with high economic value and international competitiveness.

Part Two

Form

Article 3

- (1) A SEZ shall be made up of one or several zones dedicated for:
 - a. export processing;
 - b. logistics;
 - c. manufacturing;
 - d. technology development;
 - e. tourism;
 - f. energy; and/or
 - g. other economic activities.
- (2) Within a SEZ, support facilities and housing for the workers may be constructed.
- (3) Within SEZ, there will be places to conduct micro, small & medium businesses, and cooperatives as the business players and support for the activities of the companies operating within such SEZ.

Part Three

Criteria

Article 4

The sites which may be proposed to become SEZ must meet the following criteria:



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- a. they correspond with the Regional Spatial Plan and will unlikely disturb the conservation areas;
- b. the said provincial/district/city administration supports the SEZ;
- c. situated close to international trading hub or near international ship channel in Indonesia, or situated in an area with prime resource potentials, and
- d. have clear boundaries.

CHAPTER III DESIGNATION AS SPECIAL ECONOMIC ZONES

Part One Proposing Article 5

- (1) The designation as SEZ shall be proposed to the National Council by:
 - a. Business entities;
 - b. district/city administration; or
 - c. provincial administration.
- (2) In case the proposal is submitted by Business Entities as referred to in paragraph (1) letter a, the proposal shall be submitted by the provincial administration upon having obtained approval of the district/city administration.
- (3) In case the proposal is submitted by the district/city administration as referred to in paragraph (1) letter b, such proposal shall be submitted through the provincial government.
- (4) In case the proposal is submitted by the provincial administration as referred to in paragraph (1) letter c, such proposal shall be submitted upon approval of the district/city administration.

Article 6

- (1) The proposals as referred to in Article 5 paragraph (1) must meet the criteria as contained in Article 4.
- (2) The proposal as referred to in paragraph (1) shall be supported with at least the following requirements:
 - a. map the locations of development and the proposed area size which is separated from any residential areas;
 - b. spatial plan for the proposed SEZ attached with the zoning regulations;
 - c. financing plan sources;
 - d. analysis of environmental impact assessment which corresponds with the provisions of laws and regulations;
 - e. results of economic and financial feasibility studies; and
 - f. duration of SEZ and its strategic plans.

Part Two Designation Process Article 7

- (1) The National Council may approve or turn down the proposal to designate SEZ upon assessment of the proposal as referred to in Article 5 paragraph (1).
- (2) In case of the National Council approves the SEZ designation, it shall forward a recommendation to designate SEZ to the President.



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- (3) In case the National turns down the proposal to designate SEZ, such rejection must be submitted to proposing party and cite the reasons.
- (4) The designation as SEZ shall be stipulated by a Government Regulation.

Article 8

Under certain circumstances, the Government may designate a territory as SEZ without any proposal as referred to in Article 5.

Article 9

Further provisions concerning the procedures for designating SEZ shall be regulated with a Government Regulation.

Part Three

Development and Operation

Article 10

- (1) Based on the stipulation as referred to in Article 7 paragraph (4), the provincial or district/ city administration shall select the business entities to develop SEZ in compliance to the provisions of laws and regulations.
- (2) The designation referred to in paragraph (1) shall be carried out by:
 - a. provincial administration in case the SEZ location lies in the cross border areas of districts/cities; and
 - b. district/city administration in case the SEZ location lies in one district/city.

Article 11

In case of proposal is from business entities as referred to in Article 5 paragraph (1) letter a, the provincial or district/city administration shall directly appoint the Business Entities making the proposal to develop SEZ.

Article 12

- (1) SEZ should be ready to operate within a period of 3 (three) at the latest from its designation.
- (2) Within 3 (three) years as referred to in paragraph (1), the National Council shall conduct annual evaluation.
- (3) The results of the evaluation as referred to in paragraph (2) shall be communicated to the party proposing it for further action.
- (4) In the event that after 3 (three) years as referred to in paragraph (1), SEZ is not ready to operate, the National Council shall:
 - a. revise the original proposal;
 - b. grant an extension for another 2 (two) years at the most; and/or
 - c. take the necessary steps to resolve issues that impede the SEZ development.
- (5) If the period extension as referred to in paragraph (4) letter b, SEZ is not yet ready to operate because of the negligence or due to force majeure, the National Council may grant another extension of time after obtaining considerations from the Zone Council.
- (6) Further provisions concerning the extension of time as referred to in paragraph (5) shall be regulated by the Government.



