



ONE CITY, TWO AUTHORITIES: A STUDY OF JURISDICTIONAL COMPETENCE IN THE BATAM FREE TRADE ZONE

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Abstract

This study examines the historical dualism and legal vacuum in the governance of Batam, Indonesia, stemming from the overlapping authorities between the Batam Municipal Government (territorial autonomy) and the Batam Authority/BP Batam (functional economic autonomy). This prolonged legal uncertainty, originating from unfulfilled legislative mandates post-1999 regional autonomy laws, has significantly hindered the region's economic competitiveness and overall investment climate. Conducting a normative legal research methodology utilizing statute and conceptual approaches, this paper critically analyzes the institutional integration and the strict demarcation of authority between the two entities. The findings reveal that the structural deadlock was resolved through the *ex-officio* mechanism, institutionalized by Government Regulation (PP) No. 62/2019 and PP No. 4/2025, which designates the Mayor and Deputy Mayor as the Chairmanships of BP Batam. The Supreme Court validated this arrangement by classifying BP Batam as a Public Service Agency (BLU), circumventing standard dual-office prohibitions. Furthermore, the study demonstrates a fundamental paradigm shift in business licensing within the Free Trade Zone. Driven by risk-based licensing reforms (PP No. 25/2025 and PP No. 28/2025), BP Batam is now firmly established as the *single licensing authority*. Applying the principle of *lex specialis derogat legi generali*, this specific regulatory framework overrides the general regional licensing provisions (PP No. 6/2021), rendering the local government's licensing authority null and void within the free trade zone delineation. Ultimately, this research theorizes that Batam has successfully transitioned into a *dual governance model*. This model harmonizes territorial decentralization for public service delivery with functional autonomy for strategic economic zone management, proving that the existence of a special economic authority reconfigures, rather than eradicates, local government functions, thereby ensuring absolute legal certainty for domestic and foreign investors.

Keywords: Free Trade Zone; Regional Authority; Batam; Licensing; Municipalities

INTRODUCTION

Since its designation as a logistical and operational base to support offshore oil exploration and exploitation by Pertamina in 1970, Batam Island became the precursor for the development of a special zone. This designation was promulgated under Presidential Decree No. 65 of 1970 concerning the Execution of the Batam Island Development Project. A year later, Presidential Decree No. 74 of 1971 concerning the Development of Batam Island was enacted. This decree stipulated that Batam Island was designated as a private entrepôt area and an industrial zone. Furthermore, the 1971 Presidential Decree mandated the establishment of an authority body tasked with planning, developing, and supervising industrial projects on Batam Island.

To optimize the project development on Batam Island, an agency known as the Batam Island Industrial Development Authority, commonly referred to as the Batam Authority (*Otorita Batam*), was established. The creation of this body was promulgated under Presidential Decree No. 41 of 1973 concerning the Batam Island Industrial Zone. The Batam Authority was responsible for developing and controlling regional development and transshipment activities, planning infrastructure needs, managing business license applications, and ensuring that business licensing and services in Batam were administered in an orderly and efficient manner.

With the emerging need to manage socio-political interests an implication of the population growth in Batam from 6,000 residents in 1973 to 43,000 in 1983¹ the establishment of a local government was required to exercise local administration functions on Batam Island². Previously, local governance on Batam Island was only at the sub-district (*Kecamatan*) level. In early 1983, a team named the Preparation Team for the Formation of the Administrative Region of Batam Island and Its Surroundings (*Tim Persiapan Pembentuk Wilayah Administrasi Pulau Batam dan Sekitarnya*) was formed to design the structure of the local government in Batam³. Consecutively, at the end of 1983, the Administrative Municipality (*Kotamadya Administratif*) of Batam was established through Government Regulation No. 34 of 1983. To harmonize jurisdictions in Batam, the Central Government established a cooperative framework between the Batam Authority and the Administrative Municipality of Batam through Presidential Decree No. 7 of 1984 concerning the Working Relationship Between the Municipality of Batam and the Batam Island Industrial Development Authority (BIDA).

Following the 1997 Asian financial crisis, which severely impacted the Indonesian economy, domestic socio-political volatility ensued, leading to the resignation of Soeharto as President of the Republic of Indonesia in 1998 and triggering the subsequent political *Reformasi* era⁴. A primary public aspiration during *Reformasi* was regional autonomy. Consequently, in 1999, two regulations were enacted that fundamentally altered the political structure of governance in Indonesia: first, Act No. 22 of 1999 concerning Regional Government, and second, Act No. 25 of 1999 concerning the Fiscal Balance Between the Central Government and Regional Governments. These two acts established a new legal framework for the implementation of regional autonomy in Indonesia, significantly decentralizing a major portion of government authority in sectors such as education, healthcare, and infrastructure to the regional level. Furthermore, the introduction of regional fiscal regulations provided the financial framework necessary to support these structural shifts⁵.

