

Supply Chain Systems Utilization towards the Global Economy in Special Economic Zones Perspective

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Abstract— The core of the Special Economic Zone is an effort to increase investment by developing certain regions/zones to spur economic growth. Through examples from the Middle East and South Asia I explain how the objectives of excellence in business performance and quality management have been attained without substantive investment by following the basic principles and concepts of Supply Chain Management and Quality Management. The effort to realize Special Economic Zones as an effort to increase investment in Indonesia is a choice now. Although these efforts may not be separated from the constraints faced with regard to services, facilities, and infrastructure as well as possible obstacles related to the response of investors in the framework of the realization of the Special Economic Zones. However, such efforts will accumulate capital with rapid growth or achieve social progress. This is in line with the tendency of the global economy to continue, which in turn makes economic activity between countries increase and also increasing foster regional economic activity.

Keywords— The Global Economy, supply chain, Special Economic Zones.

1. Introduction

With globalization and integration of the world economy, the concept of extended enterprise has taken root, leading to an increasingly important role played by the entire supply chain management, including procurement, logistics and distribution for ensuring a consistently high degree of customer satisfaction in terms of quality, delivery and cost. The presence of the multilateral trading system was initially triggered by fears of the threat of war. Frightening and devastating memories of the second world war still haunted the world community at that time. To prevent a repeat of the war, a number of US government officials and several international expert academics in trades and financial plan to establish a liberal international trade system. They were inspired by classical economic theory which taught that the multilateral trading system would increase growth

and prosperity to create peace and security. In short, the establishment of the International Monetary Fund (IMF), the World Bank in 1944 and the approval of the General Agreement on Tariffs and Trade (GATT) in 1948 motivated by fear of war due to the failure of international economic cooperation [1, 2].

The signing of the GATT Final Act Establishing, which took effect on January 1, 1948, marked the birth of a new era of the international trade system. A few decades later, the agreements covered by the GATT served as the foundation for the establishment of the World Trade Organization (WTO). The presence of the WTO on January 1, 1995, gave birth to international trade law that was more detailed, more precise, and more binding. The WTO agreement consists of 18 multilateral agreements, various "understanding" and "protocols" and around 26,000 pages of text, including the liberalization commitments of WTO members. The WTO agreement package is also equipped with an independent judicial system that is binding and treats all members in an equal position (equal before the system). The dispute resolution system applied by the WTO puts forward the power of law rather than power in resolving trade disputes. This is a new development in international economic relations. That is why the WTO dispute resolution system is likened to a jewel of a crown [3-5].

The multilateral system created by the WTO is an effort to continue the wave of globalization that has occurred between 1870 and 1914. This wave of globalization then stopped and reversed its direction to become a protective wave in 1914-1939 and eventually triggered a second world war. With a multilateral trade system, market access is increasingly open and guaranteed to remain open because it is not interrupted suddenly with the issuance of rules on banning or limiting imports to enable developing countries to be more active in international trade. In other words, the existence of binding international trade rules (rule base) is believed to reduce the dominance of power to create a healthy global trade climate and can be utilized by developing countries. Developed countries can still grow without a multilateral system. In contrast, developing countries will face more difficulties without a multilateral system because they will face directly

with the unilateralism of developed countries. As for the task of the European Union Ambassador at the Uruguay negotiating round, Ambassador Tran Van Tinh stated that developed countries that are members of the European Union can still develop without a multilateral system. Conversely, developing countries will face more difficulties without the presence of a multilateral system. The United States and Japan also have the same attitude as the European Union [6-9].

2. LITERATURE REVIEW

2.1. Development of Special Economic Zones

The Development of Special Economic Zones is a master plan which is a strategic step that must be realized to accelerate economic growth. Therefore, the preparation of Special Economic Zones in certain regions in Indonesia must also be an essential agenda for policymakers and act to accelerate Indonesia's economic development, so that the financial function runs and receives individual facilities. The core of the Special Economic Zone is an effort to increase investment by developing certain regions/zones to spur economic growth. This is in line with the provisions of Article 31 Paragraph (1) of Law Number 25 the Year 2007 Concerning the investments that determine and develop the Special Economic Zone, is to accelerate economic development in certain regions that are strategic for national economic growth and to maintain a balance of progress an area [10].

