

Navigating Bureaucratic Hurdles: Fostering an FTZ-minded Investment Climate in Indonesia, Malaysia, and Thailand

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Abstract

Indonesia, Malaysia, and Thailand are reported to foster regional and international cooperation, as well as compete in attracting domestic and international investments, particularly within the context of FTZs. Bureaucratic hurdles remain the biggest issues responsible for stifling investment growth, which contrasts with the nature of FTZs and the designation as areas for rapid economic growth. Therefore, this study aimed to explore the normative and consequential structural issues that plague the three countries. A normative legal comparative approach was adopted. The diverse analyses carried out showed a range of divergent bureaucratic hurdles that the three countries encountered.

Indonesia's Batam suffered from institutional dualism, creating legal uncertainty in land rights. Malaysia's Port Klang encountered procedural fragmentation across uncoordinated agencies, and Thailand's EEC achieved efficiency but lacked transparency in discretionary incentive processes. As a result, significant recommendations designed to suit the issues of each country were proposed to help minimize bureaucratic hurdles and reduce the implications, for the purpose of attracting more investments and supporting more rapid economic growth.

KEYWORDS Investment, Free Trade Zone, Bureaucratic Hurdles, Regulatory Reforms

Introduction

Free trade is a key driver of growth in the increasingly competitive global economy, particularly in Southeast Asia. Additionally, it enables countries such as Indonesia, Malaysia, and Thailand to persistently develop economies and infrastructure. Free Trade Zones (FTZs), and more modern iteration such as Special Economic Zones (SEZs), were among the tools that enabled the strategic positioning for sustained growth. The process also includes partnerships with other countries that are members of the Association of Southeast Asian Nations (ASEAN).¹ This strategy adopted a set of geographically demarcated regions to operate under certain economic laws more liberal than the host country, acting as engines for modernization and rapid growth.² The main objectives behind the establishment include attracting foreign direct investment (FDI), stimulating exports, improving employment numbers, as well as facilitating the transfer of significant technologies and skills.³ Furthermore, incentives such as tax holidays, customs duty exemptions, and other regulations are also designed to support

¹ Nisit Sungsuwan and Rattaphong Sonsuphap, "The Special Economic Zone: A Regulation of Cross-Border Trading in a Developing Economy," *Journal of Governance and Regulation* 12, no. 4 (November 2023): 165–72, <https://doi.org/10.22495/jgrv12i4art16>.

² Fabio Carlucci et al., "Evaluation of the Economic Effects of Special Economic Zones, Free Trade Zones and Port Quality," *International Journal of Economics and Financial Issues* 15, no. 5 (August 2025): 323–33, <https://doi.org/10.32479/ijefi.19056>.

³ Douglas Z Zeng, "The Past, Present, and Future of Special Economic Zones and Their Impact," *Journal of International Economic Law* 24, no. 2 (June 2021): 259–75, <https://doi.org/10.1093/jiel/jgab014>.

FTZs. The aim is to reduce transaction costs and risks for investors, positioning the host nation as a competitive space for investments.⁴

A persistent paradox plagues the implementation of FTZs policies among many ASEAN member countries, despite the clear legislative intent to create an investor-friendly environment. Foreign investors often have to encounter a labyrinth of bureaucratic issues that contradict the specified objectives of FTZs, considering the existing regulations designed with respect to significant principles such as openness, legal certainty, and efficiency.⁵ These tend to manifest in many forms of critical issues that restrict investment growth, namely complicated and opaque licensing procedures, inconsistent enforcement of important regulations,⁶ overlapping authority between government agencies, alongside the constant threat of corruption.⁷ The diverse bureaucratic issues create a sense of uncertainty among investors, which contributes to a negative investment perception of an area or economy.⁸ Therefore, the present study aims to explore the core of this paradox where reforms for more pro-investment regulations struggle to eliminate or minimize bureaucratic barriers.

This study focused on the examination of FTZs governance frameworks of the three major ASEAN economies, namely Indonesia, Malaysia, and Thailand, to enable a comprehensive understanding of the diverse issues. The countries, with its respective characteristics, represent a divergent approach to FTZs administration and reform. For example, Indonesia is dependent on certain regions or cities, such as Batam. Investors find it difficult to navigate the dualism system, which has led to the attraction of significant investments.⁹ However, Malaysia depends on the Free Zones Act 1990 for its federal control over free

⁴ Yi-Chih Yang, "A Comparative Analysis of Free Trade Zone Policies in Taiwan and Korea Based on a Port Hinterland Perspective," *The Asian Journal of Shipping and Logistics* 25, no. 2 (2009): 273–303, [https://doi.org/https://doi.org/10.1016/S2092-5212\(09\)80006-0](https://doi.org/https://doi.org/10.1016/S2092-5212(09)80006-0).

⁵ Omar Sharaf-addeen Alansary and Tareq Al-Ansari, "Defining 'Free Zones': A Systematic Review of Literature," *Heliyon* 9, no. 4 (2023): 1–16, <https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e15344>.

⁶ Heru Iskhan, I. Gusti Ayu Ketut R.H, and Hartiwiningsih Hartiwiningsih, "The Current State of Legal Governance in the Batam Free Trade Zone: Opportunities for Improvement," *International Journal of Research and Innovation in Social Science* IX, no. V (2025): 454–68, <https://doi.org/10.47772/IJRIS.2025.90500039>.

⁷ Erni Panca Kurniasih et al., "Does Corruption Affect Foreign Direct Investment? Empirical Evidence from ASEAN Plus Three Countries," *Journal of Economics, Business, & Accountancy Ventura* 26, no. 2 (October 2023): 167–79, <https://doi.org/10.14414/jebav.v26i2.3256>.

⁸ B. Pablo Montagnes and Stephane Wolton, "Rule versus Discretion: Regulatory Uncertainty, Firm Investment, and Bureaucratic Organization," *The Journal of Politics* 79, no. 2 (April 2017): 457–72, <https://doi.org/10.1086/688079>.

