



ORIGINAL CONTRIBUTION

Why Tanjungpinang Free Trade Zone (FTZ) Fail?

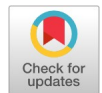
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Abstract— The goal of the study is to critically analyze the implementation the *Free Trade Zone (FTZ)* policy in Tanjungpinang of Riau Islands Region and to highlight the negative factors or obstacles encountered in the implementation of the policy in the Tanjungpinang. The study focuses on FTZ region in Bintan Island Indonesia, especially in the area of Senggarang and Dompok Region in accordance with Government Regulation No. 47 of 2007. The implementation of FTZ in Tanjungpinang has not shown encouraging as, there is no business or industry in those areas that have been set, especially Senggarang region. For data collection mixed methods have been utilized. Intensive literature review along with interviews is used to gather data. The findings of this study indicate that factors inhibiting the implementation of the FTZ policies in this area legal certainty in land ownership, overlapping FTZ Regulation, lack of infrastructure; roads, ports, limited supply of electricity, and limited water supply. Moreover, the weak synergy between the Agency Concession Region Tanjungpinang and principals of some program activity, especially in matters relating to budget authority and the licensing process result in the lack of progress in FTZ implementation. On the basis of these findings recommendations for policy makers and government representatives are given.

Index Terms— FTZ, Policy, Implementation, Bintan Island

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Introduction

Background

This research focuses on the scope of FTZ Bintan Island, especially the area of Tanjungpinang city at the location of Senggarang and Dompok area, which is the central government of The Riau Island Province. This is a strategic value because it is expected that the role of local government, especially The Riau Island Province government to be central to Maintain the integration and sovereignty of Indonesia in the Malacca Strait maritime border, Utilizing the global economic opportunities that develop in the Malacca Strait.

Located in northwest part of Indonesia, FTZ and Free Port Batam, Bintan, Karimun lies in the international shipping crossing point that navigates the Strait of Malacca. This area is in direct contact with neighboring countries of Singapore and Malaysia (South Johor). The Strait of Melaka lies between two large land areas namely Sumatra Island and Peninsular Malaysia. The length of the Strait of Malacca is about 805 km or 500 miles

wide by 65 km or 40 miles on the south side and further north it widened around 250 km or 155 miles (Chuan & Cleary, 2005).

Secondly, the Malacca Strait Region including Bintan Island (Senggarang Area and Dompok Area) have strategic values: Political aspects (national sovereignty and integrity), strategic safety aspects (prone to piracy targets, terrorists and foreign militants), Economic Aspects (important growth areas and pathways Shipping world). Batam, Bintan, Karimun is located in The Riau Islands Province, with autonomous governance covered is Batam City, Bintan Regency, Tanjung Pinang City and Karimun Regency. The study focuses on the area in Bintan Island, especially in areas within the area of Tanjungpinang City (Senggarang and Dompok areas) in according with Government Regulation number 47 of 2007. The legal basis for determining Bintan Island as FTZ area has been determined in regulation 47 of 2007 on FTZ and Bintan Free Port. In the Regulation, the Bintan FTZ location consists of North Bintan area with coverage of almost half of Bintan Island. Besides that, there are five (5) other locations in the form of enclave namely Anak Lobam area, Bintan Timur maritime area, Galang Batang area, Senggarang and Dompok area.

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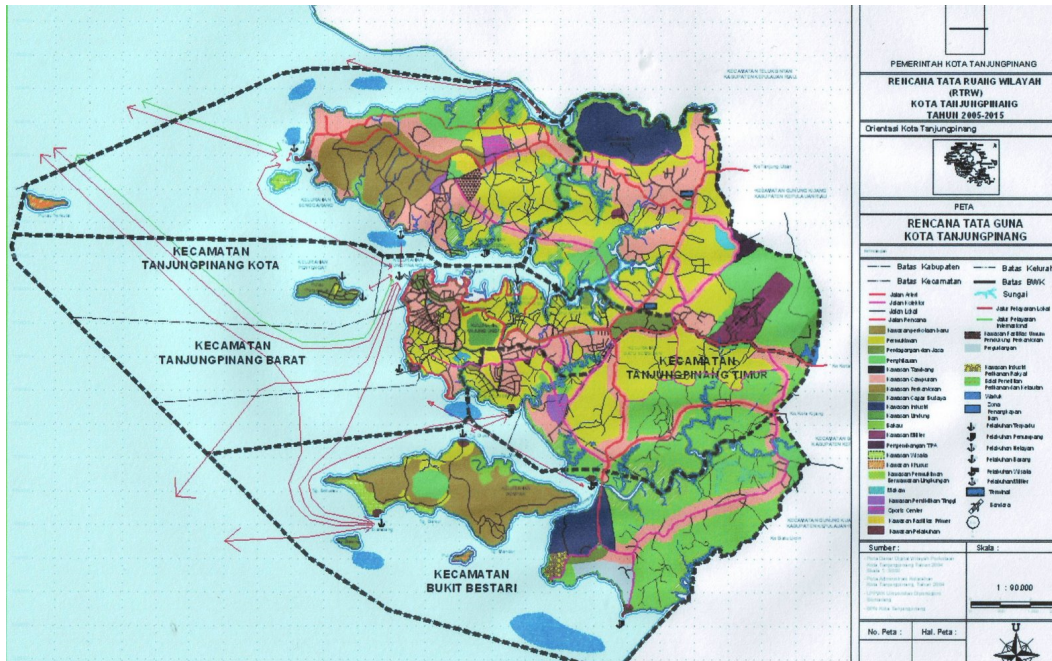