Following the promulgation of the two regulations that served as the constitutional foundation for regional autonomy in Indonesia, Act No. 53 of 1999 concerning the Formation of Batam City was enacted. Specifically, this law became the institutional basis for the Batam Municipal Government to exercise regional autonomy, transforming the previous administrative municipality into an autonomous city government (*Pemerintah Kota*). Act No. 53 of 1999 explicitly stated in Article 21, paragraph (3), that the working relationship between the Batam City Government and the Batam Authority would be further regulated by Government Regulation. However, for nearly two decades, this implementing regulation regarding the inter-institutional relationships failed to materialize⁶. The implications of this legal vacuum created pervasive dualism in regional management, which contributed to a decline in Batam's economic performance⁷.

In addition to economic data, empirical conditions on the ground reflected these alignment challenges. A study by Leo Van Grunsven & Francis Hutchinson⁸ demonstrated an exodus of electronic and electrical (E&E) firms from Batam, dropping from 99 operating firms in 2003 to a mere 50 firms in 2012. Aside from issues concerning skilled labor availability and supporting infrastructure or technology, jurisdictional uncertainty was a major deterrent for firms considering investment in Batam.

To resolve the dualism of authority in Batam, Jakarta initiated various institutional reform efforts. An initial step was taken through the drafting of the Free Trade Zone Bill (*Rancangan Undang-Undang Kawasan Perdagangan Bebas* or *RUU KPB*) in 2002 as an instrument to clarify the legal status and governance of the zone. However,

¹ Karen Joanne Peachey, "Where There Is Sugar, There Are Ants: Planning for People in the Development of Batam, Indonesia" (the University of British Columbia, 1998).

² Shannon L D Smith, "Developing Batam: Indonesia Political Economy Under the New Order" (the Australian National University, 1996).

³ Smith.

⁴ Bambang Brodjonegoro and Shinji Asanuma, "Regional Autonomy and Fiscal Decentralization in Democratic Indonesia," *Hitotsubashi Journal of Economics* 41, no. 2 (2000): 111–22.

⁵ Siwage Dharma Negara and Francis E Hutchinson, "The Impact of Indonesia's Decentralization Reforms Two Decades On Introduction," *Journal of Southeast Asian Economies* 38, no. 3 (2021): 289–95, <https://doi.org/10.1355/ae38-3a>.

⁶ Soerya Respationo and Nar Yan Thapa, "Optimizing Regional Governance in Batam City Government- Business Entity Institutional Dualism," *SASI* 30, no. 1 (2024): 87–99, <https://doi.org/10.47268/sasi.v30i1.1869>.

⁷ Lany Pioner, Jun Matsunami, and Bakti Setiawan, "Institutional Dualism and Its Impact on Economic Development The Case of Dualism in Batam," *Journal of Applied Geospatial Information* 3, no. 2 (2019); Muhammad Zaenuddin et al., "Dualisme Kelembagaan Antara Pemerintah Kota Dan Badan Pengusahaan Batam Serta Dampaknya Terhadap Kinerja Perekonomian Di Kota Batam," *Journal of Applied Business Administration* 1, no. 2 (2018): 219–31, <https://doi.org/10.30871/jaba.v1i2.613>; Mexsasai Indra and Fadhillah Fauzan, "The Importance of Structuring Relationships Between Local Governments and Business Entities in the Perspective of State Administrative Law in Batam City, Riau Islands," *Jurnal IUS Kajian Hukum Dan Keadilan* 11, no. 1 (2023): 126–39, <https://doi.org/10.29303/ius.v11i1.1146>.

⁸ Leo van Grunsven and Francis E. Hutchinson, "The Evolution of the Electronics Industry on Batam Island (Riau Islands Province, Indonesia): An Evolutionary Trajectory Contributing to Regional Resilience?," *GeoJournal* 82, no. 3 (2017): 475–92, <https://doi.org/10.1007/s10708-015-9692-9>.

deliberations on the bill revealed conflicting interests. The Batam Municipal Government and the Batam City Council House of Representatives (*DPRD*) rejected the draft, arguing that it did not provide adequate space for the local government in managing the zone⁹. Conversely, the business community supported its enactment, viewing it as a mechanism to provide legal certainty for the sustainability of the Batam Free Trade Zone¹⁰.

Debates regarding the structural model of the free trade zone also evolved into two antithetical approaches. According to Ni'mah Hidayah¹¹, the first approach was a *free trade zone enclave*, which restricted the free trade zone status exclusively to industrial estates encompassing approximately 14% of Batam's total territory. This approach risked creating legal loopholes, commodity smuggling, and bureaucratic complexities due to differing customs regimes within a single administrative territory. Conversely, the full enclave approach, which applied the free trade zone status to the entirety of Batam, was deemed capable of generating regulatory certainty, yet it incited inter-regional jealousy as Batam received various fiscal privileges in the form of exemptions from VAT (*PPN*), Luxury Goods Sales Tax (*PPnBM*), and Import Duties¹². Although the enclave model was argued to clarify the division of authority between the Batam Authority and the Batam Municipal Government, business actors conversely perceived that such a system would merely lengthen the bureaucratic chain and amplify legal uncertainty for investment activities¹³.

Institutional reform began to achieve legal certainty through the issuance of Government Regulation in Lieu of Act (*Perpu*) No. 1 of 2007, which was subsequently enacted as Act No. 44 of 2007. Following this, the Central Government issued Government Regulation No. 46 of 2007 concerning the Batam Free Trade Zone and Free Port, which transformed the Batam Authority into the Batam Free Trade Zone and Free Port Authority (*Badan Pengusahaan Batam* or BP Batam) as the zone manager. This institutional transformation was further reinforced in 2011 when BP Batam was designated as a Public Service Agency (*Badan Layanan Umum* or BLU), thereby granting it fiscal flexibility in state financial management to accelerate regional development.