⁹ Muhammad Zaenuddin, "How to Achieve the Integration From the Dualism of Institutional Conflicts? Lesson Learned From Batam, Indonesia," *SAGE Open* 15, no. 3 (January 22, 2025): 1–14, <https://doi.org/10.1177/21582440251365467>.

trade regulations. The policies were federally legislated with delegated administration to appointed authorities, which caused procedural fragmentation,¹⁰ and a lower risk of jurisdictional conflict. In the case of Thailand, the EEC (Eastern Economic Corridor) was established as a hierarchical and highly integrated mega project approach, governed by the 2018 Eastern Special Development Zone Act B.E. 2561 (2018). The framework significantly prevented fragmentation of power, as governance was centralized around a Prime Minister-led committee. This raised cautionary questions regarding discretionary power and limited oversight.¹¹

The core thesis of this study focused on the adoption of effective, streamlined procedures characterized by superficial adjustments for investing in FTZ. Moreover, true reform in support of FTZs-minded investment schemes requires a proper set of structural and legal interventions that address bureaucratic hurdles, particularly when investment growth is threatened, such as jurisdictional ambiguity, regulatory fragmentation, and unchecked administrative discretion. The structure depended on the normative critiques of the legal frameworks, including the administrative implications, which supported FTZs and the investment attraction objectives. Furthermore, the outcome contributed to the broader development of literature through the granular, normative-focused analysis of the legal and administrative architecture of FTZs governance. As the three countries continue to rapidly develop own economies, including actively improving FTZs governance, understanding why certain bureaucratic pathologies persist may inaugurate structurally grounded and FTZs-minded recommendations for an effective set of future legal reforms.

Based on a theoretical viewpoint, many literatures have discussed the fundamental conceptualizations behind SEZs as the modern iteration of FTZs. The study conducted by Marandu, Mburu, and Amanze (2017) comprehensively reported the term evolved from Export Processing Zones (EPZs), which initially evolved in the mid-20th century, with SEZs developed as

¹⁰ Malaysia has been observed to experience challenges related to registration processes, development approval timelines, and coordination between multiple government agencies in land use planning management, potentially creating administrative complexities for investors. See Muhammad Fadhullullah Najimudin, Nuarrual Hilal Md Dahlan, and Mohd Zakhiri Md. Nor, "Developing Special Economic Zones (SEZs) in Malaysia: A Land Use Planning Legal Perspective," *PLANNING MALAYSIA* 21, no. 1 (April 2023): 364–81, <https://doi.org/10.21837/pm.v21i25.1244>.

¹¹ Arratee Ayuttacorn, "Chinese Investor Networks and the Politics of Infrastructure Projects in the Eastern Economic Corridor in Thailand," *ASEAS: Current Research on Southeast Asia* 16, no. 2 (December 2023): 233–50.

a comprehensive model in the 1980s.¹² The historical development of SEZs was further reported, as well as the origins in trade-focused FTZs and manufacturing-oriented Export Processing Zones established in the mid-20th century. This also consisted of comprehensive multi-functional SEZs founded in the 1980s, known for combined trade and manufacturing services, including science and residential functions. Despite the diverse conceptualizations, the FTZs remain an overarching term used presently for many of its iterations, such as SEZs (Alansary and Al-Ansari 2023).¹³ Carlucci (2025) outlined how FTZs and SEZs coexisted and engaged in collaborative contributions.¹⁴ SEZs typically focused on investments, acting as a branch of FTZs that secured capital for development. It further covered the broader trade-related aspects, which required a substantial amount of capital.

Several studies have established a distinct connection between the quality of the relevant bureaucracies and the overall ability of the government to attract and retain FDI interests among investors (Bhujabal, Sethi, and Padhan 2024).¹⁵ Furthermore, high-quality governance of FTZ-related aspects reportedly reduced transaction costs and associated risks of commitment to an investment through proper support for contract enforcement and a stable policymaking environment. Krifa-Schneider, Matei, and Sattar (2022) reported that this can paradoxically create a significant challenge, namely corruption.¹⁶ It was critically outlined that the institutionalization of corruption served as a compensatory mechanism allowing economic agents to bypass institutional inefficiencies and regulatory obstacles, thereby enabling otherwise impeded market operations.

The literature review analysis examined the asymmetrical frameworks characterized by functional equivalence in Indonesia, Malaysia, and Thailand. Existing analyses focused on the assessment of investment climates through broad economic indicators and surface-level regulatory overviews. However, the present study investigated the granular legal and administrative architectures,

¹² Edward E Marandu, Paul T Mburu, and Donatus Amanze, "Evolution of Free Economic Zones: A Functional Taxonomy," *Archives of Business Research* 5, no. 11 (November 2017): 43–53, <https://doi.org/10.14738/abr.511.3845>.

¹³ Alansary and Al-Ansari, "Defining 'Free Zones': A Systematic Review of Literature."

¹⁴ Carlucci et al., "Evaluation of the Economic Effects of Special Economic Zones, Free Trade Zones and Port Quality."

¹⁵ Padmaja Bhujabal, Narayan Sethi, and Purna Chandra Padhan, "Effect of Institutional Quality on FDI Inflows in South Asian and Southeast Asian Countries," *Heliyon* 10, no. 5 (March 2024): 1–14, <https://doi.org/10.1016/j.heliyon.2024.e27060>.