Fig. 1. FTZ development report in Tanjungpinang city, 2014

Bintan Island is a region that is quite ready to attract investment. The existence of bonded zones in Bintan causes the region to be familiar to investors who want to invest in the manufacturing sector. In addition, Bintan has also been the location of foreign tourist visits, although the largest still comes from Singapore. In terms of infrastructure, although not as good as Batam, Bintan has an airport and seaport facilities. With the expansion of the territory, the City of Tanjung Pinang becomes an autonomous administrative region. However, Bintan will be implicitly interpreted as the whole island of Bintan. During the next 20 years development period, Bintan Island (Senggarang and Dompok area) should be consistently directed to achieve its positioning in the future, that is through the stages of development (staging) is divided into four stages.

First, support function for Singapore, support of transshipment activities, providing land for non-pollutant industrial estate and tourism development, and shipyard industries. Second, Singapore's main partner, at this stage, the development of industrial and tourism services sector is still dominant and increasingly strong, but started shifting from the domination of the industrial sector to the service sector. Third, areas that have some superior sectors, at this stage there is an attempt to shift the functions of Singapore's main trading activities in relation to trade activities and the development of functions that support them within the internal scope including: the development of industrial estate Non pollutant, bunkering center, oil and gas storage center, shipyard and floating dockyard, and mice center. The four, Superior area, obstacles to local regulations, and by simplifying customs procedures.

Competitions between ports are evolving into competitions between supply chains. Ports are transitioning into fourth-generation ports. Shanghai FTZ is characterized by a very high level of legal autonomy. The FTZ plays a pivotal role in regional economic development. Shanghai FTZ impacts the competitiveness of other neighboring ports and cities (Wan et al., 2014).

In relation to the implementation of FTZ Policy in Tanjungpinang City, the writer is interested to conduct research on factors fail policy implementation of FTZ in Region Riau Tanjungpinang islands ?

FTZ still seems new and has not shown the existence of FTZ activities in Tanjungpinang and has been carried out by the FTZ but is not working as it should. It still seems new and has not shown the existence of FTZ activities in Tanjungpinang and has been carried out by the FTZ but is not working as it should. The research on the Free Trade Zone in Tanjungpinang City, especially in the Dompok area, Senggarang has never been studied. This scientific research wants to answer whether ethnic Malays are compatible or open to foreigners and trade both domestically and abroad.

This study wants to answer the question that why does Tanjungpinang FTZ Fail ? Then, it will describe the details of the implementation the FTZ policy in Tanjungpinang, The Riau Islands Province.

Literature Review

Policy implementation

The main task of the government is to create policies through various public policies. Policies will be achieved if the policies made are implemented or implemented properly (Cuyugan et al., 2017; Endang & Risal, 2017). Successful implementation of a policy is determined by many variables or factors, both regarding the content of the implemented policy, the implementation of the policy, and the environment in which the policy is implemented (target group). According to Winarno (2007) Implementation is widely seen as having meaning in the implementation of law where various actors, organizations, procedures and techniques work together to implement policies in order to achieve the policy objectives. Implementation on the other hand is a complex phenomenon that may be understood as a process, an output (output) and as an impact (outcome). While Nugroho (2003) argued that the implementation of policy in principle is a way for a policy to achieve its goals. Of these two expert opinions that need to be emphasized is that the implementation phase of the policy will not begin before the goals and objectives are set or identified by the policy decisions.

Furthermore, according to Wahab (1997) that the stage in the pro-

cess of policy implementation are: Policy Output (decision), Obedience of Target Group Does not violate the rules outline If a violation is still limited to the sanctioned violation; attitude governs the legitimacy of the relevant legislation and does not feel disadvantaged by the regulation. The real impact of the policy, perceptions of impact, olicity revision. Here policies that involve many different interests will be more difficult to implement than those with little interest (Kokanuch, 2018; Yilmaz, 2017). Therefore, the high intensity of involvement of various parties (politicians, entrepreneurs, communities, target groups and so on) in policy implementation will affect the effectiveness of policy implementation.

Edwards III argues in his policy implementation model that the success of policy implementation is influenced by factors, hence there are several factors influencing policy implementation, as explained by Edwards III Subarsono (2008) namely: Communication, Resources, Disposition, Bureaucratic Structure.