Despite the reinforcement of the institutional legal framework, Government Regulation No. 46 of 2007 failed to comprehensively regulate the working relationship between BP Batam and the Batam Municipal Government. Consequently, various forms of jurisdictional overlap persisted, particularly in business licensing, land utilization, and spatial planning. Alexander Dalla and Friska Hutabarat¹⁴ demonstrated that these overlapping jurisdictions constituted a primary bottleneck for investment. Similar findings were presented by Zaenuddin et al.¹⁵ who correlated the declining competitiveness of the Batam zone with the legal uncertainty stemming from institutional dualism. Furthermore, a survey of business actors across four industrial estates by Bangkit Wiryawan¹⁶ highlighted that institutional redundancy and weak zone governance were the dominant factors eroding Batam's competitiveness.

The protracted dualism of authority prompted the Central Government to evaluate Batam's institutional model, including discussions on dissolving BP Batam¹⁷. However, this option was difficult to execute as it contradicted various statutory provisions governing Free Trade Zones and Free Ports¹⁸. As a solution, the Central Government issued Government Regulation No. 62 of 2019, which designated the Mayor of Batam as the *Ex-Officio* Chairman of BP Batam. This policy aimed to integrate the leadership of both institutions so that infrastructure coordination, public services, and policymaking could proceed more effectively. This policy also received support from Nyat Kadir, a former Mayor of Batam and Member of Commission VI of the House of Representatives (*DPR RI*), who

⁹ Liputan 6, "RUU Kawasan Perdagangan Bebas Batam Diprotes," *Liputan 6*, September 19, 2002, <https://www.liputan6.com/news/read/41687/ruu-kawasan-perdagangan-bebas-batam-diprotes>.

¹⁰ Liputan 6, "Pengusaha Batam Mendukung RUU Perdagangan Bebas," *Liputan 6*, September 26, 2002, <https://www.liputan6.com/news/read/42106/pengusaha-batam-mendukung-ruu-perdagangan-bebas>.

¹¹ Ni'mah Hidayah, "Pembentukan Free Trade Zone (FTZ) Di Indonesia: Studi Kasus Pembentukan FTZ Batam" (Universitas Indonesia, 2005).

¹² P Cornelia, "Tinjauan Yuridis Status Batam Sebagai Kawasan Perdagangan Bebas Beserta Hambatannya" (Universitas Indonesia, 2013).

¹³ Cornelia.

¹⁴ Alexander Yanuard Dalla and Friska Natlia Hutabarat, "Tumpang Tindih Kewenangan Pengembangan Kawasan Ekonomi Khusus Batam," *Matra Pembaruan* 2, no. 2 (2018): 139–48, <https://doi.org/10.21787/mp.2.2.2018.139-148>.

¹⁵ Zaenuddin et al., "Dualisme Kelembagaan Antara Pemerintah Kota Dan Badan Pengusahaan Batam Serta Dampaknya Terhadap Kinerja Perekonomian Di Kota Batam."

¹⁶ Bangkit A Wiryawan, "Addressing Innovation Competitiveness of Batam Free Trade Zone: What Went Wrong?," in *International Conference on Social and Political Issues (ICSPI 2016)*, 2018, 104–14, <https://doi.org/10.18502/kss.v3i10.2907>.

¹⁷ Detik Finance, "BP Batam Dibubarkan Agar Tak Ada Dualisme Kewenangan," *Detik.com*, 2018, <https://finance.detik.com/berita-ekonomi-bisnis/d-4340534/bp-batam-dibubarkan-agar-tak-ada-dualisme-kewenangan>; CNBC Indonesia, "Matahari Kembar Yang Bikin Jokowi Gemas Bubarkan BP Batam," *CNBC*, 2018, <https://www.cnbcindonesia.com/news/20181212172606-4-46097/matahari-kembar-yang-bikin-jokowi-gemas-bubarkan-bp-batam>.

¹⁸ CNN Indonesia, "Terikat UU, Tak Gampang Bubarkan BP Batam," *CNN*, 2018, <https://www.cnnindonesia.com/ekonomi/20181213171739-92-353490/terikat-uu-tak-gampang-bubarkan-bp-batam>.

assessed that the *ex-officio* mechanism could terminate the dualism of leadership and strengthen development synergies in Batam¹⁹.

The implementation of the *ex-officio* policy indicated improvements in institutional coordination. Amsakar Achmad et al²⁰ described this model as the concept of "one captain, two ships," representing a harmonization of leadership that resulted in synchronized development planning between BP Batam and the Batam Municipal Government. A concrete implementation of this synergy was the development of the I-BOSS integrated licensing system, which linked the Online Single Submission (OSS) services of both institutions, allowing previously fragmented licensing processes to be handled through a single service platform.