¹⁶ Hadjila Krifa-Schneider, Iuliana Matei, and Abdul Sattar, "FDI, Corruption and Financial Development around the World: A Panel Non-Linear Approach," *Economic Modelling* 110 (2022): 1–18, <https://doi.org/https://doi.org/10.1016/j.econmod.2022.105809>.

from a critical perspective regarding how the numerous structures stopped bureaucratic hurdles. This gap was addressed, alongside the objective of dissecting and evaluating the efficacy of three divergent governance frameworks in Indonesia, Malaysia, and Thailand. The main causes of procedural friction were identified from the normative viewpoint, providing structurally grounded recommendations for future legal reform. The review was limited by the focus on the legal frameworks (*de jure*) and high-level reports on respective implementation (*de facto*), not supported by empirical data from investor surveys or ethnographic fieldwork. The specifications of the objectives were adequate for legal evaluations, considering the increasingly high urgency for analysis, as the region continuously competes with the international community in terms of attracting investors.

Following the description above, the doctrinal-comparative legal study approach was adopted. The doctrinal element of the mixed approach aims to assess the principal legal norms from the relevant framework,¹⁷ typically comprising the use of primary law sources as secondary data. These were explored as a specific legal topic to identify the main implications.¹⁸ Based on the critical perspective, a normative legal study provides insights that would otherwise be limited by the assumptions and constraints inherent in purely doctrinal or socio-legal approaches.¹⁹ The comparative aspect of the mixed approach was conducted on the presumptions of similarity and difference.²⁰ This was aimed at the objective of enriching doctrinal results by providing important insights regarding the broader regional pattern, derived from common denominators and critical regulatory directions concerning the issue of FTZs in Indonesia, Malaysia, and Thailand.

The comparative matrix devised to ensure analytical consistency consisted of four evaluative variables, namely authority structure, licensing and investment approval pathway, inter-agency coordination, including transparency in the exercise of administrative discretion. On a fundamental

¹⁷ Hari Sutra Disemadi, "Lenses of Legal Research: A Descriptive Essay on Legal Research Methodologies," *Journal of Judicial Review* 24, no. 2 (2022): 289–304, <https://doi.org/10.37253/jjr.v24i2.7280>.

¹⁸ David Tan, "Metode Penelitian Hukum: Mengupas Dan Mengulas Metodologi Dalam Menyelenggarakan Penelitian Hukum," *NUSANTARA: Jurnal Ilmu Pengetahuan Sosial* 8, no. 5 (2021): 2463–78, <https://jurnal.um-tapsel.ac.id/index.php/nusantara/article/view/5601>.

¹⁹ Chris Dent, "A Law Student-Oriented Taxonomy for Research in Law," *Victoria University of Wellington Law Review* 48, no. 2 (October 2017): 371–88, <https://doi.org/10.26686/vuwlr.v48i2.4748>.

²⁰ Tunggal Ansari Setia Negara, "Normative Legal Research in Indonesia: Its Originis and Approaches," *Audito Comparative Law Journal (ACLJ)* 4, no. 1 (February 2023): 1–9, <https://doi.org/10.22219/aclj.v4i1.24855>.

level, these variables anchored the doctrinal-comparative analysis to the idealized legal norms to obtain bureaucratically efficient FTZs that can attract investors and promote economic growth. An ideal bureaucratic system includes a clearly allocated set of authorities, followed by licensing and approval procedures consolidated through an integrated one-stop mechanism.²¹ The system was enhanced by ensuring FTZs were ideally supported by clear and concrete inter-agency coordination. This was mandated through a comprehensive set of legal norms, to reduce the dependance on discretionary decisions.²² These provided a more predictable climate for investing in the relevant industries,²³ where incentives and permits were processed transparently using reviewable standards. In addition, the idealized legal norms served as the normative benchmark, derived directly from the comparative matrix previously outlined.

For Indonesia, the study adopted a number of primary law sources, namely Law No. 36 of 2000 on FTZs, Government Regulation No. 46 of 2007 on Batam FTZs and Free Port, Government Regulation Nos. 5 of 2011, 62 of 2019, 41 of 2021 on Implementation of FTZs and Free Ports. The sources also included Government Regulation No. 25 of 2025, Law No. 25 of 2007 on Investment, Law No. 6 of 2023 on Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law, and Head of BP Batam Regulation No. 24 of 2021 on the Implementation of Business Licensing Services. The primary law sources analyzed for Malaysia comprised the Free Zones Act 1990 (Act 438), Free Zones Amendment Act 2024, Free Zones Regulations 1991, and Companies Act 2016. Eastern Economic Corridor Act B.E. 2561 (2018) was used as the only primary law source for Thailand.

A Comparative Legal Analysis of FTZs Investment Procedures

²¹ Teresa Cheng, “Special Economic Zones: A Catalyst for International Trade and Investment in Unsettling Times?,” *The Journal of World Investment & Trade* 20, no. 1 (February 11, 2019): 32–67, <https://doi.org/10.1163/22119000-12340122>.

²² Zaenuddin, “How to Achieve the Integration From the Dualism of Institutional Conflicts? Lesson Learned From Batam, Indonesia.”

²³ Blerta Dragusha et al., “The Impact of State Regulations on Foreign Direct Investment Flows in the Western Balkans,” *Journal of Governance and Regulation* 15, no. 1 (February 5, 2026): 251–58, <https://doi.org/10.22495/jgrv15i1art23>.

This study assessed the landscape of legal and administrative frameworks governing investment in the FTZs of Indonesia, Malaysia, and Thailand. The assessment was facilitated by a comparative overview to obtain an in-depth discussion of the diverse frameworks. Therefore, the relevant national legal architecture of FTZs, in relation to investment procedures, was mapped to identify the primary bureaucratic hurdles in each system. Table 1 shows the legal and administrative landscape of Indonesia, Malaysia, and Thailand.