Furthermore Ripley and Frangklin (in Winarno (2007)) say that implementation includes many activities:

1. Implementing agencies assigned by law with the responsibility of running the program must obtain the resources needed for the implementation to run smoothly.
2. Implementing agencies develop the basic language into concrete directives, regulations, and plans-reencana.
3. Implementing agencies should organize their activities by creating bureaucratic units and routines to tackle the workload.
4. Implementing agencies provide benefits to target groups

From several factors influencing the implementation of policy, the top down flow proposed by George C Edward III whose focus of analysis revolves around the problems of achieving the formal policy objectives that have been determined many references to the implementation of government policies. In the approach proposed by Edward III, there are four variables that determine the successful implementation of a policy, namely: Communication, Resources, Disposition (tendencies), Bureaucracy structure (Winarno, 2007).

Implementation of Donald Van Metter and Carl Van Horn model policies

Winarno (2007) : The top-down approach model formulated by Donald Van Metter and Carl Van Horn is called A Model of policy implementation.

1. The size and purpose of the policy
2. Resources
3. Characteristics of implementing agents
4. Attitudes / disposition (disposition) of the implementers
5. Communication between organizational and implementing activities
6. Economic, social and political environment

Factors influencing public policy implementation

According to Frawley (1977), the study of public policy has traditionally favored the policymaking process by:

- a. focusing on the participants and their interests;
- b. compromise through bargaining and negotiation;
- c. the role of analysis;
- d. expertise in policymaking.

The observation is, however, made that in the making of public policy and its ramifications, notwithstanding the traditional emphasis, are not the only significant aspects of the public policy process. Professor David Easton, for instance, maintains that political life concerns not only those varieties of activity that influence significantly the kind of authoritative policy adopted for society, but also the way policy is put into practice: "When we act to implement the decision, we enter the... effective, phase of a policy" (Easton,quoted in Nakamura & Smallwood (1980)).

Edwards & Shakansky (1978) elaborate the difficulties that decision-makers face in attempting to realize their intentions:

- a. communication: transmission, clarity and consistency;
- b. resources: staff, information and authority;
- c. disposition of implementers: bureaucratic politics, incentives and by-passing channels; sops [standard operations procedures; and follow-up.

Levitt (1980) lists 19 features of public policy implementation covering aspects such as: time-scale for introducing legal powers; public policy as function of public expenditure policy; opportunity costs of alternative priorities; value of outside pressure on implementing agencies; images as determinants in inter-organisational dealings; learning from enforcement experience; and Benefits of international policy-making.

Frawley (1977) identifies five sources of errors and slippage between public policy intent and execution, namely; interpretation and definition of goals; development of guidelines and regulations; delegation and communication; operations; and monitoring. Then, Halparin, noted by Levitt (1980) offers three (3) basic explanations for the failure of public policy implementation, that is:

- lack of knowledge
- lack of ability and competence
- lack of desire

Selected framework of analysis of influencing factors, as can be seen from the above lists, which are by no means exhaustive, some of the critical factors proposed by the different authors and scholars are mutually inclusive. In selecting a workable conceptual framework for systematic exposition, an adapted version of the application by Edwards and Sharkansky has been decided upon because of its wider applicability, suitability and validity. This conceptual framework consists of the following general elements: communications; resources and disposition of implements.

Free Trade Zone (FTZ)

The concept of development that leads to industrialization is a cornerstone of the strategy of many countries in the world in national development. With the concept of division of labor and industrialization considered to be a very promising sector than work on other sectors. Industry has many advantages over the agricultural sector, such as eliminating dependence on nature, absorbing a lot of manpower, generating foreign exchange and much more. In addressing the global, regional and national developments, the government passed the Law of the Republic of Indonesia Number 36 of 2000 of December 21, 2000 on the Stipulation of government regulation (PP) in lieu of Law No. 1 of 2000 on FTZ Become Law.

The hope of such legislation is to establish free trade and port areas to encourage international trade traffic activities that bring in foreign exchange for the State and be able to give great influence and benefit to Indonesia, to be able to open up the largest employment opportunities, to increase tourism and Investment both foreign and domestic. Furthermore, through the Law of the Republic of Indonesia number 44 of 2007 on the determination of the replacement of Law No. 1 of 2007 on the amendment of Law No. 36 of 2000 on the determination of PP substitute law number 1 of 2000 on FTZ become law. The law was created to respond to opportunities or challenges in the global economy. Where economic globalization demands reduced trade barriers in addition to the conditions that provide opportunities to achieve economic growth through increased exports and investment, it also leads to a decline in national competitiveness resulting in a very serious impact on the national economy and trade as well as rising unemployment and poverty (Lynn, 2015; Mh et al., 2017).

Furthermore, derivative of the above-mentioned law is followed up by the issuance of PP of the Republic of Indonesia Number 47 Year 2007 on Free Trade Area and Bintan Freeport. PP is the legal basis in the forma-

tion of the region as a Free Trade Area and Free port which is the island of Bintan. Still inside the PP also explained that on the island bintan is divided into two regions, the first in the district of Bintan and the second in Tanjungpinang City. Furthermore, in the city of Tanjungpinang determined there are two FTZ areas, namely the area located in Senggarang and Dompok area.