Nevertheless, the *ex-officio* policy has not completely resolved the institutional issues, as it concentrates heavily on leadership unification rather than a normative division of authority. The ambiguity of jurisdictional boundaries remains evident in the administration of business licensing, particularly due to the differing legal bases utilized by BP Batam and the Batam Municipal Government. The Directorate of One-Stop Integrated Services of BP Batam operates under Government Regulation No. 5 of 2021 concerning Risk-Based Business Licensing, whereas the Batam Agency of Capital Investment and One-Stop Integrated Services Agency (DPMPTSP) refers to Government Regulation No. 6 of 2021 concerning the Administration of Regional Business Licensing. This condition demonstrates that institutional harmonization has not been fully accompanied by regulatory harmonization, leaving potential jurisdictional overlaps intact.

Based on these dynamics, this study aims to analyze the governance of authority between BP Batam and the Batam City Government in local administration and the management of the Batam Free Trade Zone and Free Port (KPBPB Batam). Specifically, this study identifies the legal foundations of authority for each institution, analyzes the division of duties and functions of BP Batam as the zone manager and the Batam City Government as the regional local government, and evaluates the implications of these institutional arrangements on governance effectiveness, legal certainty, and the investment climate in Batam.

Method

This study employs a normative (doctrinal) legal research method with a descriptive-analytical design, positioning law as an integrated system of norms comprising principles, rules, statutory regulations, and judicial decisions²¹. This research aims to analyze the legal norms and principles utilized to resolve the dualism of authority between the Batam Municipal Government and the Batam-Indonesia Free Zone Authority (*Badan Pengusahaan Batam*). To address this issue, the study adopts a statute approach to examine the hierarchy and substance of relevant laws and regulations, alongside a conceptual approach to analyze the principle of *lex specialis derogat legi generali* and the concept of functional autonomy. The legal materials utilized consist of primary and secondary legal materials, including legal literature and judicial precedents. The technique for collecting these legal materials is conducted via library research, which are consecutively analyzed qualitatively through systematic and grammatical interpretation methods to construct robust legal arguments regarding jurisdictional certainty within the Batam Free Trade Zone and Free Port delineation.

Results and Discussion

The Leadership Integration of the Batam Municipal Government and the Batam-Indonesia Free Zone Authority (BP Batam)

The dualism of authority in Batam originated from the enactment of Law No. 53 of 1999 concerning the Formation of Batam City, which explicitly stipulated in Article 21, paragraphs (1), (3), and (4):

"With the formation of Batam City as an Autonomous Region, the Batam City Government shall involve the Batam Authority in administering governance and development within its region" (Paragraph 1)

"The working relationship between the Batam City Government and the Batam Authority shall be further regulated by a Government Regulation." (Paragraph 3)

"The Government Regulation as referred to in paragraph (3) must be issued no later than twelve months from the date of the official establishment of Batam City." (Paragraph 4)

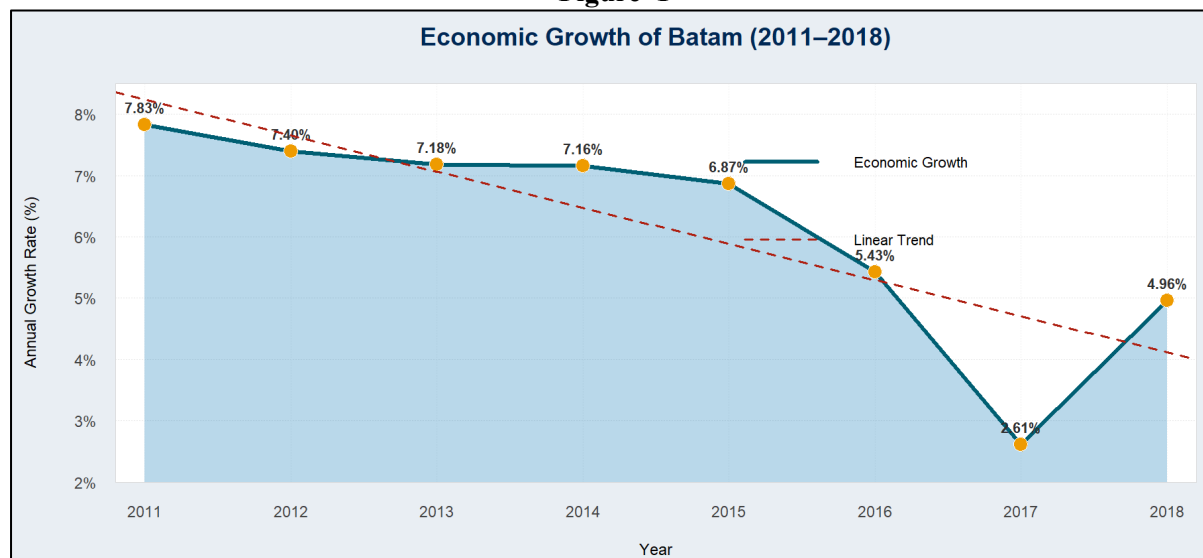
¹⁹ BatamNews, "Nyat Kadir: Walikota Ex-Officio Kepala BP Batam Sudah Tepat," Batamnews, 2021, <https://www.batamnews.co.id/berita-76550-nyat-kadir-wali-kota-ex-officio-kepala-bp-batam-sudah-tepat.html>.