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Article 13

- (1) The funding for the development and maintenance of infrastructure within SEZ may come from:
 - a. Government and/or local administration;
 - b. private parties;
 - c. cooperation between the Central Government and local administrations, private parties; or
 - d. other legitimate sources in accordance with the provisions of laws and regulations.
- (2) The National Council may set its own policies by the Central Government, and local administrations, in cooperation with private parties to construct and maintain the infrastructure in SEZ.
- (3) The management of assets resulting from cooperation between the Central Government, local administration, and private parties may be carried out in accordance with the economic and financial feasibility analysis.

CHAPTER IV INSTITUTIONAL

Part One

General

Article 14

- (1) The National Council and Zone Council will be set up to develop SEZ.
- (2) The National Council shall consist of government ministers and heads of non-ministerial government institutions.
- (3) The Zone Council shall consist of representatives of the Central Government and regional administration.

Part Two

The National Council

Article 15

- (1) The National Council for SEZ shall be established under a Presidential Decree.
- (2) The National Council as referred to in paragraph (1) shall report to the President.

Article 16

- (1) The National Council shall be chaired by the minister in charge of economic affairs comprising the ministers and heads of non-ministerial government institutions.
- (2) In performing its duties, the National Council as referred to in paragraph (1) shall set up the National Council Secretariat.
- (3) Provisions concerning the membership, work system and secretaryship of the National Council shall be regulated by a President Regulation.

Article 17

The National Council shall be responsible for:

- a. compiling the National Master Plan for SEZ;
- b. formulating the general policies and strategic steps to accelerate the designation and development of SEZ;



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- c. determining the standards for infrastructure and minimal services in SEZ;
- d. assessing a proposal for a certain area to be turned into SEZ;
- e. making recommendations for the designation of SEZ;
- f. reviewing and recommending steps to develop certain areas of which their potentials are less developed;
- g. resolving strategic problems in implementing, managing and developing SEZ; and
- h. monitoring and evaluating the sustainability of SEZ and recommending follow-up measures of the evaluation to the President, including proposing nullification of SEZ status.

Article 18

In carrying out the duties as referred to in Article 17, the National Council may:

- a. ask for explanation from the Zone Council and Administrator concerning the implementation of the activities;
- b. asking for inputs and/or assistance from Government agencies, regional administration, or experts according to the needs; and/or
- c. cooperating with other parties as required.

Part Three

The Zone Council

Article 19

- (1) The Zone Council shall be established in each province of which part of its territory has been designated as SEZ.
- (2) The Zone Council as referred to in paragraph (1) shall be proposed by the National Council to the President to be further appointed by Presidential Decree.
- (3) The Zone Council as referred to in paragraph (1) shall report to the National Council.

Article 20

- (1) The Zone Council shall comprise chairpersons, namely the governors, deputy chairpersons, namely the regents/mayors, and members, namely elements of the Central Government in the provinces, the provincial administration elements, and elements of the district/city administrations.
- (2) In carrying out its duties, the Zone Council as referred to in paragraph (1) shall set up the Zone Council Secretariat.
- (3) The provisions concerning the membership, work system, and secretaryship of the Zone Council shall be regulated under a Presidential Regulation.

Article 21

The Zone Council shall be responsible for:

- a. implementing the general policies already formulated by the National Council in order to manage and develop the SEZ in its working area;
- b. setting up SEZ Administrator in each SEZ;
- c. supervising, controlling, evaluating, and coordinating the implementation of SEZ Administrator duties to administer the one-stop integrated service system and the operation of SEZ;
- d. formulating strategic steps to resolve problems facing the implementation of SEZ problems in its working territory;



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- e. submitting SEZ management report to the National Council at the end of each year; and
- f. submitting incidental reports in case of any strategic problem to the National Assembly.

