



The Urgency of Border Area Development Towards Special Economic Zones: Legal Guarantees for Social Welfare in Indonesia

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Abstract

Border areas will continue to lag behind other regions without proper management. The limited natural resources in these areas pose a challenge for development. Through national strategic projects, border regions are expected to compete and enhance the well-being of their communities. This research aims to analyze the efforts of border regions in realizing Special Economic Zones (SEZs) to address regional disparities in Indonesia. Using doctrinal legal research with a legislative approach and comparative studies, the findings show that establishing SEZs in border areas, specifically North Kalimantan, provides a legal guarantee that facilitates economic functions. This will accelerate economic development in North Kalimantan and nationally, promote infrastructure, and support sustainable, environmentally sound development, contributing to community welfare. Therefore, meeting SEZ regulations is part of a legal guarantee under responsive law.

A. Introduction

North Kalimantan Province is a region in Indonesia located adjacent to Malaysia. The region has a significant economic role from natural resources, including the renewable and non-renewable resources ones.¹

¹ Syed Abdul Rehman Khan et al., "Investigating Economic Growth and Natural Resource Dependence: An Asymmetric Approach in Developed and Developing Economies," *Resources Policy* 77 (2022): 102672, <https://doi.org/10.1016/j.resourpol.2022.102672>.



Non-renewable resources are finite natural assets that lack natural regenerative processes. In North Kalimantan, these include resources from the mining sector.² The region also possesses significant renewable natural resources, particularly in the forestry, plantation, and fisheries sectors. Both types of resources are managed by medium- and large-scale industries across 40 sectors.³ Sustainable utilization of these resources is essential to support economic development while safeguarding the needs of future generations.⁴

North Kalimantan's resource potential has been designated as part of the National Strategic Projects under Minister of Economy Regulation No. 7/2021. Key initiatives include the development of the Tanah Kuning Industrial Zone, the Cross-Border Post for border area development, and the Mentarang River Hydroelectric Power Plant.⁵ These projects do not only reflect autonomous policy planning but also the principles of responsive law.

The success of National Strategic Projects, as outlined in Minister of Economy Regulation No. 7/2021, relies heavily on collaboration between central and local governments, particularly in addressing key challenges such as land acquisition, spatial planning, and financing.⁶ However, the mere designation of such projects, especially in North Kalimantan, is insufficient. To maximize regional potential, the establishment of a Special Economic Zone (SEZ) in this border area is imperative.⁷

The proposed SEZ would support the development of export-oriented industries, such as smelters and fisheries, fostering economic growth and employment opportunities through multi-stakeholder collaboration. Beyond promoting equitable development, SEZs contribute to community welfare by generating jobs and increasing export values, which have shown annual growth rates of 3–4%.⁸ Furthermore, SEZs play a critical role in narrowing income disparities and stimulating national economic growth—an approach successfully implemented in various countries.⁹

North Kalimantan's leading sectors—mining, agriculture, forestry, fisheries, construction, and trade—hold significant potential to enhance local prosperity. With its strategic location and access to export routes, North Kalimantan is well-positioned for SEZ development. When

² Christian Groth, "A New-Growth Perspective on Non-Renewable Resources," in *Sustainable Resource Use and Economic Dynamics* (Dordrecht: Springer Netherlands, 2007), 127–63, https://doi.org/10.1007/978-1-4020-6293-3_7.

³ BPS Provinsi Kalimantan Utara, "Direktori Perusahaan Industri Besar Dan Sedang Provinsi Kalimantan Utara 2023," 2024.

⁴ Chenyang Yu et al., "Impact of Non-Renewable Energy and Natural Resources on Economic Recovery: Empirical Evidence from Selected Developing Economies," *Resources Policy* 80 (2023): 103221, <https://doi.org/10.1016/j.resourpol.2022.103221>.

⁵ Budi Susilo, "3 Daftar Proyek Strategis Nasional Di Kalimantan Utara," 2023, <https://kaltim.tribunnews.com/2023/02/23/3-daftar-proyek-strategis-nasional-di-kalimantan-utara>.

⁶ Elsa, Juliannes Cadith, and Kandung Sapto Nugroho Trisniati, "Collaborative Governance Dalam Pengembangan Kawasan Ekonomi Khusus," *Jurnal Governansi* 8, no. 1 (2022): 59–68, <https://doi.org/10.30997/jgs.v8i1.4379>.