²⁰ Amsakar Achmad et al., "Implementation of Ex-Officio Policy on The Development of Batam Free Trade Zone and Free Port Area," *Journal of Governance* 9, no. 4 (2024): (829-846, <https://doi.org/10.31506/jog.v9i4.29678>).

²¹ Nurul Qamar and Farah Syah Rezah, *Metode Penelitian Hukum: Doktrinal Dan Non-Doktrinal*, ed. Abd Kahar Muzakkir and Faisal Rahman (Makassar: Social Politic Genius (SIGn), 2020).

However, until 2019, no specific Government Regulation was ever enacted to govern the working relationship between the Batam Authority now BP Batam and the Batam Municipal Government. As an implication of this legal uncertainty, Batam's economic growth demonstrated a downward trend annually. This lingering issue prompted the Coordinating Ministry for Economic Affairs to convene a series of meetings to formulate a resolution for this issue, which had severely impacted Batam's regional competitiveness²².

Figure 1



Source: Statistics Indonesia

The issuance of Government Regulation No. 62 of 2019, which legalized the *ex-officio* appointment of the Mayor of Batam as the Chairman of BP Batam, initially sparked intense public polemics. The Ombudsman of the Republic of Indonesia²³ argued that this policy violated the prohibition against holding concurrent offices (*rangkap jabatan*) as stipulated in Article 76, paragraph (1) of Act No. 23 of 2014 concerning Regional Government and Article 17 of Act No. 25 of 2009 concerning Public Services. Contrarily, the Supreme Court of Republic of Indonesia in 2019 ruled otherwise, affirming that no violations were committed against either the Regional Government Act or Act No. 5 of 2014 concerning State Civil Apparatus (*ASN*). The legal reasoning (*ratio decidendi*) of the Supreme Court²⁴ stated that the Chairman of BP Batam is not classified as a state official (*pejabat negara*), but rather as the head of a Public Service Agency (*Badan Layanan Umum* or BLU). This institutional structure was subsequently expanded through Government Regulation No. 4 of 2025, which dictates that the position of Deputy Chairman of BP Batam is now also held *ex-officio* by the Deputy Mayor of Batam.

Jakarta's endeavor to resolve this jurisdictional deadlock through the issuance of Government Regulation No. 62 of 2019 utilizing the *ex-officio* mechanism constitutes a notable policy breakthrough. This policy initially triggered a conflict of statutory interpretation. The Ombudsman of the Republic of Indonesia employed a literal interpretation approach by referencing Article 76, paragraph (1) of Law No. 23 of 2014 and Article 17 of Act No. 25 of 2009 regarding the prohibition of concurrent offices, based on the assumption that the Chairman of BP Batam is equivalent to a state official.

Conversely, the 2019 Supreme Court of Indonesia decision provided a distinct and more comprehensive legal construction. The Supreme Court applied systematic and teleological interpretation approaches by positioning BP Batam not as an ordinary local government entity, but as a corporatized Public Service Agency (BLU). Within the framework of administrative law, the Chairman of BP Batam holds a position as the head of a specialized public institution (an economic zone) rather than a state official within the structural meaning of constitutional law (such as a Minister or a Regional Head).

The Jurisdictions of the Batam Municipal Government and the Batam-Indonesia Free Zone Authority (BP Batam)

The jurisdiction of the Batam Municipal Government is constitutionally regulated under Act No. 23 of 2014 concerning Regional Government. In administering local governance, the Municipal Government is mandated to adhere to governance principles including legal certainty, orderly state governance, public interest, openness, proportionality, professionalism,

²² Achmad et al., "Implementation of Ex-Officio Policy on The Development of Batam Free Trade Zone and Free Port Area."

²³ Ombudsman Republik Indonesia, "Ombudsman: Hentikan Rencana Pengangkatan Ex-Officio Kepala Batam," Ombudsman, 2019, <https://ombudsman.go.id/news/r/ombudsman-hentikan-rencana-pengangkatan-ex-officio-kepala-batam>.

²⁴ Supreme Court of the Republic of Indonesia Decision No. 82 P/HUM/2019, *Judicial Review of Government Regulation No. 62 of 2019 concerning the Second Amendment to Government Regulation No. 46 of 2007 concerning the Batam Free Trade Zone and Free Port*, December 12, 2019.

accountability, efficiency, effectiveness, and justice. The classification of government affairs is divided into three categories: absolute government affairs, concurrent government affairs, and general government affairs²⁵.