Article 22

In carrying out the duties as referred to in Article 21, the Zone Council may:

- a. ask for explanation from SEZ Administrator regarding the integrated one-stop service system, as well as monitoring and controlling the operation of SEZ;
- b. ask for inputs and/or assistance from the Government agencies or experts depending on the needs; and/or
- c. cooperate with other parties according to the needs.

Part Four

Special Economic Zone Administrator

Article 23

- (1) SEZ Administrator shall be responsible for:
 - a. granting business permits and other licenses required by the business players to establish, run and develop businesses within SEZ.
 - b. supervising and controlling the operations of SEZ; and
 - c. submitting periodic and incidental reports on the SEZ operations to the Zone Council.
- (2) The granting of permits or licenses as referred to in paragraph (1) letter a shall be carried out through one-door integrated services.

Article 24

In carrying out the duties as referred to in Article 23, the SEZ Administrator:

- a. shall obtain delegation of authority for granting permits or licenses from the Central Government and regional administrations; and
- b. may request explanation from the Business Entities and/or Business Players in SEZ regarding their business activities.

Section Five

Funding

Article 25

- (1) The National Council, the Zone Council, and the SEZ Administrator shall obtain the funding from:
 - a. the Central Government and/or regional administrations; and
 - b. other sources which are not contradictory with the provisions of laws and regulations.
- (2) Further provisions on the funding as referred to in paragraph (1) shall be regulated under the Government Regulations.

Section Six

Managing Business Entity

Article 26

- (1) The business activities in SEZ shall be run by Business Entities which have been declared as the SEZ management.
- (2) Business Entities as referred to in paragraph (1) shall comprise of:



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- a. State-Owned Enterprises/Regional Government Enterprises;
- b. Cooperatives;
- c. Private Companies; or
- d. Joint ventures between private entities and/or cooperatives and the Government, and/or provincial, and /or district/city administrations.

CHAPTER V

FLOW OF GOODS, QUARANTINE, AND FOREIGN EXCHANGE

Article 27

- (1) The provisions on the bans or restrictions of imports and exports shall be governed by the laws and regulations applicable in SEZ.
- (2) Goods or merchandise subject to import and export restrictions may be excepted and/or given facilities in accordance with the provisions of the laws and regulations.
- (3) The flow of goods or merchandise from or to SEZ shall be subject to the provisions of laws and regulations.

Article 28

The provisions regarding the quarantine of humans, animals, fishes, and plants which are governed in laws and regulations shall remain in effect in SEZ.

Article 29

- (1) Rupiah currency shall be the legal tender in SEZ.
- (2) The rupiah currency brought into or brought out to/from SEZ and to/from overseas destinations shall be subject to the provisions of laws and regulations.
- (3) Foreign currency may be traded at SEZ through banks or foreign exchange traders owning the license in accordance with the provisions of laws and regulations.
- (4) All international trade transactions in foreign currencies in SEZ shall be conducted through the banks and may be carried out only by the authorized banks in accordance with the provisions of laws and regulations.

CHAPTER VI

FACILITIES AND INCENTIVES

Part One

Taxation, Customs & Excise

Article 30

- (1) Each taxpayer who runs a business in SEZ shall enjoy Income Tax incentive.
- (2) In addition to such tax incentives as referred to in paragraph (1), additional tax incentives may be granted according to the characteristics of the zone.
- (3) The facilities and incentives as referred to in paragraph (1) and paragraph (2) shall be given in accordance with the provisions of laws and regulations.
- (4) Further provisions regarding income tax incentives as referred to in paragraph (2) and paragraph (3) shall be regulated under the Government Regulations.

Article 31



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Tax incentives may also be granted in certain periods to investors comprising Property Tax reduction in compliance to the provisions of laws and regulations.