The effort to realize Special Economic Zones as an effort to increase investment in Indonesia is a choice now. Although these efforts may not be separated from the constraints faced about services, facilities, and infrastructure as well as possible restrictions related to the response of investors in the framework of the realization of the Special Economic Zone. However, such efforts will accumulate capital with rapid growth or achieve social progress. This is in line with the tendency of the global economy to continue, which in turn, makes economic activity between countries increase and, at the same time, foster regional economic activity. Besides, some regional positions in Indonesia have tremendous potential to be targeted for investment because its location provides geographical and geoeconomic advantages [11].

2.2. Preparation of Special Economic Zones

Efforts to develop Special Economic Zones are to accelerate economic development in certain regions that are strategic for the advancement of the national economy and to maintain the balance of the progress of a region in the unity of the national economy. Article 2 of Law Number 39 of 2009 concerning Special Economic Zones determines that Special Economic Zones are

developed through areas that have geoeconomic and geostrategic advantages and function to suit send out, import, and other monetary exercises that have high monetary worth and worldwide seriousness. Zones or areas within Special Economic Zones with certain limits whose utilization in accordance with their designation may comprise of one or a few zones of fare preparing, coordinations, industry, innovation improvement, the travel industry, vitality, and different economies. However, it should be understood that in each Special Economic Zone, there are locations for micro, small business (UMKM) and cooperative businesses, both as Business Actors and as supporting businesses in the Special Economic Zones [12].

Presently the capacity of the Special Economic Zone is to lead assets to create organizations in the fields of exchange, administrations, industry, mining and vitality, transportation, oceanic and fisheries, post and broadcast communications, the travel industry, and different territories. Therefore, from now on revamping the Regions that are prepared to become Special Economic Zones must be harmonized with the advancement or pattern of the development of Special Economic Zones which refers to the structuring concept relevant to the dominant function of Special Economic Zones with service scales not only at the local level but national scale businesses international and global. That is, the prepared area shall prepare itself to have geoeconomic and geostrategic points of interest and functions to suit industrial, fare, import, and other financial exercises that have high monetary worth and worldwide seriousness as mandated by the provisions of article 2 of Law Number 39 the Year 2009 about Special Economic Zones [13].

For this reason, in the future, it is necessary to have a strong understanding of one of the critical aspects of the development of the Special Economic Zone. It can be understood from the provisions of Article 24 of Law Number 39 the Year 2009 concerning Special Economic Zones, where the government gives delegation and delegates authority in the field of licensing to the Administrator Special Economic Zones, which must be carried out through integrated services. Here the Special Economic Zone Administrator is part of the Zone Council that is formed for each Special Economic Zone to assist the Zone Council in administering the Special Economic Zones. In line with that, Article 1 number 11 of Government Regulation Number 2 of 2011 concerning the implementation of Special Economic Zones states that Delegation of Authority is the assignment of duties, rights, obligations, and responsibilities for licensing, facilities and facilities, including signing on behalf of the authority, by the Minister/head of agency non-ministerial government, governor or regent/mayor to the Administrator specified with a clear description, in accordance with statutory regulations [14].

In the future development, all stakeholders related to

the development of Special Economic Zones must prepare themselves well, so as not to miss the event of their management at the regional and global levels. They are improving the quality of physical infrastructure, energy, eliminating the high-cost economy in the company's administrative and customs processing lines, distribution channels, and port costs. The key is that the Government, the Zone Council, and the Administrator of the Special Economic Zones must improve the competitiveness of infrastructure in terms of quality and quantity in all aspects related to the development of the Special Economic Zones. Increasing the competitiveness of facilities and infrastructure is an absolute requirement for investors. This is important considering the development of the Special Economic Zone, will create relations between countries and require various government commitments to other countries because there is an obligation to enter into agreements. This is in line with Indonesia that has come into bilateral agreements on investment guarantees (Investment Guarantee Agreement), which certainly has implications for investment law. Besides, demanding that the government must be prepared to regulate investment activities and investment laws that are harmonized with the provisions of various other countries [4; 8].