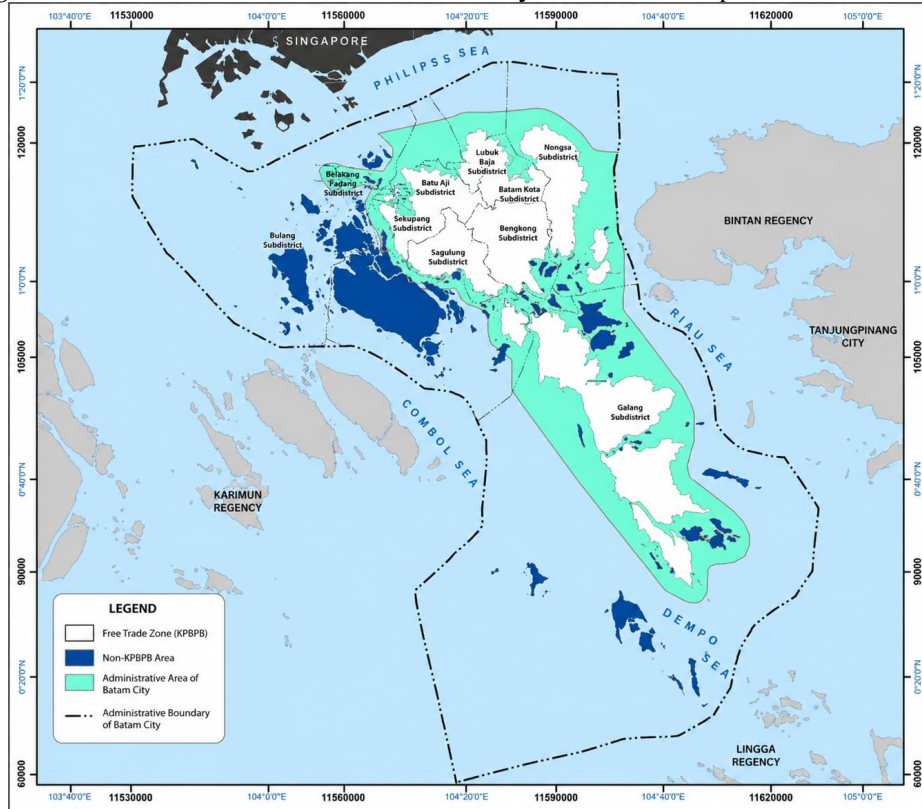
Table 1 Classification of Concurrent Government Affairs under regional Autonomy

Affairs Classification	Sub-Classification	Sector of Government Affairs	
Mandatory Government Affairs	Related to Basic Services	Education	
		Health	
		Public Works & Spatial Planning	
		Public Housing & Residential Area	
		Public Peace, Order, and Community Protection	
		Social Affairs	
	Non-Related to Basic Services	Manpower	
		Women's Empowerment and Child Protection	
		Food Security	
		Land Affairs	
		Environment	
		Civil Registration and Population Administration	
		Community and Village Empowerment	
		Population Control and Family Planning	
		Transportation	
		Communication and Informatics	
		Capital Investment / Investment Promotion	
		Youth & Sports	
		Statistics	
		Cyber Security & Encryption	
		Culture	
		Libraries	
		Cooperatives, Small and Medium Enterprises (SMEs)	
		Archives	
		Optional Government Affairs	Marine Affairs and Fisheries
			Tourism
Agriculture			
Forestry			
Energy and Mineral Resources			
Trade			
Industry			
Transmigration			

²⁵ Ni'matul Huda, *Otonomi Daerah: Dinamika Hubungan Pusat & Daerah Pasca Reformasi* (Rajawali Pers, 2024).

Article 11 and Article 12 of Act No. 23 of 2014 serve as the baseline for the division of concurrent government affairs between the Central Government and Regional Governments through an approach that emphasizes the fulfillment of basic services and the development of regional potential. Article 12, paragraph (1) obligates regional governments to administer six basic service affairs, whereas Article 12, paragraph (2) grants flexibility in prioritizing and budgeting mandatory non-basic service affairs in accordance with regional fiscal capacity. Furthermore, Article 12, paragraph (3) regulates optional affairs based on the specific characteristics and potential of each region as an instrument to stimulate local development and economic growth.

Figure 2 Batam-Indonesia Free Zone Authority- Batam Municipal Jurisdictions Area



Source: Adapted from Government Regulation No. 47 of 2025

Meanwhile, the jurisdiction of BP Batam is constitutionally regulated under Act No. 44 of 2007 concerning the Enactment of Government Regulation in Lieu of Act No. 1 of 2007 concerning the Amendment to Act No. 36 of 2000 concerning the Enactment of Government Regulation in Lieu of Act No. 1 of 2000 concerning Free Trade Zones and Free Ports into Act, and Act No. 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Act No. 2 of 2022 concerning Job Creation into Act. In contrast to the Batam Municipal Government, which possesses Territorial Autonomy based on geographical boundaries and comprehensive public service delivery, the Free Trade Zone Authority holds Functional Autonomy. The Free Trade Zone Authority is conceptualized as the "executive arm" and the corporatized operator of the zone. The Free Trade Zone Authority does not administer general government affairs, such as civil registration or public order, but focuses instead on economic development, business licensing, and the management of zone assets. The Free Trade Zone Authority is established by and reports directly to the Zone Council (*Dewan Kawasan*), which is chaired by the coordinating minister for Economic Affairs. Financially, the Authority operates under a Public Service Agency (BLU) model, which grants it the flexibility to implement sound business practices, levy service tariffs, and manage its revenues independently.

Table 2 Jurisdictional Scope of Batam-Indonesia Free Zone Authority (*BP Batam*)

No	Scope of Authority	Description of Jurisdictional Scope
1	Management, Development, and Construction of Economic Activities	Agriculture
		Trade
		Maritime
		Industry
		Transportation
		Banking
		Tourism
		Logistics
		Technological Development
		Health
		Water Resources
		Marine Affairs & Fisheries
		Forestry
		Energy & Mineral Resources
		Public Works & Public Housing (PU-PR)
2	Business Licensing	Culture
		Telecommunication
3	Control of Consumer Goods	Others
		Administering and issuing business licenses and other related permits within the Free Trade Zone and Free Port Delineation.
4	Infrastructure & Asset Management	Determining and allocating the quotas/volume of consumer goods allowed within the zone.
		Managing economic infrastructure, airports, municipal water supply systems, and wastewater treatment systems.