Article 32

- (1) Importation of goods or merchandise into SEZ may enjoy facilities such as:
 - a. postponement of import duties;
 - b. excise exempt for direct materials or production support materials;
 - c. exempt from Value-Added Tax (VAT) and Luxury Sales Tax for taxable goods; and. import Income Tax not levied.
- (2) The delivery of taxable goods from other places within customs areas to SEZ may enjoy VAT and Luxury Sales tax based on the provisions of laws and regulations.
- (3) The delivery of taxable goods from other places within customs areas to SEZ as long the goods are not intended for the parties enjoying VAT facilities, but are levied VAT or Luxury Sales Tax in compliance to the provisions of laws and regulations.
- (4) Further provisions concerning the facilities granting as referred to in paragraph (1), paragraph (2), and paragraph (3) shall be regulated under a Government Regulation.

Article 33

- (1) Imported goods released from SEZ for consumption as long as the goods are not intended for the parties enjoying tax exempt or import duty, excise or tax postponement for import purposes:
 - a. shall be levied with import duties;
 - b. their excise must be paid for the excisable goods; and
 - c. subject to VAT, or VAT and Luxury Sales Tax based on the provisions of laws and regulations.
- (2) The goods as referred to in paragraph (1) shall be subject to provisions under the provisions of laws and regulations.

Article 34

Goods released from SEZ for export purposes shall be subject to export provisions in compliance to the provisions of laws and regulations.

Part Two

Local Taxes and Regional Retributions

Article 35

- (1) Each taxpayer who runs a business in SEZ shall enjoy incentives comprising exempt or reduction of local tax and regional retributions in compliance to the provisions of laws and regulations.
- (2) In addition to local tax and regional retribution incentives as referred to in paragraph (1), the regional administrations may grant other facilities and incentives.

Part Three

Land Affairs, Licensing, Immigration, and Investment

Article 36

In SEZ, facilities are given to acquire land rights in compliance to the provisions of laws and regulations.



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Article 37

Business entities who have acquired land plots in the sites already designated as SEZ according to a Government Regulation may be granted the land rights.

Article 38

- (1) In SEZ, facilities and cost reduction to procure permits or licenses to run businesses, carry out business activities, trade, seaport administration, and immigration for foreign business players, as well as security facilities are given.
- (2) The facilities and incentives as referred to in paragraph (1) shall be determined in accordance with the provisions of laws and regulations.

Article 39

In SEZ, provisions that regulate open business sectors with some investment prerequisite shall not apply, unless those applicable for small & medium enterprises and cooperatives.

Part Four

Facilities and Other Incentives

Article 40

- (1) In addition to the facilities and incentives as regulated in Article 30 through Article 39, the areas within SEZ may be granted facilities and other incentives.
- (2) The provisions concerning facilities and other incentives as referred to in paragraph (1) shall be regulated by the relevant authorities in accordance with the provisions of laws and regulations.

Part Five

Employment

Article 41

The permission to employ foreign employees as members of the Board of Directors and Commissioners shall be issued only once and shall be valid as long as they occupy the positions as members of the Board of Directors and Commissioners.

Article 42

The use of manpower in SEZ shall prioritize Indonesian citizens in accordance with the provisions of laws and regulations.

Article 43

- (1) In SEZ, Special Tripartite Cooperative Institution shall be set up by the Governor with the following responsibilities:
 - a. conduct communication and consultation on various employment issues;
 - b. conduct early detection of possible emergence of manpower problems; and
 - c. provide suggestions and considerations regarding the problem solving steps.



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- (2) Membership of the institution as referred to in paragraph (1) shall consist of elements of the Central Government, regional administration, trade/labor unions and business associations.
- (3) In carrying out its duties and functions, the institutions referred to in paragraph (1) shall coordinate with other agencies.

Article 44

- (1) In SEZ, Remuneration Council shall be set up by the Governor with the following duties and functions:
 - a. provide inputs and suggestions to determine remuneration; and
 - b. discuss remuneration issues.
- (2) The membership of the Council as referred to in paragraph (1) shall consist of elements of the Central Government, regional administration, trade/labor unions and business associations, experts, and colleges.
- (3) In carrying out its duties and functions, the Council as referred to in paragraph (1) shall coordinate with other agencies.