According to Hardiansyah (2016) the results of research on the implementation of the Bintan Island policy as a Free Trade Zone, investment in Bintan Island and the impact of the policy of establishing the Bintan Island as a Free Trade Zone area on investment in the Bintan Region. Then the results obtained descriptive analysis shows that the implementation of FTZ policies is not appropriate or suitable, According to Hardiansyah (2016) the implementation of FTZ policies is not appropriate or suitable, because it is in the range between 124.8 to 163.1. From the regression analysis, the variation of changes in the value of increased investment (Y) can be explained by the simultaneous communication variables (X1), resources (X2), disposition or attitude of implementers (X3), and the structure of the bureaucracy (X4) are 52.90%, while the remaining 48.10% is explained by other factors that are not included in the model. The results of the study by *t*-test analysis showed that the four independent variables significantly influence the dependent variable, while the I-test shows the four independent variables simultaneously significant effect on the dependent variable.

Methodology

This research adopted a qualitative approach. Qualitative research methods (qualitative research methods) can be understood as research strategies and techniques used to understand society, problems in society phenomenon, by gathering as many detailed and in-depth facts as possible (Jary & Jary, 1991). The qualitative approach starts from the ontological view that the existing reality is diverse and this study intends to describe the diversity of views as understood by each informant (Creswell & Creswell, 2017). This research uses qualitative approach. A qualitative approach is made to collect data that is more representative and appropriate, and gives a clear picture of how FTZ is implemented in Tanjungpinang City.

This study utilizes open interviews to examine and understand the attitudes, views, feelings and behaviors of a group of people. The methodology of various types of research is influenced by the type and quality of problems encountered. This research was conducted in Tanjungpinang City Area which focus on Senggarang and Dompok area in accordance with Government Regulation Number 47 of 2007 about FTZ and also Presidential Decree Number 10 of 2008 about the Bintan Free Port and Free Trade Zone Council.

This study uses a qualitative approach with in-depth interviews. Interviews were conducted with 7 (seven) respondents. These criteria respondents were selected and accessed for several reasons, namely the five respondents considered to be most well aware of the FTZ problem in Tanjungpinang City Area, and the five respondents were directly involved in making policy decisions regarding this FTZ.

The five respondents who were key informants of this study were:

1. Boby Jayanto, Chair of the Indonesian Chamber of Commerce (KADIN) of Tanjungpinang City, who is very knowledgeable about the condition of the FTZ in Tanjungpinang.
2. Ishak, Head of Division in the management of Tanjung Pinang City FTZ, was the person most directly involved in the process of running the FTZ and participated in making this FTZ decision.
3. Jon Arizal, General Secretary of the Riau Islands Province FTZ Regional Council, is the person who coordinates and oversees the condition of FTZ Tanjungpinang City including the Senggarang and Dompok areas.
4. Rudi Chua, Member of the People's Representative Council of the Riau

Islands Province, people are also involved and know the FTZ problem because as a member of the People's Representative Council in charge of economic and FTZ problems.

5. Chaidir Ahmad, Member of the Indonesian Chamber of Commerce (KADIN), people assist and are involved in making policies about this FTZ.
6. Iskandarsyah, a member of the People's Representative Council of Riau Islands Province
7. Chandra, Member of the Indonesian Chamber of Commerce (KADIN), people assist and are involved in making policies about this FTZ.

To analyze research data using data collection stage, data reduction, data presentation, and conclusion or data verification with triangulation technique. The steps of the authors in analyzing the research data that has been collected is done by qualitative descriptive method. In this writing into descriptive data, data or documents in the form of Government Regulation number 47 of 2007 on the FTZ and Bintan Free Port. First of all, describe variables, systematically identify theories, find the literature, and analyze the documents that include information relating to the research focus. Secondly, all data obtained are qualitatively analyzed without using statistical, mathematical, econometric, and certain models or models such as other exact calculations. While the qualitative method prioritizes the appreciation of the object under study.

Starting from data collection and data analysis to the preparation of theories and drawing conclusions in a primary way, namely observing, interviewing (surveys and / or interview guidelines) and in-depth interviews, experiences. Then in a secondary way through journals, books, printed sources or other recorded: study reports, research reports, dissertations, theses, newspapers, magazines, films, photos, pictures, e-papers, etc.

Results and Discussion

Why the Tanjungpinang FTZ failed?

Several causes of failure of the FTZ include Land Acquisition, policy, socialization and promotion, inadequate infrastructure, adoption.

Land acquisition

The main failure factor of Tanjungpinang FTZ is land acquisition. This was revealed by Ing Iskandarsyah, a member of the people representative council (DPRD) of the Riau Island Province to Tanjungpinang Pos, yesterday. "It needs special attention because of the Tanjungpinang Capital City of the Riau Islands Province, but the two superior product areas actually only die from the status of the land," (excerpt from interviews with Iskandarsyah, a member of the Riau Islands Province).