BP Batam acts as the single gateway for investors within the delineation of the Free Trade Zone and Free Port. Licensing authority, which is conventionally fragmented between the Central Government (Ministries) and the Regional Government (DPMPTSP), is exclusively delegated to the BP Batam. This represents the application of the *Lex Specialis Derogat Legi Generali* principle, whereby the specialized regulations governing the Free Trade Zone and Free Port (*KPBPB*) override the general rules of Regional Government and standard Online Single Submission (OSS) mechanisms.

Licensing Authority in the Batam Free Trade Zone and Free Port

Licensing matters within the Batam Free Trade Zone and Free Port are explicitly regulated under Article 10 of Law No. 44 of 2007 concerning Free Trade Zones, as amended by Act No. 6 of 2023 concerning Job Creation:

“To facilitate activities within the Free Trade Zone and Free Port, the Management Agency is granted the authority to issue business licenses and other necessary permits for entrepreneurs establishing and operating businesses within the Free Trade Zone and Free Port.”

Concurrently, Article 350, paragraphs (1), (2), and (4) of Act No. 23 of 2014 concerning Regional Government, as amended by Act No. 6 of 2023 concerning Job Creation, stipulates:

“Regional heads are mandated to provide business licensing services in accordance with statutory provisions as well as the norms, standards, procedures, and criteria established by the Central Government.” (1)

“In providing the business licensing services as referred to in paragraph (1), Regions shall establish a one-stop integrated service unit.” (2)

“The business licensing services as referred to in paragraph (1) must utilize an electronic business licensing system managed by the Central Government.” (4)

The implementing provision derived from Article 350, paragraphs (1), (2), and (4) of Act No. 23 of 2014 concerning Regional Government, as amended by Act No. 6 of 2023 concerning Job Creation, is embodied in Government Regulation No. 6 of 2021 concerning the Administration of Regional Business Licensing.

An essential structural finding serves as the baseline for this analysis. Government Regulation No. 6 of 2021, which specifically regulates the administration of regional business licensing through the Batam Agency of Capital Investment and One-Stop Integrated Services Department (*DPMPTSP*), completely omits any mention of the Free Trade Zone-Free Port or the *FTZFP* Management Authority throughout its entire body. The entire framework of authority within Government Regulation No. 6 of 2021 is constructed upon the assumption that the sole administrator of business licensing at the regional level is the provincial *DPMPTSP* (via gubernatorial delegation) and the regency/municipal *DPMPTSP* (via regental/mayoral delegation), without any exceptions for special zones.

In contrast, Government Regulation No. 28 of 2025 concerning Risk-Based Business Licensing governs the technical substance of licensing administration by explicitly and repeatedly positioning the *FTZ-FP* Management Authority as an authoritative entity that is equal to and distinct from the Regional Government, alongside Special Economic Zone (*SEZ*) Administrators. This disparity is not a mere editorial coincidence; rather, it reflects a *lex specialis-lex generalis* relationship that must be interpreted systematically. Government Regulation No. 6 of 2021 serves as the general framework for regional licensing administration, whereas Government Regulation No. 28 of 2025 as a newer technical regulation concerning Risk-Based Business Licensing specifically corrects and restricts the scope of *DPMPTSP* authority in territories legally subject to specialized regulatory regimes, such as *SEZ* and *FTZ-FP*.

Table 3 Jurisdictional in Batam City - Batam Free Trade Zone

Jurisdictional Aspect	Batam Municipal Government	Batam-Indonesia Free Zone Authority	Legal Basis
Teritorial Scope & Status	Administers Concurrent Government Affairs (Regional Autonomy) within the general regency/municipal territory.	Manages, develops, and constructs the Batam Free Trade Zone and Free Port (Batam FTZ-FP)	Act 23/2014 <i>jo.</i> Act 9/2015; Act 44/2007
Basic Requirements Persyaratan Dasar (PD):	Administers Basic Requirements for Building Approvals (<i>PBG</i>). Certificate of Building Functionality (<i>SLF</i>); Confirmation of Suitability of Spatial Utilization Activities (<i>PKKPR</i>)	Administers Basic Requirements for: Approval of Conformity of Marine Spatial Utilization Activities (<i>PKKPRL</i>); Land Allocation (<i>PL</i>); Approval of the Use of Forest Areas (<i>PPKH</i>); Environment Assessment (<i>AMDAL</i> , <i>UKL-UPL</i> , <i>SPPL</i>);	Gov Reg ²⁶ 41/2021 <i>jo.</i> Gov Reg 25/2025; Gov Reg 28/2025; Gov Reg 6/2021
Business Licensing (PB) and Business Licensing for Supporting Business Activities (PB-UMKU)	The authority of the Batam Agency <i>DPMPTSP</i> is excluded within the FTZ-FP Batam delineation.	Vested with full authority to issue all <i>PB</i> and <i>PB-UMKU</i> for entrepreneurs within FTZ-FP Batam across 16 sectors (Marine Affairs, <i>ESDM</i> ,	Gov Reg 41/2021 <i>jo.</i> Gov Reg 25/2025; Gov Reg 28/2025