⁷ Suparjo Sujadi, "Kajian Tentang Pembangunan Proyek Strategis Nasional (PSN) Dan Keadilan Sosial (Perspektif Hukum Pancasila)," *Jurnal Hukum Lingkungan Indonesia* 4, no. 2 (2018): 1–24, <https://doi.org/10.38011/jhli.v4i2.68>.

⁸ Susanne A. Frick, Andrés Rodríguez-Pose, and Michael D. Wong, "Toward Economically Dynamic Special Economic Zones in Emerging Countries," *Economic Geography* 95, no. 1 (2019): 30–64, <https://doi.org/10.1080/00130095.2018.1467732>.

⁹ Charles Godfred Ackah et al., "Special Economic Zones and Household Welfare: New Evidence from Ghana," 25, 2023., *International Journal of the Economics of Business*, 2025, 1–23, <https://doi.org/10.1080/13571516.2025.2456251>.

effectively managed, such a policy can prevent the region from falling behind and ensure its integration into broader national and global economic networks.¹⁰

This research builds upon existing studies on Special Economic Zones (SEZs) in Indonesia. First, Rikson Pandapotan Tampubolon (2018) evaluated the transformation of Batam from a free trade and port city toward an SEZ.¹¹ However, his research did not examine the establishment of Batam as an SEZ focused on the Nongsa Digital Park. Second, Alvin Rizalsan Chaniago and Vishnu Juwono (2020) analyzed the implementation of the SEZ in the tourism sector in Tanjung Kelayang using the four-stream policy framework: Problem Stream, Policy Stream, Political Stream, and Program Stream. They found that collaboration between the government and SEZ managers, particularly in improving access to tourism destinations, was key to policy success.¹² Third, Sonny T. Danaparamita (2021) examined nation branding in the Mandalika SEZ and highlighted regulatory inconsistencies in the investment sector, which adversely affected corrective justice for local communities.¹³

These studies collectively underscore the role of SEZs in supporting regional development and enhancing community welfare. However, none specifically address the urgency of establishing SEZs in Indonesia's border regions. This research fills that gap by focusing on the strategic importance of SEZ development in North Kalimantan Province, a resource-rich border area. It examines the provincial government's efforts to harness natural resource potential in support of SEZ designation.

The contribution of this research lies in its implications for legal frameworks that support equitable development and welfare in border areas. It also addresses development disparities in Indonesia, which are exacerbated by the absence of robust legal instruments. To this end, the research advocates for the formulation of a presidential regulation granting SEZ status to strategic border areas like North Kalimantan, with the goal of stimulating regional economic growth.

This research adopts a doctrinal legal research method, which is appropriate for analyzing the rules, standards, and implementation mechanisms governing SEZs. Conceptually, the doctrinal approach underscores the dual nature of law—as both a factual construct and a normative ideal.¹⁴

The doctrinal legal approach used in this research examines the nature and normative dimensions of Special Economic Zone (SEZ) regulations, focusing on the interpretation and

¹⁰ Taufiqurrahman and Khoirunurrofik, “, ‘Special Economic Zones (SEZs) Impact on Poverty in Indonesia,’ *Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning* 7, No. 2 (2023): 231–49, <https://doi.org/10.36574/jpp.v7i2.473>,” *Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning* 7, no. 2 (2023), <https://doi.org/10.36574/jpp.v7i2.473>.

¹¹ Rikson Pandapotan Tampubolon, “Analisis Persepsi Stakeholder Terkait Implementasi Kawasan Ekonomi Khusus (KEK) Versus Free Trade Zone (FTZ) Di Kota Batam,” *Jurnal Ilmiah Manajemen* 6, no. 2 (2018): 64–69, <https://doi.org/10.33884/jimupb.v6i2.679>.

¹² Alvin Rizalsan Chaniago and Vishnu Juwono, “Implementasi Kebijakan Pengembangan Kawasan EKonomi Khusus Tanjung Kelayang,” *Jurnal Borneo Administrator* 16, no. 2 (2020): 159–79, <https://doi.org/10.24258/jba.v16i2.676>.

¹³ Sonny T. Danaparamita, “Analisis Risiko Nation Branding Dalam Penyelenggaraan Kawasan Ekonomi Khusus Mandalika,” *Jurnal Geuthèë: Penelitian Multidisiplin* 4, no. 2 (2021): 89–102, <https://doi.org/10.52626/jg.v4i2.122>.