Implementation of FTZ policy

FTZ is an area within the jurisdiction of the Unitary Republic of Indonesia which is separated from Customs so that it is free from imposition of entry fee, value added tax and sales tax on luxury goods and excise duty. Incentives are the government's policy to increase competitiveness with other countries in making Indonesia as the main investment destination country.

In this trend, Chinese port cities can provide a variety of value-added services and become the center of commodity flows, capital flows, and information flows. In particular, the combined effect of encouraging the development of peripheral industries and actively coordinating the activities of relevant parties helps regulate the operation of the entire supply chain to obtain potential value-added benefits. The implementation of the Shanghai FTZ will not only stimulate trade but will also increase shipping

and financial opportunities to the city. With free trade as a new direction and focus on the country's economic initiatives, the Shanghai FTZ laid the groundwork for a new round of reform and restructuring of the Chinese economy. Likewise, FTZ in Tanjungpinang is expected to lay the foundation for strengthening Indonesia's economic restructuring, especially in the border region. What's more, President Jokowi launched a government program in the maritime field as the spearhead of Indonesia's economic prospects going forward (Wan et al., 2014).

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as it should. The research on the Free Trade Zone in Tanjungpinang City, especially in the Dompok area, Senggarang has never been studied. This scientific research wants to answer whether ethnic Malays are compatible or open to foreigners and trade both domestically and abroad.

While FTZ has a function as a place to develop business in service trade, industry, mining and energy, maritime transportasi and fishery, post and telecommunication, banking, insurance, tourism and other fields. Activities in the area Economic activities such as trade, maritime, industry, transportation, tourism, and other sectors stipulated in the Law on the establishment of FTZ. With FTZ walking it will become an economic and social buffer for the country. Because with the move of industrialization it will drive other economic activities.

Table 1
Usefulness of FTZ

Usefulness of FTZ	
State	<ul style="list-style-type: none"> ● Opening employment. ● Reduced unemployment ● Opening more business opportunities for SMEs, individuals, and cooperatives in the sectors of trade, agriculture, livestock, fisheries, and other services.
Society	<ul style="list-style-type: none"> ● Creation of opportunities and employment opportunities ● Increased employee income and welfare ● Increased HR
Central Government Government	<ul style="list-style-type: none"> ● increased corporate and individual PPHs ● increased PAD

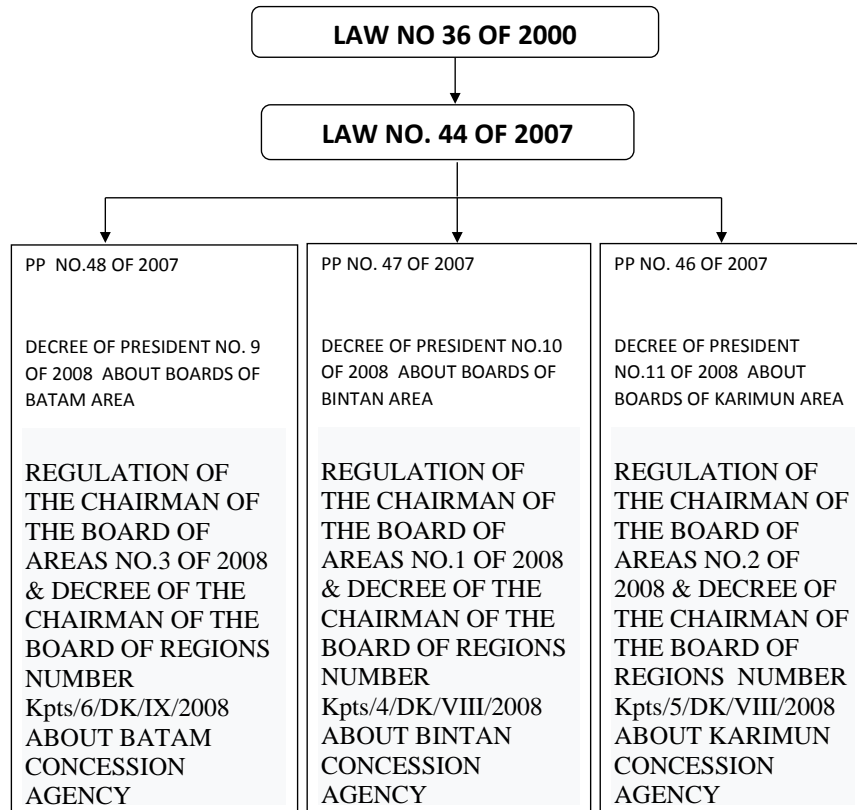


Fig. 2. Basic framework of institutional law of FTZ

Based on Government Regulation No. 47 of 2007 on Free Trade Zone and Free Port of Bintan Tanjungpinang city area is located in two locations namely industrial area of Dompok and industrial area senggarang.