TABLE 1: Comparative Overview of FTZs Legal and Administrative Frameworks

Feature	Indonesia (Batam FTZ)	Malaysia (e.g., Port Klang Free Zone)	Thailand (Eastern Economic Corridor)
Primary Legal Framework	Law No. 36/2000 on FTZ; GR 46/2007 as amended by GR 5/2011 & GR 62/2019; GR 41/2021 as amended by GR 25/2025; Head of BP Batam Regulation No. 24/2021	Free Zones Act 1990 (Act 438) as amended most recently in 2024, Free Zones Regulations 1991, and Companies Act 2016	Eastern Economic Corridor Act B.E. 2561 (2018)
Key Governing Authority	Batam Indonesia Free Zone Authority (BP Batam) & Batam City Government (Dualism)	Appointed Zone Authority (e.g., Port Klang Authority) under the Ministry of Finance	EEC Policy Committee (EECPC) & EEC Office (EECO) (Centralized)
Investment Approval System	Hybrid: National Single Online Submission (OSS) integrated with BP	Fragmented: Requires separate registrations/approvals from CCM, MITI, Zone	Integrated: Centralized EEC One-Stop Service (EEC-OSS) with a negotiated,

Batam-specific permits.	Authority, local councils.	and customized incentive package.
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Source: Primary Law Sources

The identified primary law sources and the related mechanisms in the investment contexts are the main sources of normative critical analysis, particularly when reviewing FTZs governance. However, SEZs are largely influenced from a bureaucratic viewpoint by regulations that govern the overarching concept of the FTZ. The normative viewpoint showed the inefficient designation of bureaucratic authorities, can cause hurdles for investors. The analysis focused on the regulatory frameworks that governed FTZs, as it influenced how SEZs are bureaucratically managed. The comparative overview of FTZs legal and administrative frameworks in Indonesia (Batam FTZ), Malaysia (e.g., Port Klang Free Zone), and Thailand (Eastern Economic Corridor) outlined distinct regulatory and governance approaches. Batam FTZ in Indonesia is governed by a combination of national laws and specific regulations from BP Batam. The hybrid investment approval system tends to integrate the national Online Single Submission (OSS) platform and local BP Batam permits. Meanwhile, the dualism between BP Batam and the City Government often creates overlapping authority, potentially affecting efficiency in decision-making and service delivery.

In Malaysia, the system is relatively fragmented, requiring investors to navigate multiple agencies, namely the Companies Commission of Malaysia (CCM), the Ministry of International Trade and Industry (MITI), local councils alongside the Zone Authority. Thailand presented a more centralized and streamlined framework through the Eastern Economic Corridor Office (EECO) and the EEC Policy Committee, offering an integrated one-stop service (EEC-OSS) that included a customizable incentive package designed to suit the needs of investors. This centralized model potentially enhanced administrative efficiency and investor confidence compared to the fragmented systems in Indonesia and Malaysia.

The Indonesian Model: Centralized Reforms and the Localized Dilemma of Batam's Dual Authority

Batam was specifically used for the analysis of the Indonesian framework, representing the most unique form of governance in the FTZ context. This approach to investment facilitation suggested significant potential for bureaucratic hurdles and other relevant institutional pathologies in the local and, to some extent, central government context. The potential eventually stifled investments in SEZs as well as slowed economic development that FTZs-minded regulations and administrative frameworks intended to achieve. Furthermore, the dualism in the local governance of Batam presented a unique case of how modern systems were fundamentally undermined by pre-existing and unresolved structural flaws in governance.

The main framework governing investment in the Indonesian legal system is Law No. 25 of 2007. This law was enacted as landmark legislation to create a stable and unified environment that could be referred to by both domestic and foreign investors.²⁴ The framework further established the core principles of non-discrimination, mainly to ensure equal treatment among domestic and foreign investors by providing adequate protection. Article 4 specifically mandated the government to establish baseline policies focused on "motivating the creation of a conducive national business climate for investment" while guaranteeing "legal and business certainty, including operational security for investors from the licensing process pending the end of the diverse activities." The law ensures the guarantee of protected interests through Article 14, which covers "certainty of rights, law, and protection," "open information regarding business sectors," "service rights," and "various forms of ease facilities in accordance with statutory provisions". The property rights of investors are also protected through Article 7, which prevents nationalization or expropriation, unless stipulated by law, and mandates the action to be properly compensated.

Indonesia recently underwent a monumental effort to radically change the investment climate. This was initiated by the enactment of Law No. 11 of 2020 on Job Creation, which was then replaced by Government Regulation in Lieu of Law No. 2 of 2022. The change was finalized with the amendment of Law No. 6 of 2023 on Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law (Job Creation Law), with the purpose of simplifying the process of business licensing and reducing regulatory

²⁴ Yuniarti Yuniarti, "The Urgency for Regional Integration in Accordance to Investment Risk Management," *Indonesian Journal of International Law* 14, no. 1 (October 2016): 45–59, <https://doi.org/10.17304/ijil.vol14.1.676>.

bottlenecks.²⁵ Furthermore, the framework introduced a risk-based approach to business licensing, implemented with the support of a centralized digital platform known as the OSS system.²⁶ This digital platform was designed as the single gateway for investors to obtain business licenses from relevant ministries, eliminating offline interactions as well as streamlining the processes for applications.²⁷

Batam's FTZ operates under a complex and unique structure of governance, despite the reform at the national level. It led to the establishment of a strategic industrial area, with administrative activities delegated to a special agency, namely the Batam Indonesia Free Zone Authority, operating under the banner of the Batam Development Board (BP Batam). The authority is derived from a series of laws, such as Government Regulation No. 46 of 2007 on Batam FTZs and Free Port, which has been amended severally. The process was achieved through Government Regulation No. 5 of 2011 on Amendment to Government Regulation No. 46 of 2007 on the Batam FTZs and Free Port, including Government Regulation No. 62 of 2019 on Second Amendment to Government Regulation No. 46 of 2007 on the Batam FTZs and Free Port, as well as other highly specific and targeted modifications. The concrete enactment of FTZs was specifically controlled through Government Regulation No. 41 of 2021 on Implementation of FTZs and Free Ports.