¹⁴ Aulis Aarnio, *Essays on the Doctrinal Research of Law*, 96th ed. (London: Springer Science & Business Media, 2011).

qualification of legal norms.¹⁵ The analysis is not limited to the core SEZ laws but also includes related regulatory frameworks that support the designation and implementation of SEZs. Standards are used to provide an ideological lens for evaluating the coherence and responsiveness of the legal system.¹⁶

The research relies on both primary and secondary legal materials. Primary sources include: Law No. 39 of 2009 on Special Economic Zones; Law No. 6 of 2023 concerning the enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation; Government Regulation No. 42 of 2021 on the Facilitation of National Strategic Projects; Presidential Instruction No. 1 of 2019; and Government Regulation No. 40 of 2021 on SEZ Implementation. These materials were obtained from the official legal database at peraturan.bpk.go.id. Secondary sources include scholarly books and journal articles accessed through legal journal indices. The legal materials are analyzed qualitatively using responsive legal theory to ensure a comprehensive and context-sensitive interpretation, with the aim of drawing forward-looking conclusions.

B. Discussion

1. National Strategic Projects as the principal capital of equitable development

Economic growth and improvement are significantly influenced by the availability of adequate infrastructure. National Strategic Projects (PSN) serve as instruments to accelerate infrastructure development with the ultimate goal of enhancing public welfare. To support this, the government has issued several regulatory frameworks, including Government Regulation No. 42 of 2021 on the Ease of National Strategic Projects and Coordinating Minister for Economic Affairs Regulation No. 9 of 2022, which amends Regulation No. 7 of 2021 concerning the PSN list.

Despite these efforts, the implementation of PSN policies has encountered multiple challenges, notably the involvement of land mafias and indications of land grabbing.¹⁷ These issues underscore the need for stronger regulatory coordination and institutional safeguards. Additionally, the success of PSNs in promoting equitable regional development should be supported by revising and harmonizing the National Medium-Term Development Plan (RPJMN).¹⁸

Development under the PSN framework, as a driver of economic, social, and cultural progress, must be guided by the principle of expediency (*kemanfaatan*), which is central to the legal ideals of Indonesian law. Such development should prioritize public welfare and aim for

¹⁵ Mike McConville and Wing Hong CHUI, *Research Methods for Law*, 2nd ed. (Edinburgh: Edinburgh University Press, 2017).

¹⁶ Emerson H Tiller and Frank B. Cross, "What Is Legal Doctrine," *Northwestern University Law Review*, 41, 10, no. 1 (2005): 517, <https://doi.org/10.2139/ssrn.730284>.

¹⁷ Roni Septian, "Masalah Pengadaan Tanah Untuk Proyek Strategis Nasional," in *Seminar Hukum Aktual Fakultas Hukum Universitas Islam Indonesia* (Yogyakarta: Fakultas Hukum Universitas Islam Indonesia, 2023), 117–22.

¹⁸ Hansastri Hansastri and Hamdani Hamdani, "Sinkronisasi Dan Sinergitas Proyek Infrastruktur Prioritas Dan Proyek Strategis Nasional Dengan Perencanaan Nasional Dan Daerah," *Menara Ilmu* 18, no. 2 (2024): 26–36, <https://doi.org/10.31869/mi.v18i2.5577>.

economic self-reliance through the strengthening of domestic sectors.¹⁹ The use of presidential regulations to expedite PSN processes reflects an effort to streamline bureaucratic procedures, particularly in applications for SEZ designation. This mechanism illustrates not only the evolving role of administrative law within the modern legal order but also aligns with the principles of responsive law.²⁰

2. Special Economic Zone management policy

Strategic issues that show the complexity of problems in border areas include:²¹

1. State Boundary Aspects: state boundary issues include land, maritime, and air boundaries.
2. Economic aspects: the perspective and treatment of border areas in the past placed border areas as defense buffer areas and economically as if they were treated as underdeveloped areas.
3. Socio-cultural aspects: The relatively low quality of human resources has reduced the competitive advantage of border communities and resulted in the obstruction of economic development in border areas.
4. Defense and Security Aspects Defense and security in the state's border areas are closely related to the status of settling border lines between countries and the development of the border.
5. Natural Resources and Environment Aspects: In some border areas, efforts are being made to exploit natural resources illegally and uncontrolled, thus disturbing the balance of ecosystems and environmental sustainability.
6. Institutional and Capacity Building Aspects: Since the enactment of Law No. 22 of 1999 on Regional Government, which was later revised by Law No. 32 of 2004 in conjunction with Law No. 12 of 2008 on the Second Amendment to Law No. 32 of 2004 on Regional Government, the management of border areas has been a shared responsibility between the Central Government and Regional Governments by the principle of shared affairs (concurrency).