Article 45

- (1) The setting of and application of minimum wages shall be regulated by the Governor.
- (2) The setting of the minimum wages shall take into account at least:
 - a. minimum wages as the safety net;
 - b. capabilities of small & medium businesses and cooperatives; and
 - c. decent living needs

Article 46

- (1) For a company with more than 1 (one) trade/labor union, may set up 1 (one) trade/labor union forum.
- (2) The provisions on the establishment of a trade union/ labor union forum as referred to in paragraph (1) shall be regulated by Regulation of the Minister in charge of manpower affairs.

Article 47

- (1) A company that has formed a trade/labor union must enter into a collective labor agreement (CLA) between the trade/labor union and the employer.
- (2) In the CLA, the following is agreed:
 - a. types of work that may be sub-contracted to other companies, and
 - b. type of working relationship based on the employment agreement for specified and unspecified times.
- (3) In case the company performs works pertaining to new products, new activities, or additional products under experimental or trial stage, such may be carried out with the employment agreement for specified and unspecified times for a period maximum 2 (two) years and may be extended for one time, for 1 (one) year at the most.
- (4) Employment agreement with specified time as referred to in paragraph (3) cannot be extended.

CHAPTER VII
CLOSING PROVISIONS



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Article 48

- (1) When this Law comes into effect, the Free Trade Zones and Free Ports, namely Batam, Bintan and Karimun, which have been set up under Law No. 36 of 2000 on the Stipulation of Government Regulation in Lieu of Law No. 1 of 2000 on Free Trade Zones and Free Ports which have become Law (State Gazette of the Republic of Indonesia of 2000 No. 251, Supplementary State Gazette of the Republic of Indonesia No. 4053) as amended by Law No. 44 of 2007 on the Stipulation of Government Regulation in Lieu of Law No. 1 of 2007 on Amendment to Law No. 36 of 2000 on Stipulation of Government Regulation in Lieu of Law No. 1 of 2000 on Free Trade Zones and Free Ports into Law (State Gazette of the Republic of Indonesia of 2007 No. 130, Supplementary State Gazette of the Republic of Indonesia No. 4775), before or after a the expiry of defined time period, may be proposed as SEZ in accordance with the provisions of this Law and the provisions of other laws and regulations.
- (2) In case of the Free Trade Zones and Free Ports as referred to in paragraph (1) are not proposed to become SEZ, the Free Trade Zones and Free Ports shall expire in accordance with a pre-determined period.

Article 49

Upon the shift of the status of Free Trade Zones and Free Ports as referred to in Article 48 paragraph (1) or the expiry of the predetermined period as referred to in Article 48 paragraph (2), Law No. 36 of 2000 on Stipulation of Government Regulation in Lieu of Law No. 1 of 2000 on Free Trade Zones and Free Ports into Law (State Gazette of the Republic of Indonesia 2000 No. 251, Supplementary State Gazette of the Republic of Indonesia No. 4053) as amended by Law No. 44 of 2007 on Stipulation of Government Regulation in Lieu of Law No. 1 of 2007 concerning the Amendment of Law No. 36 of 2000 on the Stipulation of Government Regulation in Lieu of Law No. 1 of 2000 on Free Trade Zones and Free Ports which have become Law (State Gazette of the Republic of Indonesia of 2007 No. 130, Republic of Indonesia No. 4775), is hereby declared as null and void.

Article 50

This Law shall come into force on the date of its enactment.
For the cognizance of everybody, it is hereby instructed to enact this Law by promulgating it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

on October 14, 2009

PRESIDENT OF THE REPUBLIC OF INDONESIA

[signed]

DR. H. SUSILO BAMBANG YUDHOYONO

Enacted in Jakarta
on October 14, 2009



THE PRESIDENT
OF THE REPUBLIC OF INDONESIA

MINISTER OF JUSTICE AND HUMAN RIGHTS OF THE REPUBLIC OF
INDONESIA,
[signed]

ANDI MATTALATTA
STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2009 NO. 147