Geographically, Dompok industrial area is located at 1040 24 '36' 'BT, 00 58' 50 LU - 1040 27 '33' 'BT, 00 56' 19'LU. Administratively FTZ Dompok area is located in Dompok Village, Bukit Bestari Sub-district, Tanjung-

pinang City with an area of ± 1300 Ha. While geographically, the industrial area of Senggarang is located at 1040 28 '37' 'BT, 00 52' 24 LU - 1040 30 '45' 'BT, 00 50' 26'LU. Administratively FTZ Senggarang area located in Senggarang Village Tanjungpinang District City, Tanjungpinang City with an area of ± 1300 Ha.

Socialization or promotion

The management of their newly created Area Development Agency has promoted to several countries both in ASIA and in Europe. Related to FTZ duties in realizing FTZ in Tanjungpinang area activities that have been done in relation to the promotion, among others are:

1. FTZ Acceleration Seminar in Tanjungpinang City held on December 11, 2013.
2. Promotion of BPK Tanjungpinang in Moscow, Russia along with regional councils, BPK Bintan, and BPK Karimun on 22 - 26 October 2013.
3. Promotion of BPK Tanjungpinang in Seoul, South Korea together with Dwan Kawasan, BPK Bintan, and Karimun BPK on 20 - 24 November 2013.
4. Promotion of BPK Kota Tanjungpinang in Osaka, Japan with regional councils, BPK Bintan and BPK Karimun on 23 s / d 27 December 2013.
5. Travel to Singapore in order to establish a cooperation agreement with PO BP Batam in Singapore held on 2 s / d 5 December 2013.

The latest research results by Pradito (2018) about analyzing the Implementation of the Free Trade Zone Policy (Free Port of Free Port) in Bintan Regency of Riau Island Province showed the Implementation of the Free Trade Zone (FTZ) Policy in Bintan Regency, Riau Island Province has not been good. Standard and FTZ standard clarity in FTZ Special Cigarette Distribution is very clear and has also been supported and integrated with various other programs. Resources in the implementation of FTZ policy in FTZ Special Cigarette Distribution are still inadequate, both financial resources and human resources. Relationship between FTZ policy implementing organizations in FTZ Special Cigarette Circulation is still weak Tactics involved incidental and unscheduled. The characteristics of implementing organizations are quite supportive for the implementation of FTZ policy in FTZ Special Cigarette Distribution. The current social and political conditions are sufficient to support economic conditions not fully supporting the implementation of FTZ policy in FTZ Special Cigarette Distribution. The Implementer is sufficiently aware of the policy implementation policy in the FTZ in the FTZ Special Cigarette Distribution. Bintan Registration Agency and Customs and Excise Agency have prioritized customer satisfaction (Pradito, 2018).

According to Pradito (2018), although the results of the Free Port Policy Implementation study in Bintan Regency, Riau Islands Province were not good. However, the characteristics of the implementing organizations are quite supportive for the implementation of FTZ policies in the Distribution of FTZ Special Cigarettes. The current social and political conditions are sufficient to support economic conditions that do not fully support the implementation of FTZ policies. Implementing capital characteristics that support and are supported by social and economic and political conditions that support the success of FTZ in Tanjungpinang. The resources in implementing the FTZ policy in the Distribution of FTZ Special cigarettes are still inadequate, both financial and human resources. Relations between FTZ policy implementing organizations are still weak Tactics involve incidental and unscheduled.

Coordination pattern

The policy on the Free Trade Zone stipulates activities in the economic sector, such as the trade, maritime, industry, transportation, banking, tourism and other fields specifically in a designated area. Licensing services are very fundamental in every business activity in the context of

fulfilling the legality of the competent authority or government. In the implementation of this FTZ the types of licenses that can be served are all kinds of businesses. In the Licensing process, as quoted by the opinion of Mr. Ishak;

"We coordinate with agencies in the Tanjungpinang City area, relating to Licensing, especially those located in the compact and Senggarang FTZ areas, we indeed issue, but all processes are in the relevant agencies." (Excerpt from interview with Mr. Ishak, Head of FTZ Tanjungpinang City).

In support of the implementation of FTZ, in relation to licensing Tanjungpinang Area Management Agency in cooperation with the relevant agencies or agencies such as Tanjungpinang City Integrated Licensing Services Agency in the process of granting licenses.

Pradito's research and the same author's research agree that the FTZ in Tnjungpinang, Bintan failed in terms of the implementation of the FTZ process, weak in its human resources so it was very difficult to follow up on the FTZ continuation process. On the other hand there is optimism in the implementation of FTZ that is supporting the implementation of FTZ organization and an adequate socio-political climate.

Invest in FTZ Dompok and Senggarang

Some companies are applying for permits and are still in the licensing process coordinated by BP2T and published by BPK Tanjungpinang to become FTZ members. But starting from early 2014 there are some investors who apply, namely First, PT. Lobindo Nusa Persada who wrestle Smelter Enterprises with an investment of 500 billion. Second, PT. Bintan Erlangga Eka Raharja area of business Alcoholic drink has not yet finished its licensing. Here are the names of companies that have been registered in the licensing process to become members of FTZ and also there are some investors who are interested in investing capital in FTZ Tanjungpinang area as many as 15 companies.