The implementation of SEZs has been running for 12 years since Law Number 39/2009 was enacted on Special Economic Zones. However, SEZ implementation is regarded suboptimal in creating employment opportunities. In addition, Law Number 39/2009 concerning Special Economic Zones has been amended by Law Number 6 of 2023 concerning the Stipulation of Government Regulation instead of Law Number 2 of 2022 concerning Job Creation.

Based on the evaluation of the development of SEZs and looking at changes in business models and shifts in the center of the global economy, anticipatory steps are needed in determining the right policies and strategies for attracting investment through various policies contained in Law Number 6 of 2023 concerning Stipulation of Government Regulation instead of Law Number 2 of 2022 concerning Job Creation, including the following:

¹⁹ Adigracia, Kezia Estevien, and Demson Tiopan, "Urgensi Kebijakan Percepatan Pembangunan PSN Dikaitkan Asas kemanfaatan, Asas Kepastian Hukum, Dan Asas Good Governance," *Syntax Literate; Jurnal Ilmiah Indonesia* 7, no. 12 (2022): 356–63, <https://doi.org/10.36418/syntax-literate.v7i12.11151>.

²⁰ Philippe Nonet, Philip Selznick, and Robert A. Kagan, *Law and Society in Transition: Toward Responsive Law* (London: Routledge, 2017).

²¹ Kemitraan Partership, "Kebijakan Pengelolaan Kawasan Perbatasan Indonesia" (Jakarta, 2011).

1. The National Council maintains institutional revitalization by affirming facilities and infrastructure, and relevant agencies regulate its implementation. SEZ administrators are no longer formed by the Regional Council but are appointed directly and under the coordination of the National Council. Therefore, the preparation of service facilities and infrastructure, as well as human resources required by the SEZ Administrator, will be the responsibility of the National Council.
2. Increase the status of the National Council Secretariat to become the Secretariat General of the National Council to strengthen cross-sectoral and local government coordination.
3. Accommodate the expansion of the scope of main sectoral activities by new developments. Currently, the SEZ development strategy is no longer only for regional development but also directed at broader interests, such as service sector development, foreign exchange savings, and trade balance improvement.
4. Simplification of nomination procedures by reducing the tiered nomination procedures from the district/city government to the provincial government, but without eliminating the need for support from the local government. With this change, the SEZ proposal process is expected to be shorter. In addition, there are also opportunities for establishing SEZs that cover more than one province, as well as transitional arrangements for changes from KPBPB to SEZ.
5. Improving the competitiveness of SEZs through improving the quality of services and implementing best practices that are on par with other countries. Some of these improvements include the affirmation of SEZ Manager as the organizer of licensing and business services in SEZs (among others, conducting customs independence services); Industrial SEZs do not require industrial estate licenses, import restrictions are not imposed unless technical agencies issue special arrangements in SEZs, as well as non-production and processing can import consumer goods, confirmation of the acceleration of services for granting land rights, extension and renewal; and requiring local governments to provide local incentives.

The establishment of Special Economic Zones (SEZs) is essential to attract investment by designating areas with economic and geostrategic advantages, prepared to support industrial activities, trade, and other high-value financial transactions. SEZ development aims to accelerate regional economic growth and serves as a strategic model for promoting industry, tourism, and trade, thereby generating employment opportunities. The strategic use of SEZs in border regions has also been implemented in Thailand's cross-border areas with Malaysia, Cambodia, Laos, and Myanmar, where trade facilitation plays a pivotal role in enhancing investment and regional competitiveness. Trade facilitation in these areas supports objectives such as increasing competitiveness, promoting economic relocation to areas of comparative advantage, reducing income disparities, and creating jobs.²²

SEZs vary based on their legal frameworks, geographic and institutional contexts, and economic functions, resulting in diverse typologies. Generally, they are grouped into three main categories: General Economic Zones, Special Economic Zones, and hybrid zones that span

²² Takao Tsuneishi, "Development of Border Economic Zones in Thailand: Expansion of Border Trade and Formation of Border Economic Zones," 2008.

subnational or cross-border jurisdictions. According to the World Bank (2008), SEZs are further classified into six types: free trade zones, traditional export processing zones, hybrid export processing zones, free ports, free enterprise zones, and single-factory export processing zones.²³