This legal framework granted BP Batam broad powers in many domains. Article 4(1) of PP 46/2007, as amended, stipulates that BP Batam holds "Land Management Rights over regions under the influence of the former Development Authority and the Batam City Government," consolidating previously divided territorial jurisdiction. Article 2A of PP 5/2011 clarified the core legal status of BP Batam as a state agency, by stipulating all assets remain government property, with the Head serving as the accountable official for budgetary and asset management. However, the FTZs governance of the city was fundamentally restructured through Article 2A(1a) of PP 62/2019, which

²⁵ Elen Setiadi and Ahmad Redi, "Analysis of the Effectiveness of the Omnibus Method in Drafting Laws to Realize Business Licensing Law Reform in Indonesia," *Jurnal Greenation Sosial Dan Politik* 3, no. 2 (June 2025): 133–40, <https://doi.org/10.38035/jgsp.v3i2.374>. This is specifically governed by Article 7 of the Job Creation Law. See Law No. 6 of 2023 on Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law and Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation.

²⁶ Susi Kusmiati, Anita Afriana, and Pupung Faisal, "Implications and Legal Consequences of Implementing A Risk Based Online Single Submission System for Limited Liability Company Business Licensing," *Jurnal Poros Hukum Padjadjaran* 5, no. 1 (November 2023): 1–19, <https://doi.org/10.23920/jphp.v5i1.1367>.

²⁷ Wahyu Indra Cahyanto and Joko Setyono, "Unlocking Indonesia's Investment Potential with OSS: Where Ease Meets Certainty," *International Journal of Social Science and Human Research* 6, no. 10 (October 2023): 6218–21, <https://doi.org/10.47191/ijsshr/v6-i10-59>.

mandated "the Head shall be held ex-officio by the Mayor of Batam." This regulatory attempt was aimed at resolving institutional dualism by having the head of the local government hold a dual position. The architecture established Batam as a special jurisdiction where BP Batam acts simultaneously as a regulator, land manager, and development authority, essentially resulting in a unique governance framework that predates and deviates from the iteration of administrative decentralization in Indonesia.

Based on procedural viewpoint, Batam operates on a hybrid of the new national system and the legacy of local routine. An investor must use the OSS system to obtain a Business Identification Number, which is the main identity of the company, in terms of providing access to import/export functions. This is not enough for operating within the FTZs. The investor must also secure the relevant permits and licenses directly from BP Batam, as mandated by the Head of BP Batam Regulation No. 24 of 2021 on the Implementation of Business Licensing Services. Article 3 established the scope of the regulation, covering "types, procedures and requirements for Business Licensing," "licensing authority," "licensing supervision," and "service standards including management." Articles 4 through 19 enumerated sector-specific permits which extended to transportation, health, trade, industry, environmental management, forestry, energy, marine resources, land, and infrastructure. Each category contained multiple sub-permits with distinct technical requirements. Article 42 mandated that "all Business Licensing types must be served electronically (online), through the OSS or the Indonesia Batam Online Single Submission (IBOSS) system."

The most persistent implication of bureaucratic hurdles is the problem of institutional dualism, as outlined in the previous description of the Indonesian legal landscape for FTZs in Batam.²⁸ This system refers to the coexistence and often-overlapping authority of two powerful government bodies within the same territory, namely BP Batam and Batam City Government. BP Batam is a non-ministerial agency appointed directly by the central government. Meanwhile, the Batam City Government is an autonomous regional government established under the fundamental decentralization laws of Indonesia. This implication was also often cited among investors and analysts as the root cause of overlapping functions, policy disharmony, delays in licensing,

²⁸ Lany Pionier S, Jun Matsunami, and Bakti Setiawan, "The Institutional Dualism and Its Impact on Economic Development The Case of Dualism in Batam," *Journal of Applied Geospatial Information* 3, no. 2 (December 2019): 244–52, <https://doi.org/10.30871/jagi.v3i2.1786>.

and a higher level of difficulty in understanding the entire regulatory landscape. These functions possibly derailed investment interests among potential investors.²⁹

Land management is among the manifestations of the bureaucratic hurdles. BP Batam holds the Rights of Management for Land (HPL) allocated to investors. The land certificates were registered and issued by the local branch of the National Land Agency (BPN), recognized as a body working directly under the ministry.³⁰ Consequently, this has caused another problem of regulatory disharmony and institutional overlap that creates a sense of legal uncertainty among investors, potentially leading to legal disputes over land tenure. The main structural flaw is an issue that Batam has not been able to tackle, as powerful central authority was established long before the era of regional autonomy.³¹ The jurisdictional conflict resulted in confusion among investors, due to the difficulty in finding a predictable and stable investment environment, despite the successive legal reforms made over the years.³²

Government Regulation No. 62 of 2019 on the Second Amendment to Government Regulation No. 46 of 2007 on the Batam FTZs and Free Port was a manifestation of an attempt by the government. The aim was to resolve the long-standing issue of its most economically developed FTZs avenue, Batam.³³ This regulation introduced a novel structure of governance, installing the Mayor of Batam as the *ex-officio* Head of BP Batam.³⁴ The core rationale showed that by placing a single individual at the control seat of both competing institutions, enabled the improvement of coordination, including the resolution of policy

²⁹ Ella Septri Armila Nasution et al., “Legal Reconstruction of Dual Authority: The Mayor’s Ex-Officio Role in Batam City Governance,” *International Review of Social Sciences Research* 5, no. 3 (September 2025): 270–88, <https://doi.org/10.53378/irssr.353265>.

³⁰ Lilis Suriyani, H M Soerya Respationo, and Erniyanti Erniyanti, “Juridical Analysis of Legal Certainty Regarding the Role of the Batam Business Entity and the Land Office in the Land Certificate Transfer System in Batam City,” *Annals of Justice and Humanity* 4, no. 2 (September 2025): 99–112, <https://doi.org/10.35912/ajh.v4i2.3416>.

³¹ Adri Wanto and Santi H. Paramitha, “Disbanding Batam’s Free Trade Zone: Ending a Dualist Authority?,” RSIS Commentary (Singapore, February 2016).