This is a true copy of the original
STATE SECRETARIAT OF THE REPUBLIC OF INDONESIA

Head of Law and Regulation Bureau For Economic and Industrial Section,

Setio Sapto Nugroho

ELUCIDATION
OF
LAW OF THE REPUBLIC OF INDONESIA
No. 39 OF 2009
ON SPECIAL ECONOMIC ZONES

I. GENERAL

To turn Indonesian into a just and prosperous society based on Pancasila State Ideology and the Constitution of the Republic of Indonesia of 1945, the national economic development must be carried out in accordance with the on economic democracy embracing the principles of togetherness, efficiency with justice, sustainability, environmental friendliness, independence, and balancing economic progress with the integrated national economy.

In accordance with the mandate of Decree People's Consultative Assembly Decree of the Republic of Indonesia No. XVI/MPR/1998 on Economic Policies in respect to economic democracy, Indonesia will require economic policy alignments by giving more opportunities and support for micro, small and medium enterprises (MSMEs), as well as cooperatives while simultaneously giving benefits to the domestic manufacturing sector. In this regard, the Special Economic Zones (SEZ) will accommodate SMEs and cooperatives. By doing so, there will be linkages with upstream and downstream synergies with large companies. These companies will act as both Business Players and supporters of fellow Business Players.

In order to accelerate the national economic development achievement of, the country will have to boost its investment efforts. This may be accomplished by preparing areas which own geo-political and geo-strategical advantages. These areas will be prepared in such a way to maximize their manufacturing, export, import activities as well as other high value economic activities. SEZ is aimed at accelerating regional development and as a breakthrough model for area development to boost their economic growth, among others: manufacturing, tourism and trade sectors so that they can provide employment.



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Article 31 paragraph (3) of Law No. 25 of 2007 regarding Investment provides that the provisions on the Special Economic Zones shall be regulated by under the Laws. These provisions shall serve as the legal basis for the need to set separate policies concerning SEZ under a Law.

SEZ provisions in this Law will include regulating the roles, forms and criteria for SEZ, establishment of SEZ, funding for the infrastructure, institution, flow of goods, quarantine and foreign exchange as well as facilities and incentives.

SEZ is a zone with certain boundaries within the territories of the Unitary State of the Republic of Indonesia, and has been designated to organize economic function and enjoy certain facilities. SEZ plays the role to run and develop businesses in the field of trade, services, manufacturing, mining and energy, transport, maritime and fisheries, post and telecommunication, tourism and other fields. Accordingly, SEZ is made up of one or several zones, among others export processing zone, logistics, manufacturing, technology development, tourism, and energy. Their activities may be turned into export and domestic activities.

The criteria that must be met for an area to be designated as SEZ must comply with the Regional Spatial or Zoning Plan, will not potentially disturb the conservation areas, there is support from the provincial/district/city administration, situated in a strategic location or owns the prime resource potentials for marine, fishery, plantation, mining, and tourism. In addition, it has clear boundaries, namely natural and man-made.

To organize SEZ, the government will set up SEZ organizing institutions comprising the National Council at the central level and the Zone Councils at the provincial level. Further, the Zone Council will set up SEZ Administrator in each SEZ responsible for providing services, supervision, monitoring, and control of SEZ operations. The business activities taking place in SEZ will be run by Business Entities and Business Players.

The facilities offered in SEZ are aimed at improving competitiveness so that it will become more attractive to investors. These facilities will include fiscal facilities, namely taxation, customs & excise, local taxes and regional retributions, and non-fiscal facilities consisting of , land facilities, licensing, immigration, investment, and manpower. Other facilities and incentives which may be given to a zone within SEZ, will be arranged by the competent institutions in compliance to the provisions of laws and regulations.

In terms of supervision, the provisions on prohibition will remain in place in SEZ, as well as other regions in Indonesia. However, the provisions concerning restrictions will enjoy ease of the systems and procedures set by the Government, namely focus on the supervision against possible abuse or turning SEZ into a zone to commit economic offenses.