Given its 1,038 km-long international border, North Kalimantan has strong geographical potential for SEZ development. Its strategic location as a border province positions it as a hub for infrastructure expansion, transportation and logistics centers, and cross-border trade and investment.²⁴

3. Natural Resources as a border area strategy in realizing Special Economic Zones

The border region of North Kalimantan is endowed with abundant natural resources, making it a strategically vital area for national development. Key economic sectors include petroleum, natural gas, coal, and emerging renewable energy sources. Of the 17 economic sectors in North Kalimantan, the mining and quarrying sector remains the dominant contributor, followed by agriculture, forestry and fisheries, construction, trade, and the processing industry.

In the area of biological resources, Kayan Mentarang National Park—spanning the border region—represents a critical conservation zone, although the surrounding mining activities remain underutilized. North Kalimantan's forests, encompassing approximately 7,000 hectares, yield economically valuable secondary forest products such as agarwood, swallow's nests, resin, rattan, and medicinal plants. The region's podzolic soils and consistent rainfall also make it ideal for plantation crops like oil palm, cocoa, rubber, and industrial timber.²⁵

Investment realization in North Kalimantan has shown steady growth. In 2020, it reached IDR 3.2 trillion, increasing to IDR 5.7 trillion in 2021 and surging to IDR 13.7 trillion in 2022.²⁶ This upward trend continued into the third quarter of 2023, with investments reaching approximately IDR 14.5 trillion. The rising investment figures reflect the province's improving development climate, with increasing stability in sectors such as non-metallic minerals, alongside the dominant food sector.

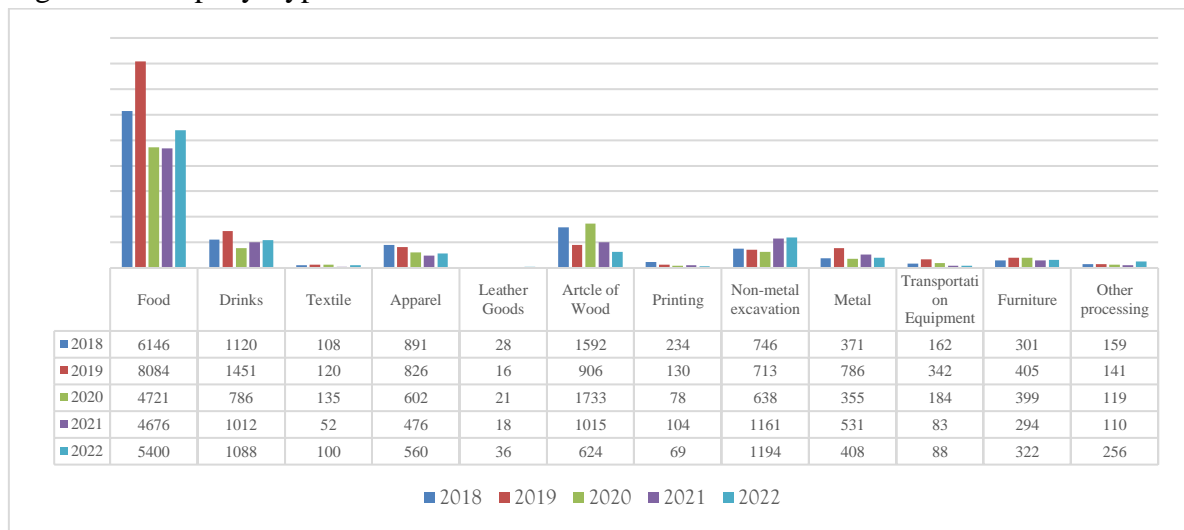
²³ FIAS, *Special Economic ZoneS Performance, LeSSonS Learned, and ImplicationS for Zone Development* (Washington, 2008).

²⁴ Montague Lord and Pawat Tangtrongita, "Munich Personal RePEc Archive Special Border Economic Zone (SBEZ) in the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) Special Border Economic Zone (SBEZ) in the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)," 2014, <https://mpa.ub.uni-muenchen.de/61060/>.

²⁵ Tri Widodo W. Utomo, "Kondisi Umum Kawasan Perbatasan Dan Strategi Alternatif Pengembangan Wilayah Kalimantan Utara," *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu Dan Praktek Administrasi* 2, no. 3 (2019): 297–312, <https://doi.org/10.31113/jia.v2i3.461>.