³² Yunita Intan Tari, Soerya Respationo, and Erniyanti Erniyanti, “Analysis of the Effectiveness of the Implementation of Government Regulation Number 62 of 2019 on the Head of the Batam Business Agency (BP) Ex Officio By the Mayor Of Batam in the Implementation of Regional Government,” *International Journal of Law and Society* 1, no. 4 (August 2024): 28–41, <https://doi.org/10.62951/ijls.v1i4.151>.

³³ Adiwana F Aritenang, “A Comparative Study on Free Trade Zone: Development Through Spatial Economic Concentration,” *Journal of Regional and City Planning* 20, no. 2 (August 2009): 95–108.

³⁴ Novia Handayani, Hernadi Affandi, and Mei Susanto, “The Legal Dynamics Dual Positions of Batam Mayor as Head of BP Batam,” *Journal of Law and Policy Transformation* 9, no. 1 (June 2024): 46–68, <https://doi.org/10.37253/jlpt.v9i1.9329>.

conflicts both internally and efficiently.³⁵ The Elucidation passage of the regulation explicitly stated that the policy objective was "to eliminate the dualism of authority in the management and development of Batam Island between the Head and Mayor." The intent is to ensure "the implementation of duties and authorities will be more effective." Articles 2(4) and 2(5) mandated that "economic activities related to public infrastructure development and interest should be carried out based on joint planning with the Batam City Government" to operationalize the structural reform. Additionally, the coordination by the Area Board attempted to formalize collaboration mechanisms that were previously absent.

The moves consolidated the conflict with a single official as the head of two directly competing governing powers instead of solving the dualism problem of the major FTZ avenue by clearly delineating the legal mandates between the institutions. This can jeopardize the creation of significant legal and governance risks, such as authority limits, accountability, and the lack of public participation.³⁶ Therefore, the solution partly addressed the issue that has been plaguing Batam FTZ bureaucracy, alongside the creation of another. The main issue of legal uncertainty, extremely fragmented set of regulations, and overall unpredictability of the landscape.

Beyond the FTZ regulatory framework, Batam hosts multiple SEZs governed by separate regulations under Law No. 39 of 2009, which adds another layer of jurisdictional complexity. Aside from the primary law sources, certain highly specific regulations show the truly fragmented nature of FTZs governance in Batam. These laws were specifically designed to control SEZs, such as Government Regulation No. 39 of 2024 on the Batam International Tourism and Health SEZ, Government Regulation No. 68 of 2021 on the Nongsa SEZ, and Government Regulation No. 67 of 2021 on the Batam Aero Technic SEZ. The numerous highly specific and fragmented set of regulations were not designed by the local government or BP Batam. This showed the power and authority given to the Mayor of Batam was superficial as well as

³⁵ Zaenuddin, "How to Achieve the Integration From the Dualism of Institutional Conflicts? Lesson Learned From Batam, Indonesia."

³⁶ Nasution et al., "Legal Reconstruction of Dual Authority: The Mayor's Ex-Officio Role in Batam City Governance."

appeared to solve the long-standing dualism issue instead of addressing bureaucratic elements that may potentially create hurdles for investors.³⁷

The unresolved historical issues tend to affect the good intentions and overall functional implementation of the digital solution, namely the OSS, as manifested in the existence of the IBOSS system. The issue is also apparent in the regulation governing the implementation of FTZs, particularly during the modification version stipulated in Government Regulation No. 25 of 2025 on Amendment to Government Regulation No. 41 of 2021 on the Implementation of FTZs and Free Ports. Article 20(10) of the regulation stipulated that "implementation of basic requirements, including forest area approval, Business Licensing, including the use to Support Business Activities should be enacted by the Management Body through OSS. This is in accordance with the laws and regulations governing electronic business licensing service systems." The provision ostensibly mandated full OSS integration, without eliminating the parallel IBOSS system, as stipulated in Head of BP Batam Regulation No. 24/2021. The policy essentially codified the dual-platform system that could potentially cause confusion among investors, alongside the inclusion of administrative redundancy.

The Malaysian Approach: A Federally Legislated, State-Administered Framework

The approach adopted by Malaysia to support the FTZs differed significantly from Indonesia. It featured the characteristics of a political system, visible in the clear legal framework established at the federal level, as well as being equipped with many delegations of administrative authority to state-level or appointed bodies. The approach produced a more predictable and legally coherent system, that risked creating procedural complexity and fragmentation. This posed a different kind of bureaucratic hurdle that investors had to navigate, as identified in the case of Batam in Indonesia.

³⁷ Agustianto, Agustianto, Lu Sudirman, and Marthalia Setiawan, "Effectiveness of the Free Trade Zone Policy as a Solution to Improve the Economy in Batam." *Al-Adalah: Jurnal Hukum dan Politik Islam*, 9, No. 1 (2024): 53-65. <https://doi.org/10.30863/ajmpi.v9i1.5413>

The legal landscape for the establishment and operation of all FTZs in Malaysia is centered around the Free Zones Act 1990 (Act 438).³⁸ This framework was often amended, most recently through the Free Zones (Amendment) Act 2024. The main characteristic of the act design of FTZ governance is the centralized iteration. Section 3(1) grants the Federal Minister of Finance the exclusive power to "declare any area in Malaysia to be a free commercial or industrial zone". However, Section 3(2) enabled decentralization of operational management by allowing the Minister to "appoint any statutory body... or department of the Government... or company as the Authority to administer, maintain and operate any free zone." This permitted diverse institutional arrangements across different FTZs. Section 4 articulates the main fiscal incentive, stipulating that "goods of any description, except specifically and absolutely prohibited by law, may be categorized into, produced or manufactured in a free zone without payment of any customs or excise duty." Moreover, the framework created significant distinctions that affected economic performance directly, such as FIZs, designated for export-oriented manufacturing activities. This also included Free Commercial Zones (FCZs) for trading, breaking bulk, repacking, and transshipment activities.