The issue of licensing of one of the obstacles to this has not yet been realized. The issue of licensing is a matter of great concern to investors in investment. The slow growth of industry in Indonesia especially in FTZ region is also recognized by members of Provincial DPRS as well as business actor, Rudy Chua also said the same thing. He said the economic growth of FTZ after the enactment of law 44, just seemed to retreat. Rudi chuo said that;

"We are far behind compared to other countries, such as Iskandar Muda Malaysia, Vietnam. Especially when compared with the economic growth in the PRC. Still far behind," (Excerpt from interview with Rudy Chua, member of the Riau Islands Province)

From the activities that have been carried out so far, there are no investors who have started their businesses, this can be seen from the absence of investors who conduct industrial activities in the FTZ area. The issue of granting permits is one of the obstacles that has not been realized. Investment in the FTZ region not yet realized, as quoted by Chaidir Ahmad;

"Entrepreneurs in investing are hampered by unsatisfactory permit management, entrepreneurs feel that it is difficult when they want to take care of a permit. Due to unclear authority and information, our members were never served by BPK Tanjungpinang because they felt the authority of licensing was with the Tanjungpinang Integrated Licensing Services Agency. However, when it came to the Integrated Licensing Services Board, they said that the authority to grant permits for the FTZ area was at the Tanjungpinang Zone Management Agency," (Excerpt from interview with Chaidir Ahmad, a member of the Indonesian Chamber of Commerce (KADIN)).

Besides the unclear authority in the licensing process, the problem is the amount of time needed to complete the process. As stated by Isaac;

"Why do other countries such as Malaysia, Singapore and other neighboring countries become the main destination countries for investment, one of which is their speed in serving and completing all types of licens-

ing..." (Excerpt from interview with Ishak, a member of FTZ Tanjungpinang).

Based on interviews with representatives of Kadin Tanjungpinang and one of the members of the Regional Board, conclude that there are still problems regarding business licensing, the issue is the division of authority between local government and TPI area.

In connection with the implementation of FTZ Tanjungpinang not run properly. From the results of interviews with representative of Tanjungpinang City Chamber of Commerce, it can be concluded that, indeed in theory the running of industrial activity region will indirectly affect other economic activity. With the establishment of the industry, other economic activities such as the provision of services such as shelter, transportation, restaurant, cleaning service or other services directly related to industrial activities, one of them is import-export services such as ports.

The implementation of Tanjung Pinang City FTZ did not run as it should. Based on quotes from interviews with Mr. Chaidir Ahmad and Mr. Chandra (Tanjungpinang Kadin Director) that the FTZ implementation in Tanjungpinang City is not working, then as quoted from Mr. Chaidir Ahmad:

"The implementation of FTZ in Tanjungpinang City is not working. Factually, FTZ is an incentive for export needs. Why doesn't it work because there isn't a single item labeled FTZ in Tanjung Pinang City. Then there is no affirmative policy in the form of attracting one large company that is expected to be able to attract the interest of other companies. But in reality the leadership factor becomes important here. The local government of Tanjungpinang City does not have a sense of belonging in the private sector, licensing constraints, government, private and community relations are not synergistic, and most importantly it loses momentum, infrastructure. Moreover, 2015 will enter the year of the Asean economic community" (quoted interview with Mr. Chaidir Ahmad, a member of Chamber of Commerce of Tanjungpinang City (KADIN) on August 21, 2014).

From the interview excerpt above it can be concluded that, in theory, the course of industrial activity in a region will indirectly affect other economic activities. With the establishment of the industry, other economic activities such as the provision of services such as housing, transportation, restaurants, cleaning services or other services directly related to these industrial activities, one of which is export-import services such as ports.

From the above interviews also mentioned the leadership, FTZ implementation is not a way because of leadership factors that have not been able to take affirmative policies that can attract large companies to investors in Tanjungpinang. This opinion can be understood when the leadership factor in this case is the Mayor. In addition to the mayor as a member of the regional council in Bintan, the mayor is also the administrative and political head of Tanjungpinang City. With the power and authority possessed by the mayor, it can at least resolve the licensing issue that the value-conserving entrepreneur is too complicated. Through the improvement of the bureaucracy, public service issues including licensing services will certainly provide convenience for the community or business actors. In addition, government relations, private, and society are also less synergistic. By looking at interviews with members of Kadin above, they as business actors feel less attention and feel less involved in the forums or meetings that produce solutions faced especially related to economic activities.

Besides Internal factors, external factors also affect the economic turmoil in Riau Islands. Providing incentives in the form of tax exemption through FTZ is an instrument used by the government to attract investment in Indonesia. With the provision of incentives is expected to be a pull factor for investors to invest in Indonesia. However, the provision of incentives in the form of tax breaks is not only done by the government of Indonesia, other countries also do the same. Other countries are also as aggressive as Indonesia in attracting investment, ASEAN countries such as Singapore, Malaysia, Vietnam Thailand and also China are relatively countries which are the main objectives of investors in investing their cap-

ital. In addition, with the ASEAN Free Trade Agreement (AFTA) agreed in 2015. With the enactment of the agreement of AFTA, this is certainly every country has prepared everything that supports the implementation of the agreement. Starting from the institutional, consistent regulation, easy-cheap and fast permissions, the preparedness of infrastructure of course it has prepared the ASEAN countries.