²⁶ Muh Arfan, "Nilai Potensi Investasi Kalimantan Utara Lebih Rp.10 Triliun," 2023, <https://www.antaranews.com/berita/3690564/nilai-potensi-investasi-kalimantan-utara-lebih-rp10-triliun>.

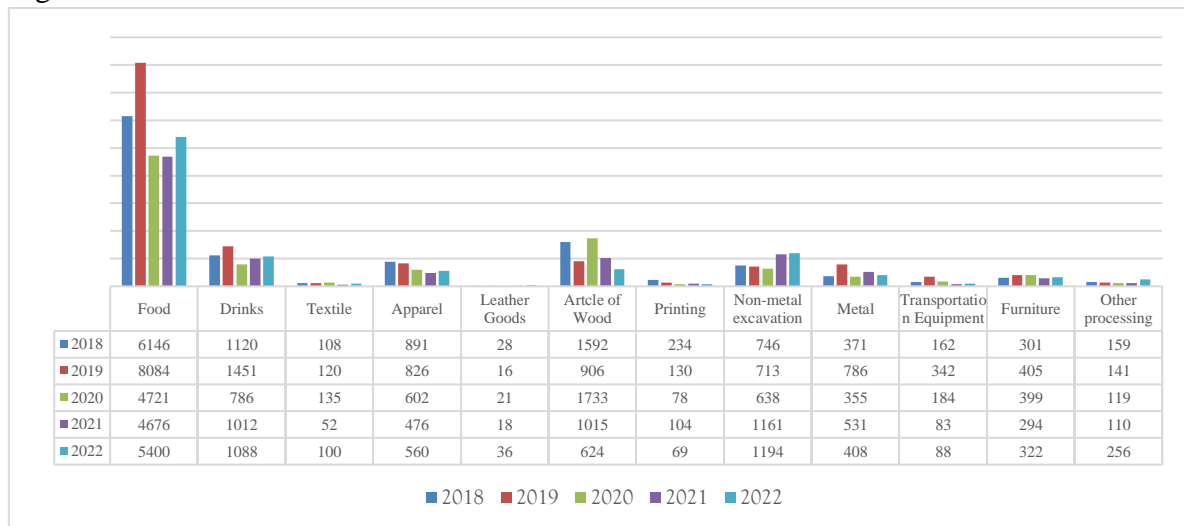
Figure 1. Company Type



Source: BPS data processed by the author

Figure 1 illustrates the growth of three types of companies over a five-year period. First, leather goods processing companies saw a significant increase, from 18 companies in 2021 to 36 in 2022, reflecting a 100% growth. Second, non-metal excavation companies grew from 406 companies in 2021 to 444 in 2022, a 91.44% increase. Third, other processing companies expanded from 80 companies in 2021 to 139 in 2022, marking a 57.55% increase. This growth is also reflected in the rise in the number of workers employed by these medium- and large-scale companies, as detailed in the subsequent figure.