The enactment of this Law is expected to provide uniform regulation on special economic zones that exist in Indonesia, and give the opportunities of growth for Special Trade Zones and Free Ports under by Law No. 36 of 2000 on the



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Stipulation of Government Regulation in Lieu of Law No. 1 of 2000 on Free Trade Zone and Free Port to Become Law (State Gazette of the Republic of Indonesia of 2000 No. 251, Supplementary State Gazette of the Republic of Indonesia No. 4053) as amended by Law No. 44 of 2007 on the Stipulation of Government Regulation in Lieu Act No. 1 of 2007 as amended with Law No. 36 of 2000 regarding the Stipulation of Government Regulation in Lieu of Law No. 1 of 2000 on Free Trade Zones and Free Ports to Become Law (Republic of Indonesia of 2007 No. 130, Republic of Indonesia No. 4775) to be proposed into SEZ, within or after the expiry of the period already set. Upon the enactment of this Law, there will not be any more designation of free trade zones and free ports.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

The term “geo-economics” means the combination of economic and geographic factors in international trade.

The term “geo-strategy” means the combination of geo-political factors (impact of geo-political, economic and demographic factors in terms of foreign policies of a country) and the strategies which assign certain roles to a geographic zone.

The term “manufacturing activities” means economic activities which involve processing of direct materials, raw materials, semi-finished goods, and/or finished goods with higher value for their use, design & construction, and industrial engineering.

The term “area preparation “ means the efforts to develop a given area in such a way as to meet certain infrastructure and service standards.

Article 3

Paragraph (1)

Letter a

The term “export processing zone” means an area designated for logistic and manufacturing activities of which its production outputs are for export purposes.

Letter b

The term “Logistic Zone” means an area designated for storage, assembly, sorting, packing, distribution, repair, and machinery conditioning activities from Indonesia and overseas.

Letter c

The term “manufacturing zone” means and are designated for manufacturing activities which processes raw materials, raw materials, direct materials, semi-finished and/or finished goods, as well as agro-industry with higher value for its use, including design & construction and industrial engineering industries of which its production outputs are for export and/or for domestic needs.



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Letter d

The term “technological development zone” means an area designated for research & technology activities, design & engineering, applied technology, software development, and information technology services.

Letter e

The term “tourism zones” means the areas designated for tourism activities to support entertainment and recreational activities, meetings & conventions, incentive travel and exhibitions, as well as related activities.

Letter f

The term “energy zone” means an area designated among others for the development of alternative energy, renewable energy, energy-efficient technologies, and processing of primary energy.

Letter g

The term “other economic zones”, means among others creative industrial zones and sports zones.

Paragraph (2)

The term “support facilities” means among other worship facilities, hotels, hospitals, education, and training facilities.

Paragraph (3)

Self-explanatory

Article 4

Letter a

The term “conservation areas” means the territories designated to mainly function as protection of sustainable environment which comprise natural resources and man-made resources.

Letter b

Self-explanatory.

Letter c

The term “international shipping channel” include:

- a. Indonesian archipelagic sea lanes (ALKI);
- b. the ship channel which connects international shipping hubs in Indonesia and international ports in Indonesia;
- c. the ship channel which connects international port hubs with international ports in other countries.

Letter d

The term “having clear boundaries” means natural boundary (rivers or seas) or man-made boundaries (fences or walls).

Article 5

Self-explanatory



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Article 6

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

The proposed area of development may comprise of a new area or expansion of existing SEZ.

Letter b

The term “zoning regulations” means the provisions which govern the requirements of spatial utilization and its controlling regulations, and will be drafted for each designated zone of which its spatial arrangement will be carried out in detail.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Letter f

Self-explanatory.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Government regulations, among others, arrange the outer boundaries, zones within SEZ, and extent of SEZ area.

Article 8

The term “in certain matters” means matters of national interests that are strategic for the national economic development, and to maintain the balance of the progress of a particular area.

Article 9

Self-explanatory.

Article 10

Self-explanatory.



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Article 11

Self-explanatory.