Infrastructure factor

In creating an industrial area, the infrastructure is necessary to sustain all of industrial activities. Industrial activities require areas with access to transportation, whether in the form of roads, bridges and ports. In addition, an industrial area requires the availability of water and electricity to support its activities. However, the FTZ Tanjungpinang area is based on observations by researchers and interviews with members of the Riau Islands Regional Council that no such infrastructure is available, either in the area of Dompok or Senggarang.

Although the location of FTZ has been mapped, but has not run the land ownership status is owned by individuals or companies with a relatively large area of land. But also the problem is that there is a problem of overlapping land tenure status so that legal uncertainty becomes avoided by entrepreneurs because it is feared to have a heavy impact in the future.

Land issues are also a concern of businessmen, as quoted by Bobby Jayanto, chairman of Tanjungpinang City Chamber of Commerce;

So far the government always grounded the land that became obstacles. *"Actually the land is not a problem,"* he said. Because, he added, it is impossible if you expect to do land acquisition. *"Budget from APBD will not be enough. It took a minimum of Rp 800 billion to free it. So it's better to work together,"* he said. Bobby continued, the government should register the land and who owns the land. Furthermore, he said, invite the land owners to discuss. In principle, landowners strongly agree if the government really wants to work together. *"But here, the government has not taken that step,"* he said. The absence of land, said Bobby, caused many investors who later failed to invest to Tanjungpinang. *"That's very unfortunate,"* he said. In fact, he continued, if only the government could provide 20 hectares of land, small industries could be built. *"With the industry, the economy in Tanjungpinang definitely helped. Employment is also wide open,"* said Bobby Jayanto. To that end, he expects the government's active role in accelerating FTZ.

In addition to land issues, the determination of FTZ areas that are not comprehensive or enclave it will become a barrier consisting of the implementation of the policy. With the area still enclave an obstacle in the flow of goods distribution between FTZ areas with areas that do not enter FTZ.

Based on excerpts of interviews with representatives of Kadin and members of the Tanjungpinang City Management Agency, it can be concluded that the FTZ located in Tanjungpinang is different from FTZ in Batam, FTZ in Batam applied thoroughly (Batam island). So the implementation of FTZ is not too difficult in terms of supervision related to the distribution of goods. In addition, the benefits of the FTZ really can be perceived benefits by the people who are in Batam with the price of goods relatively cheaper because it is not subject to import duty. Unlike the case with Tanjungpinang if it is already running well. When the FTZ region in an enclave it will appear its own difficulties in terms of surveillance of goods in and out. On the other hand, the FTZ area is close to a crowded city center with residents. Of course with these conditions require extra scrutiny to ensure that the goods or services that enjoy the tax-free facility are really distributed in the FTZ region.

Limitations and Future Research Directions

Time and resource constraints imposed some limitations on the study which must be addressed in future. Scholars are encouraged to enhance

the current study and provide us with varied point of views on how FTZ in Tanjungpinang could provide promising progress.

Conclusion

What's more, President Jokowi launched a government program in the maritime field as the spearhead of Indonesia's economic prospects going forward. It still seems new and has not shown the existence of FTZ activities in Tanjungpinang and has been carried out by the FTZ but is not working as it should. This scientific research wants to answer whether ethnic Malays are compatible or open to foreigners and trade both domestically and abroad. Implementation of FTZ in Tanjungpinang has not shown encouraging results, there has been no business or industrial activities in the two areas that have been established in the area of Dompok and the area Senggarang. FTZ inhibiting factors are caused by several factors; Legal certainty in land ownership. Land Status Problem in FTZ Area, concerning Ministry of Forestry Decree That stated that most of land in Tanjungpinang area especially FTZ area is protected forest. The absence of infrastructure; Roads, ports, limited electricity supply (Tanjungpinang area and limited clean water.

a. There has been no synergicity between the Regional Regulatory Agency, Tanjungpinang City Government and business actors.

b. Some program activities are hampered and can not be done primarily in matters relating to budgetary authority and licensing process.

c. Unconfigured BP Tanjungpinang Institution The unclear institutional status of BPK Tanjungpinang has resulted in funding sources from both APBN, APBD and private sector cooperation to be hampered.

On the basis of above conclusion following suggestions are given:

a. Immediately settle the status of the area from the status of protected forest.

b. Seek infrastructure development, either by relying on APBD or APBD and also with the private sector.

c. Establish synergy between the Regions of Enterprises, the Municipal Government of Tanjungpinang and the Businesses.

d. Simplify the licensing process.

e. Institutional arrangement of Tanjungpinang Regions

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