Figure 2. Number of workers

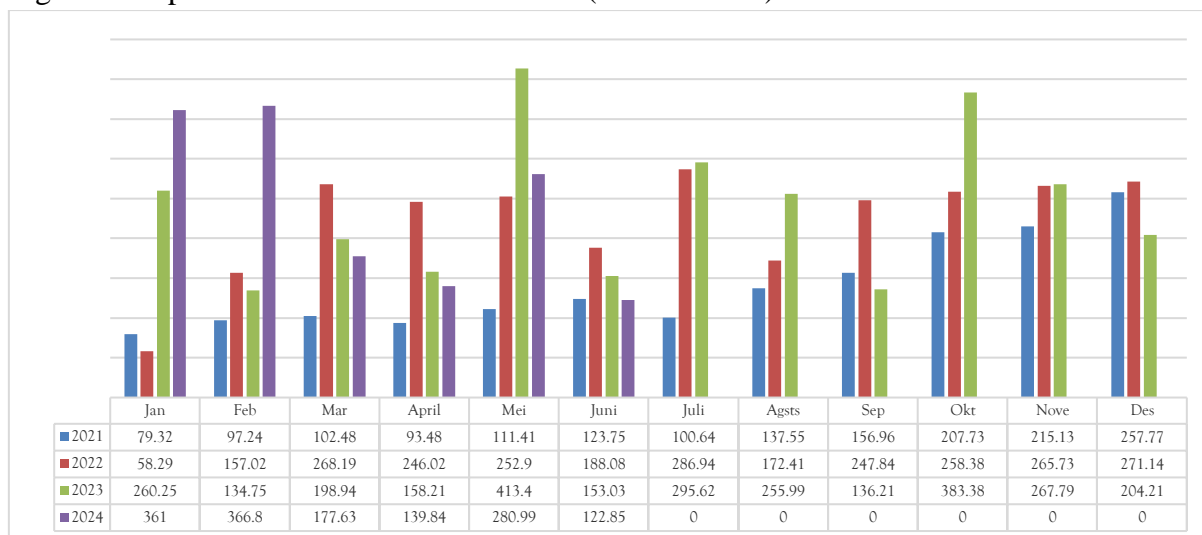


Source: data processed by the author

In terms of quantity, there is a balance between the number of companies and employment in North Kalimantan. Between 2021 and 2022, several sectors experienced labor increases. Textile companies saw a 52% increase, apparel companies rose by 85%, leather goods processing companies grew by 50%, non-metal mining companies expanded by 97.2%,

furniture companies increased by 91.2%, and other processing companies grew by 42.9%. The commodities produced in North Kalimantan serve not only regional and domestic markets but also contribute to exports. The export value, presented in the following figure, highlights the potential of the region's natural resources.

Figure 3. Export Value of North Kalimantan (Million USD)



Sources: Badan Pusat Statistik 2021-2024²⁷

Figure 3 shows that investment continues to increase based on North Kalimantan's potential. In Quarter I, a significant increase occurred in 2024, which amounted to 72.09% in January, 36.73% in February, and 89.06% in March. In Quarter II-IV, there was a prominent increase in investment value in 2023, especially in July.

4. Facilities and Infrastructure supporting Special Economic Zones

a. Cross Border Post (PLBN)

Border areas are strategically important for state sovereignty, security, and the economy. Development in these areas is focused on maximizing potential and preventing illegal activities like logging, fishing, human trafficking,²⁸ and drug smuggling.²⁹

North Kalimantan is improving its border infrastructure by establishing several Cross Border Posts (PLBNs). Under Presidential Instruction No. 1/2019, four PLBNs—Labang, Midang, Long Nawang, and Sei Nyamuk—are being developed, with sea-based areas managed by the National Border Management Agency (BNPP). PLBN Sei Nyamuk is expected to become an international import-export port linking to Tawau, Malaysia.

²⁷ Badan Pusat Statistik Provinsi Kalimantan Utara, "Nilai Ekspor (Juta US\$)" (Tanjung Selor, n.d.), <https://kaltara.bps.go.id/id/statistics-table/2/MjI3IzI=/nilai-ekspor--juta-us--.html>.

²⁸ Sri Wiyanti Eddyono, *Profil Perdagangan Orang Di Daerah Perbatasan Kalimantan (Studi Pada Kabupaten Sanggau, Sambas, Kapuas Hulu Dan Nunukan)* (Jakarta: International Organization for Migration (IOM) Indonesia, 2020).

²⁹ Firdaus, "Dampak Kebijakan Pembangunan Pos Lintas Batas Negara (PLBN) Aruk Di Desa Sebunga Kabupaten Sambas, Kalimantan Barat," *IIP: Jurnal Ilmiah Ilmu Pemerintahan* 3, no. 2 (2019): 109–22, <https://doi.org/10.14710/jiip.v3i2.3881>.

These cross-border posts support customs, immigration, quarantine, and security functions (CIQS). PLBN development, as outlined in the Presidential Instruction, is influenced by: (a) The number of people living in the border area. (b) Data on illegal crossing routes. (c) The economic potential of the area. (d) Cross-vehicle routes, and (e) Not special areas such as protected forests. Meanwhile, border management is based on the aspects of (a) facilities and Infrastructure, (b) services, (c) security and law enforcement, (d) economy, and (e) socio-culture.

b. Industrial Estate and International Port (KIPI)

The industrial estates of PT Kalimantan Industrial Park Indonesia (KIPI) Tanah Kuning-Mangkupadi and PT Kawasan Industri Kalimantan Indonesia (KIKI) in Bulungan Regency, covering 9,500 hectares³⁰, represent the world's largest industrial complex, with an investment of US\$132 billion (Rp1,848 trillion). These estates, part of the Special Economic Zone (SEZ) framework, contribute to equitable development in the border region while supporting local communities.³¹ Sustainable development is a key consideration in SEZ development, with infrastructure in North Kalimantan, including KIPI and KIKI, facilitating integrated growth through general ports, special aluminum terminals, and petrochemical terminals (dry bulk, liquid bulk, containers).