²⁶ Stands for Government Regulation

		Industry, Tourism, etc.).	Trade,
Operational Practice Licensing	/ Under the jurisdiction of the Batam Agency DPMPTSP.	Holds no authority.	Act 23/2014 jo. Act 9/2015; Act 17/2023; Gov Reg 6/2021

The regulatory reform of licensing through the Risk-Based Approach (Risk-Based Licensing) regime has fundamentally transformed the licensing administration system in Indonesia. This shift has not only simplified licensing procedures but has also reconstructed institutional authority over license issuance, particularly within special zones like the Batam Free Trade Zone and Free Port. While prior to the enactment of Government Regulation No. 25 of 2025 the authority to issue licenses across various sectors remained fragmented among ministries, regional governments, and partially within the *BP Batam*, the latest regulation establishes administrative centralization at the zonal level by positioning *BP Batam* as the primary institution (*single licensing authority*) for administering business licensing within the Batam Free Trade Zone-Free Port.

Consequently, it can be concluded that where the jurisdiction of the Batam Municipal Government overlaps with that of the *BP Batam*, the Municipal Government holds no authority whatsoever regarding the issuance, verification, or revocation of business licenses for business actors located within the FTZ-FP delineation. This authority shifts entirely to become the exclusive right of the *FTZ-FP* Authority or *BP Batam*.

Conclusion

This study concludes that the constitutional dynamics in Batam City have undergone a significant transformation, evolving from a chronic dualism of authority toward structural integration through the *ex-officio* mechanism. The protracted legal uncertainty following the enactment of Law No. 53 of 1999, which led to the stagnation of regional economic growth, has been reformed through the issuance of Government Regulation No. 62 of 2019 and further reinforced by Government Regulation No. 4 of 2025. This policy, which designates the Mayor and Deputy Mayor of Batam as the chairmanships of *BP Batam*, has obtained judicial legitimacy through a Supreme Court ruling despite initial debates regarding its validity. The court's decision successfully distinguished the status of *BP Batam* as a Public Service Agency (BLU) from that of state officials in general.

Furthermore, this research demonstrates that the jurisdictions of the Batam Municipal Government and *BP Batam* are constructed upon two distinct yet complementary legal regimes. The Batam Municipal Government exercises decentralized authority under Act No. 23 of 2014, focusing on the administration of concurrent government affairs and public service delivery. Conversely, *BP Batam* exercises functional autonomy based on Act No. 44 of 2007, which is oriented toward the management, construction, and development of the Free Trade Zone and Free Port (*KPBPB*), including the management of strategic assets, economic infrastructure, investment, and business licensing services. Consequently, the relationship between the two institutions should not be interpreted as a hierarchical structure, but rather as a division of governance based on jurisdictional characteristics, wherein the Municipal Government functions as the provider of local governance, while *BP Batam* acts as a special economic authority.

In terms of business licensing administration, the study identifies a paradigm shift in authority from a multi-agency licensing model toward a single licensing authority. This shift is a direct consequence of the risk-based licensing reform (Risk-Based Licensing), which was reaffirmed through Government Regulation No. 25 of 2025 and Government Regulation No. 28 of 2025. Both regulations establish the Chairman of *BP Batam* as the competent authority empowered to issue basic requirements, Business Licenses, and Business Licenses for Supporting Business Activities (PB-UMKU) for all business actors within the Batam *FTZ-FP* delineation. Conversely, the authority of the Batam Agency *DPMPTSP* to issue business licenses is excluded within the *KPBPB* territory; thus, the City Government no longer holds any authority regarding the issuance, verification, or revocation of business licenses in that zone. This condition reflects the application of the *lex specialis derogat legi generali* principle, whereby the *KPBPB* legal regime, as a specialized framework, overrides the general regional

licensing administration regime governed by Government Regulation No. 6 of 2021. The legal analysis of the disparity between Government Regulation No. 6 of 2021 and Government Regulation No. 28 of 2025 affirms the applicability of the *lex specialis derogat legi generali* principle. Although Government Regulation No. 6 of 2021, as a general rule, implies the authority of the regional *DPMPTSP*, Government Regulation No. 28 of 2025, as a newer and more specific technical regulation, explicitly negates the role of the Regional Government within the *FTZ-FP* delineation. Therefore, it can be concluded that *BP Batam* serves as a single licensing authority holding exclusive and absolute jurisdiction over the issuance, verification, and revocation of Business Licenses within the Batam *FTZ-FP* zone. The authority of the Batam Municipal Government regarding business licensing becomes null and void within the delineation of the special zone, positioning *BP Batam* as the single gateway for investment and economic regulation within the *FTZ-FP* jurisdiction. Theoretically, this study illustrates that the governance model in Batam has progressed toward a dual governance model, a system of governance that integrates territorial decentralization with the functional management of an economic zone. This model indicates that the existence of a special zone authority does not eliminate the existence of the local regional government but rather reconfigures the division of jurisdiction based on administrative functions and the objectives of governance delivery.

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