In Malaysia, Port Klang Free Zone (PKFZ) is a feasible example for the practical exploration of the FTZs framework. These FTZs were located adjacent to Westports, which was among the busiest container terminals in the country, positioning PKFZ as an integrated zone of over 1,000 acres with FIZ and FCZ components. In accordance with Section 3(2) of the Free Zones Act, the Minister of Finance appointed the Port Klang Authority as a federal statutory body with the authority to administer, maintain, and operate the zone. The daily operational management and development of PKFZ is further delegated to Port Klang Free Zone Sdn Bhd, a corporate entity. This two-tier structure exemplifies the layered administrative model characteristic of Malaysian FTZs governance.

Based on the procedural viewpoint, the establishment of an operation within Malaysian FTZs, particularly in the PKFZ, required a number of processes where investors had to engage with several different government

³⁸ Sissani Midoun and Bengana Ismail, "Digital and Free Trade Zones Impact on Malaysia's Economy and Its Prospects (2000–2018)," *International Journal of Economics and Financial Issues* 8, no. 4 (July 2018): 39–44.

agencies at various levels.³⁹ The initial step that must be undertaken is the incorporation with the Companies Commission of Malaysia (SSM), a federal statutory body under the Companies Act 2016. For manufacturing companies, the requirements include shareholders' funds of RM 2.5 million or more, employment of 75 or more persons, and the possession of a manufacturing license from the Ministry of International Trade and Industry (MITI), another federal agency. Following specific incorporation and licensing, the investor must submit applications to the Zone Authority, which is the Port Klang Authority, using forms ZB4 (application to carry out an activity in Free Zone) and ZB5 (building or land lease related). The Authority further issues a ZB6 (official approval given directly by Port Klang Authority) approval number to authorize zone operations. Lastly, local permits are also required from the Municipal Council of Klang (MPK) for building plans and business premises licenses, alongside other relevant technical approvals from the Department of Environment (DOE), including the Fire and Rescue Department.

The Malaysian FTZs framework suggests potential bureaucratic hurdles, despite the problematic structural issues regarding the designation of authority, such as in the case of Indonesia's Batam. The Free Zones Act explicitly aimed to "promote the economic life of the country" through streamlined FTZs operations. The statutory framework itself systematically challenged this objective with structural fragmentation. For example, Section 3(1) centralized the zone designation authority in the federal Minister. The appointment mechanism of Section 3(2) created Zone Authorities that essentially operated in statutory isolation from other licensing bodies. The framework contained no provisions that mandated inter-agency coordination, such as fast-tracked FTZs registration duties for SSM, an obligation for MITI to prioritize FTZs manufacturing or other relevant licenses, and the integration of Zone Authority with the roles of MPK in local approvals. This legal and bureaucratic landscape contradicted a certain core characteristic of FTZs, including the ease of registration and licensing. The aim is to stimulate businesses and investment,

³⁹ The governance structure of the Port Klang Free Zone demonstrates a multi-tiered administrative framework involving statutory bodies, operational subsidiaries, specialized zone management agencies, ministerial oversight, and cabinet-level authority, which necessitates extensive coordination across various governmental levels for business activities within the zone. See Hairuzzaki Mohd Yusof, Danial Mohd Yusof, and Normala Mohd Adnan, "The Role of the Principal-Agent-Client Model in Understanding Corruption in the Public Procurement Sector in Malaysia," *Intellectual Discourse* 32, no. 1 (June 2024): 190–212, <https://doi.org/10.31436/id.v32i1.2026>.

considering the inability to show significant simplification of the diverse processes typically expected in FTZs.⁴⁰

The procedural fragmentation violates the principle of administrative efficiency, which is among the core principles of investment law. Investors must independently navigate a complex web of administrative procedures within the FTZs systems, such as SSM (incorporation), MITI (sectoral licensing), the Zone Authority (Forms ZB4/ZB5), MPK (local permits), DOE (environmental approval), including Fire and Rescue Department. Each of the agencies operated under separate statutory mandates with no legal obligation to coordinate timelines or harmonize requirements, even within the FTZs context. The issue of Malaysia is institutional fragmentation, where no bureaucratic simplification suggests the categorization of Port Klang as FTZs. This differs from the institutional dualism of Indonesia, where overlapping authority creates jurisdictional conflict. Within the federal context, there is no authority or policy that oversees the development and operation of Free Zones.

The Thai Strategy: Top-Down Integration in the Eastern Economic Corridor (EEC)

Thailand is struggling to create a rapidly growing investment to support the economic growth. This is evident in the approach adopted to develop the Eastern Economic Corridor (EEC) as FTZs. The fundamental difference between Thailand and the previous two countries analyzed is the approach of legal exceptionalism. The process was achieved by creating a bespoke legal and administrative ecosystem for a specific geographic area. Thailand granted this centralized body the authority of a potential legacy bureaucracy and the capability to fast-track many administrative processes.

The legal foundation for the development of the EEC is the Eastern Economic Corridor Act B.E. 2561 (2018), specifically designed for the development of three provinces, namely Chonburi, Rayong, and

⁴⁰ Streamlined registration procedures, simplified licensing processes, and one-stop shop services are some of the fundamental components of the value proposition that SEZs and FTZs offer to attract investors, while also creating a clear bureaucratic distinction compared to the wider economy where such administrative efficiency may be absent. See Richard Bolwijn and Jing Li, "Special Economic Zones and Investment Facilitation," in *The Making of an International Investment Facilitation Framework: Legal, Political and Economic Perspectives*, ed. Axel Berger and Manjiao Chi, Cambridge International Trade and Economic Law (Cambridge: Cambridge University Press, 2025), 239–60, <https://doi.org/DOI:10.1017/9781009444095.013>.