c. Hydroelectric Power Company (PLTA)

In addition to mining and plantations supporting economic development, North Kalimantan holds significant potential in renewable natural resources, particularly abundant water discharge. This geographical advantage has led the local government to invest in hydropower, with a projected capacity of up to 9,000 megawatts to meet the electricity demands of the green industrial area. The development is expected to boost the local economy, especially during the construction phase.³² The Kayan Cascade Hydropower Plant, a symbol of green energy in Indonesia, plays a crucial role in helping the government meet its net-zero emission targets. Hydropower development aligns with the Paris Agreement by reducing industrial emissions and focusing on decarbonization through material efficiency, environmentally friendly designs, and maximizing component lifetimes, all while maintaining utility and safety.³³

North Kalimantan is a promising candidate for the development of Special Economic Zones (SEZs), specifically free trade and port zones, based on its strategic geography bordering Malaysia, the Philippines, and Brunei Darussalam, as well as Indonesia's membership in the BIMP-EAGA forum.³⁴ The establishment of SEZs aims to create a new economic growth center

³⁰ Kementerian Investasi/BKPM, "No Title," n.d., <https://regionalinvestment.bkpm.go.id/pir/kawasan-industri/?id=200>.

³¹ Saniwan Buaban, Vilas Nitivattananon, and Shrestha Sangam, "Sustainability Indicators as a Key for Sustainable Development of Special Border Economic Zones," *GMSARN International Journal* 14 (2020): 169–77.

³² Chris Bataille et al., "Towards Net-Zero Emissions Concrete and Steel in India, Brazil and South Africa," *Climate Policy*, 2023, 1–6, <https://doi.org/10.1080/14693062.2023.2187750>.

³³ Christopher G.F. Bataille, "Physical and Policy Pathways to Net-Zero Emissions Industry," *Wiley Interdisciplinary Reviews: Climate Change* 11, no. 2 (2020): 1–20, <https://doi.org/10.1002/wcc.633>.

³⁴ Akhmad Rifky Setya Anugrah; Michael Devone Pangestu, "Dampak Kerjasama Brunei Indonesia Malaysia Filipina East Asean Growth Area (BIMP-EAGA) Terhadap Ekonomi Indonesia," *Jurnal Ilmiah Hubungan Internasional Fajar* 1, no. 2 (2023): 1–13, <https://doi.org/10.47354/jiihif.v1i2.515>.

in the ASEAN region, with the goal of attracting investment, creating jobs, and generating benefits for both local and central governments and local communities.

The alignment between North Kalimantan's natural resource potential and national strategic projects supports the fulfillment of Articles 18 and 19 of Government Regulation No. 40/2021, which is reflected in the policy outlined in Presidential Regulation No. 7/2021. However, to obtain Special Economic Zone (SEZ) status, the process still requires formal submission. The development of national strategic projects clearly meets the criteria set out in Government Regulation No. 40/2021, which serves as an autonomous law and a tool for social control, as described by Weber's concept of "rational-law"³⁵ bureaucratic authority. The procedural requirements at the responsive law level present certain hurdles, making it more appropriate for SEZ establishment to be pursued through discretionary action.

B. Conclusion

Establishing Special Economic Zones (SEZs) in North Kalimantan is crucial for creating new economic growth centers in the ASEAN region. It is key to attracting investment, creating jobs, and generating benefits for both the local and central governments. North Kalimantan is well-positioned to develop SEZs in the form of free trade and port zones, given its strategic geography, bordering Malaysia, the Philippines, and Brunei Darussalam, as well as Indonesia's membership in the BIMP-EAGA forum. According to Articles 18 and 19 of Government Regulation No. 40/2021, one of the challenges in North Kalimantan's development is the "financing plans and sources" stated in letter c. Revising or removing this provision is critical to facilitating the responsive efforts of the central government in establishing SEZs.

C. Suggestion

This research is limited in scope due to the ongoing construction of the Green Industrial Zone and the incomplete organization and operationalization of the cross-border posts. Therefore, future research focused specifically on the implementation of national strategic projects to support SEZ policies in border areas is recommended for further development.

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³⁵ Nonet, Selznick, and Kagan, *Law and Society in Transition: Toward Responsive Law*.

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