Due to the enactment or stipulation of the Special Economic Zone, both in part and in full will influence the development of investment and investment law in the future. Because the determination of the Special Economic Zones will lead to interdependence and integration in the investment sector and will have an impact on investment or economic management in the Special Economic Zones, where trade and port traffic will be free without barriers to import duty or non-tariff tariffs. Thus, to enter the era of Special Economic Zones, the government must be well prepared to deal with the effects that arise on the economy/trade-in Special Economic Zones in all aspects, including supply chain issues, especially investment law which is a constitutional institution that contains policies to direct activities investment in an area of Special Economic Zones because the Sabang region, which will be open to the economy, will also be affected by the principles of the global economy [8].

The economy of the Special Economic Zones will also directly face the economies of other countries trading partners, such as export-import, investment, both direct and indirect investment, and borrow and borrow. This economic influence is a challenge for the formulation of policies in the Special Economic Zones, the world economy, and economic actors. This is where supply chain renewal is needed to develop Special Economic Zones by making various regulations to provide anticipation for Special Economic Zone activities.

This means that rules regarding Special Economic Zones must be updated under the "rhythm" of demands that apply in the global economy.

3. FINDING

3.1. Supply chain Substance of Preparing Special Economic Zones

Based on an understanding of the law on the preparation of Special Economic Zones in Indonesia, it needs to be linked to efforts to create a supply chain system that is able to support the climate of the Special Economic Zones, where clear regulations are required ranging from permits to businesses to costs that must be incurred to obtain company licenses, customs, tariffs and others relating to Special Economic Zones. Analysis conducted by The European Bank of Reconstruction and Development (EBRD) of the supply chain infrastructure in transition economies shows a significant correlation between the effectiveness of the supply chain system and economic growth. This analysis also indicates that the success of economic reform depends on the functioning of an excellent supply chain system.

Therefore the role of the Government is needed as a forum to establish the law and the rule of the game and as a referee who negates and enforces the rules of the game that have been set. In the context of Special Economic Zones, it will be useful if the law or practice of the game is able to guarantee that distortions imposed by competition and capital accumulation can be maintained within certain limits so that they are compatible with growth and social cohesion. Besides, the Government as playing its role in establishing the law or rule of the game must also pay attention to the principles and characteristics of the global economy that require countries to harmonize their laws, so that they are in accordance with the demands of the global economic era by conducting various structural adjustment policies, including in the form of a series of deregulation, bureaucratization and a tendency for rules in free trade and ports. Based on this tendency, supply chain issues in the era of the global economy are in line with the limitations of free trade itself, which is interpreted as an exchange of commodities between independent countries without supply chain impediments intended to limit trade, such as protective tariffs, quotas, commodity control, control of the transfer of goods, demanding customs clearance producers, or government or other monopolies [6].

On this basis, actions that must be taken now in the context of preparing the era of Special Economic Zones are undertaking the renewal of effective supply chain products to encourage Special Economic Zones. This means it must complete the supply chain renewal or the making of laws, which can be interpreted as an effort to renew the law under the development of the Special Economic Zone. Here must provide confidence that develops in the Special Economic Zone will create certainty, fairness, and efficiency. That contradicts the study conducted by Burg on law

and development, about 5 (five) none of which were developed previously did not involve the economy, namely "stability", "predictability", "fairness", "education", and "the special development capabilities of lawyers". Furthermore, Burg's argues that the first and second elements above are requirements for the functioning of the economic system, namely the aspects of "stability" and "prediction" J.D. Nyhart also put forward the concept of law as the basis for economic development, namely consistency, procedural ability, a codification of objectives, instruction, equalization, definition, and lucidity of status and convenience. With reference to the supply chain approach in economic development above, the law designed with the development of Special Economic Zones must contain the following elements [11]:

First, the law in developing Special Economic Zones must be able to make predictions for economic actors who will participate in investing in Special Economic Zones. The law can provide guarantees and supply chain certainty for them in predicting what activities are performed for the projected development of Special Economic Zones. This element is vital so that economic actors have primary considerations for investing in Special Economic Zones. For example, economic actors can predict the terms of the investment licensing administration process and the cost provisions for administering the permit process. With this prediction, the element is the should have the option to anticipate the rules relevant to the economy in the Special Economic Zones. Second, the law in developing Special Economic Zones must have a procedural capability in dispute resolution. Specifically regarding the resolution of disputes outside the court (alternative dispute resolution) and the appointment of conciliation arbitrators and institutions that function equally, not in dispute resolution. Because it is possible in the Special Economic Zones that there may be disputes between foreign partners and local partners in business cooperation or joint ventures. Even disputes might arise between the Government or the Manager of Special Economic Zones and foreign investors.