Article 12

Paragraph(1)

The term “must be ready to operate” means the fulfillment of all infrastructure requirements, human resource, and administration control devices.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Letter a

The term “changes” among others includes the extent of the proposed area, zone, and funding sources.

Letter b

Self-explanatory.

Letter c

The term “steps to resolve” means among others the replacement the Business Entities and proposing to cancel the location.

Paragraph (5)

Self-explanatory.

Paragraph(6)

Self-explanatory.

Article 13

Paragraph(1)

Self-explanatory.

Paragraph (2)

The material and terms and conditions of cooperation include period of cooperation, accountability of the assets belonging to the Central Government, regional administraton, and private companies, as well as ownership after the working period expires.

Paragraph (3)

Self-explanatory.

Article 14

Self-explanatory.



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Article 15
Self-explanatory.

Article 16
Self-explanatory.

Article 17
Letter a
Self-explanatory.

Letter b
Self-explanatory.

Letter c
Self-explanatory.

Letter d
Self-explanatory.

Letter e
Self-explanatory.

Letter f
Self-explanatory.

Letter g
The term “strategic issues” among other means issues that cannot be resolved by Zone Council or related to national and/or regional policies which affect the management and development of SEZ.

Letter h
Self-explanatory.
Article 18

Letter a
Self-explanatory.

Letter b
Self-explanatory.

Letter c
The term “others” means among others the National Council/SEZ managers of other countries, Indonesian Chamber of Commerce and Industry, businessmen associations, and non-profit colleges.

Article 19
Self-explanatory.



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Article 20
Self-explanatory.

Article 21
Self-explanatory.

Article 22
Self-explanatory.

Article 23
Self-explanatory.

Article 24
Self-explanatory.

Article 25
Self-explanatory.

Article 26
Self-explanatory.

Article 27
Paragraph (1)
Self-explanatory.

Paragraph (2)
Self-explanatory.

Paragraph (3)
The term “to and from SEZ” will also include the goods entered to and released from inter-SEZ.

Article 28
Self-explanatory.

Article 29
Self-explanatory.

Article 30
Self-explanatory.

Article 31
Self-explanatory.

Article 32
Self-explanatory.

Article 33
Self-explanatory.



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Article 34
Self-explanatory.

Article 35
Self-explanatory.

Article 36
The facilities given among others accelerated services for the measurement, title registration and issuance of land title certificates.

Article 37
Self-explanatory.

Article 38
Self-explanatory.

Article 39
Under this regulation, the provisions on closed business fields as regulated in the provisions of laws and regulations Regarding List of Closed and Open Business Fields provided that the prerequisites of Investment will remain in effect in SEZ.

Article 40
Self-explanatory.

Article 41
The term “office of directors or commissioners” means the positions of directors or commissioners whose names are contained in the company’s or their amendment(s)

Article 42
The use of Indonesian manpower follows the Indonesian principles as an integrated national working market based on working competence. Employers must give priority to the local workers in case the working competence requirements have been met.

Article 43
Paragraph (1)
The term “Special Tripartite Cooperation Institution” means the Special Tripartite Cooperation Institution existing in SEZ.

Paragraph (2)
Self-explanatory.

Paragraph (3)
Self-explanatory.

Article 44



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Self-explanatory.

Article 45

Self-explanatory.

Article 46

Paragraph (1)

In accordance with the principle of freedom of association, the forum must not reduce the independence of trade/labor unions.

Paragraph (2)

Self-explanatory.

Article 47

Paragraph(1)

The term “collective labor agreement (CLA)” means collective agreement entered into by the trade/labor union or a trade/labor union or several trade/labor unions already registered at the competent institution responsible for manpower with the employers.

Paragraph (2)

The term “the CLA agrees” means when a company intends to subcontract some of its works to other companies and/or carries out employment in the form of collective labor agreement under certain period employment agreement or indefinite employment agreement, the employers and trade/labor union will negotiate to agree these issues in the CLA.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 48

Self-explanatory.

Article 49

Self-explanatory.

Article 50

Self-explanatory.

SUPPLEMENTARY OF STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NO.5066