This is also in line with the provisions of Article 32 paragraph (1) of Law Number 25 the Year 2007 concerning Investment, which states that in the event of disputes in the field of investment between the Government and investors, the parties must first resolve the dispute through deliberation and consensus. In Clause (2), it is expressed that in debate goals as alluded to in Clause (1) has not been reached, the settlement of the contest should be possible through mediation or elective question goals or court as per the arrangements of the enactment. In Clause (3), it determines that in the event of a dispute in the field of investment

between the Government and the domestic investment, the parties can settle the dispute through arbitration based on the agreement of the parties. On the off chance that the question goals through discretion isn't settled upon, the settlement of the debate will be done in court. Proviso (4) expresses that in case of a question in the field of outside speculation, the gatherings will settle the debate through global mediation, which must be settled upon by the gatherings. Options in contrast to settling debates can name a National Arbitration Board or an International Arbitration Board. Be that as it may, in case of a debate between the Government and the Investor can delegate the International Center of Settlement of Investment Disputes (ICSID).

Third, the making of supply chain modifications by lawmakers aimed at the development of Special Economic Zones. Here, for example, the Government, the National Council, the Regional Council and the Administrator of the Special Economic Zone make provisions regarding the Sabang Zone in a codified manner. Fourth, the law in developing Special Economic Zones after having validity, in order to have the ability, education must be made and then socialized. This is in line with the principle of transparency, whereby the Government, the Regional Council and the Administrator of the Special Economic Zone publish all the laws and regulations, the implementation guidelines as well as all applicable decisions and provisions relating to the development of the Special Economic Zones. Fifth, the law in developing Special Economic Zones must be able to play a role in creating a balance. Because this is related to economic development initiatives. For this reason, it can be understood that comparison is one of the principles of the WTO agreement related to the General Agreement on Trade in Services (GATS) governing service trade and agreements on Trade-Related Investment Measures (TRIMs), namely the principle of non-discrimination (Most Favored Nation / MFN), which is a principle that states that a facility granted to one country must also be given to another country. This principle is immediate (unconditionally) and automatic (unconditionally). Sixth, the law on the development of Special Economic Zones must play a role in determining definition and clarity of status. In this case, the law must provide a clear definition and status regarding all matters relating to the development of Special Economic Zones. The Government, the National Council, the Zone Council and the Administrator of the Special Economic Zones are obliged to draw up and treat clear regulations. Here the regulation must have a clear definition and status for the interests of individuals or groups in society.

Furthermore, it can be compared regarding regulations between Hong Kong and Singapore, which mention the importance of regulation as an attraction of free port areas, namely: While the financial aspects and foundation advancement parts of the two ports are

basic to acknowledge, administrative structure and government approaches additionally have a significant task to carry out in evaluating port seriousness. Transportation is an exceptionally globalized industry and oceanic business are progressively demonstrating an eagerness to move when net revenues withdraw. Worldwide transportation organizations seem to underestimate great duty and business systems for conceded. They are presently demonstrating enthusiasm for ports which have very much incorporated and set up coordinations, money related a lawful administrations divisions. Impetuses spreading over the entire of these territories will undoubtedly pull in business yet supporting existing ones is similarly significant particularly as those organizations as of now have built up systems. The eventual fate of transshipment center points in muddled and much has been composed on the conceivable future. Proof proposes the both Hong Kong and Singapore are moving concentration from transshipment to turning into a full sea administration focus (with transshipment activities a little piece of that). The appropriate administrative system will keep on assuming a crucial job in forming the achievement of the ports. Seventh, the law on developing Special Economic Zones must be able to accommodate (accommodation) the interests of economic actors. For example, try or do business or form of facilities under statutory provisions. With the ease of starting and conducting business activities or enterprise will provide opportunities for the community to participate in the development of Special Economic Zones. In doing business activities, you need to look at the Doing Business project implemented by the World Bank. The project objectively measures business regulation and enforcement in 178 countries.

Finally, no less important and must be in the supply chain approach as a basis for the building is an element of stability. The component of stability serves to accommodate and avoid competing interests and cut long bureaucracies. As a comparison, it can be understood from Macedonian experience in loading the registration requirements for doing business. As their first step to shortening business registration, Macedonia issued a centralized registration body on January 1, 2006. Previously, the 2006 provision for conducting business was slow, expensive and very complicated. This makes the registration body the only one in the country responsible for registering companies. Here the Government creates a one-stop-shop at the central registration body to unify and simplify the procedures for registering a company and the employees of that company. This cuts the number of methods for starting a business from 13 requirements in 2004 to 3 requirements in 2010, and from 48 days to 3 days. These provisions

make registration to do business organized or smooth and fast. Besides, the customs administration process for imports and exports quickly is more efficient. The system of customs processes is shortened and makes no delays in customs affairs at the terminal [10].

3.2. Domestic Regulation: A Comparison

Adult growing discourse about the provisions on domestic regulation that are currently being negotiated by WTO members in the framework of the Doha Development Agenda (DDA) can be an idea in improving the business climate because the discipline can enhance the quality of governance. The desire for the provision of domestic regulation in principle was agreed by all members of the WTO. It's just that developing countries want the rules not to be applied immediately, but the developing countries expect to be given the time to implement them. Provisions discussed in the domestic regulation working group include qualification requirements, procedural qualifications, necessity tests and definitions.

3.2.1. Qualification Requirement

Every provision governing qualification requirements must be transparent, relevant and not be a hidden barrier to service suppliers. Members are asked to provide opportunities for service suppliers whose applications are rejected because they do not meet the requirements to find out the reasons for the refusal and provide opportunities to make improvements to the application. In evaluating, members are asked to consider professional experience, membership in professional organizations in addition to the academic qualifications held by the applicant. This requirement also regulates the residency requirements and administrative costs that must be paid by the service supplier to obtain a permit is a reasonable fee.

3.2.2. Qualification Procedure

Provisions regarding procedural qualification must be simple, and if possible, the applicant only deals with one authority. Each assessment and examination must be followed by the applicant at a reasonable time interval, and the application process shall be completed in a short timeframe.

3.2.3. Licensing Requirements

An essential clause in licensing requirements is about residency requirements. This clause stipulates that if there is a residency requirement to obtain a license, the requirement must be used as a tool to hamper the business as small as possible. One of the most critical ways to enter the market is the agreement procedure. Licensing requirements and licensing procedures are intended to guarantee the availability of quality service suppliers through licensing mechanisms. The licensing process must not be used as a means of preventing entry into the market.

3.2.4. Technical Standards and Prior Comment

The application of technical standards must be

transparent and based on objective criteria. The Technical Standards must be made known to the whole community. For the service sector, which already has international standards, the country in which the member is asked to use the international standard is partly or wholly. Give a chance to every single invested individual to enter each draft guideline that will oversee capability necessities, capability methods, authorizing prerequisites, permitting strategies, and specialized norms. The comments given are expected to be substantively reflected in the provisions issued. There is a reasonable period of time between the issuance of regulation and the effective enforcement of the law.

4. CONCLUSIONS

In view of the aftereffects of the conversation above, it tends to be reasoned that, the technique in law or the standard of the game in the improvement of Special Economic Zones is to make the lawful substance as per the legitimate components or prerequisites as depicted previously. Therefore, it can be used as material for the Government, the National Council, the Regional Council and the Administrator of the Special Economic Zone to determine policies, norms, standards, procedures and criteria related to the development of the Special Economic Zone, which in turn will expand business or business opportunities and be able to invite investment, both domestic, regional and international investment. The supply chain substance must have determined the ease of doing business or any business activities through ease, among others for licensing, fiscal incentives and import-export procedures through integrated services which are one-stop services or creating a one-stop in integrated registration bodies, unifying and simplifying processes for company registration and company employees themselves who will be active in the Special Economic Zones.

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