Chachoengsao. However, through Section 6(1) and (2), the framework stated that it was tailor-made to “enhance the competitiveness of the country.” This was achieved through the “development of modern and environmentally friendly economic activities”, including the provision of “comprehensive and integrated government services to reduce obstacles and minimize costs in business operations.” Direct and explicit legislative engineering was aimed at eliminating bureaucratic hurdles through legal exceptionalism.⁴¹ The process was driven by the Act’s ten priority high tech and value-added industries specified in Section 39(2). The intention was to position the area as the flagship vessel of the country to drive industrial growth and FDI attraction.

The EEC Act focused on authority in two hierarchically integrated bodies operating outside of the typical administrative legal framework of the country. Furthermore, the intention was to achieve the mandated objectives, evident on how the EEC Policy Committee (EECPC), headed by the Prime Minister, was regulated to function as the supreme decision-making authority for the corridor with powers that systematically overrode or bypassed legacy statutory procedures. Section 32 of the framework strategically empowered the EECPC to approve land use plans for Special Economic Promotion Zones (SEPZs). This allowed for the essential “replace and repeal” existing municipal city plans, nullifying local zoning authority without the consent of the relevant municipalities. The approach of bureaucratic override is even more pronounced in the provision of Section 33, which permits the Policy Committee to “grant approval, or consent in place of the relevant State Agency under the same law” when undertakings are necessary for EEC development.

The EEC Office (EECO) served as the operational arm in the implementation of EECPC directives, alongside other operational aspects of the EEC development. This included the development plans preparation, management of investor facilitation through EEC One-Stop Service (EEC-OSS), monitoring of the development, and other duties prescribed by

⁴¹ Legal exceptionalism can be conceptually defined as a territorial and juridical mechanism characterized by an interaction between the law and exceptions to prevailing legal norms, which in this case could theoretically define particular areas by the suspension of laws in a legal manner to create an optimal environment for global capital to invest. See Peter Dirksmeier, “Extensive Legal Exceptionalism, an Administrative Export-Processing Zone and Urbanization in Mauritius,” *Area Development and Policy* 3, no. 2 (May 2018): 203–22, <https://doi.org/10.1080/23792949.2017.1380533>. In the more general sense while still pertaining to the legal context, exceptionalism can be understood as something, particularly in certain aspects, deviating from the norm and is perhaps superior to its parallels in certain dimensions or perspectives, because of that deviation. See also Alice Ristroph, “Exceptionalism Everywhere: A (Legal) Field Guide to Structural Inequality,” *Arizona Law Review* 65 (2023): 921–64.

Section 15. The duties further included other procedures considered as relevant pursuant to Article 43's enumeration of authorities possessed by the secretary general of the EECPC. The EEC OSS is built on the foundation set by Section 6(2) of the EEC Act, which stipulates the objectives for development framework was the provision of “comprehensive and integrated government services to reduce obstacles and minimize costs in business operations”.

The framework distinguished between two procedural tracks, namely operational licensing processed through the substitution authority of the Secretary-General, and investment incentive determination managed by the Policy Committee under Sections 43 and 48-59, respectively. For operational licensing, the Act grants the Secretary-General power to issue permits “in place of” competent authorities under eight specified laws. The consolidation of approvals ordinarily required sequential applications to sectoral ministries and local authorities. The Act did not provide any procedural requirements for how these substituted permits are to be applied for, evaluated, or granted. However, the EECO offered guidance on the overall registration, attained by engaging the EECO-OSS ecosystem to help investors navigate the legal landscape of the EEC. This essentially led to navigation into the integrated system, an important determinant in proceeding with an investment.⁴²

The official guidance of EECO stated that the procedure for incentive determination consisted of four steps. First, investors submit investment proposals to EECO through the EEC-OSS channel. Second, a Negotiation Committee engages with the investment proposition with the investor to assess project value. This process typically includes the analysis of critical factors such as the integration of supply chain, technology transfer, local employment, and environmental sustainability. Third, the results and analyses of the negotiations, showed collaboration between EECO and the investor to design an incentive package designed to suit the specific project.⁴³ The process can take many forms regulated within the EEC Act, namely corporate income tax exemptions for 15 years under Section 49, land ownership rights for foreign juristic persons under Section 52, and grants for study and development under Section 54. Fourth,

⁴² The World Bank and International Finance Corporation, “Creating Markets in Thailand: Rebooting Productivity for Resilient Growth” (Washington, D.C., February 2022).

⁴³ It is important to note that this process is not inherently unique to EEC, as there have been instances of tailor-made incentives in Thailand outside of the EEC context. *See* Archanun Kohpaiboon and Juthathip Jongwanich, “Changes in Trade and Investment Policies in Thailand and the Implications for Medium-Term Growth,” ERIA Discussion Paper Series (Jakarta, July 2022).

once the EECO and the relevant investors are in agreement, a formal approval authorizing the investor to operate under the negotiated terms is issued.

The initial problem identified was the lack of statutory clarity regarding the procedural requirements. This counterintuitively contrasted the established procedural consolidation by the powers granted to the relevant authority within the EEC context under Sections 33 and 43. The objective of maintaining flexibility was understood to a certain extent, with rigid structures required to avoid potential bureaucratic issues that are present in legacy bureaucratic systems, such as corruption and delays.⁴⁴ Furthermore, the extensive powers given to the Policy Committee as regulated in Sections 48 and 59 essentially offered plenary discretion in executive bodies without corresponding transparency obligations and public participation. This is dissimilar to the enumerated permit categories under BP Batam Regulation No. 24/2021 or the prescribed forms of Malaysia under the Free Zones Regulations 1991. The EEC Act established no statutory standards to constrain discretionary exercise or ensure equal treatment among similarly situated applicants. Another major issue within the system was the lack of publication requirements for approval decisions, which further precluded benchmarking or precedent-based expectations. This allowed more room for undisclosed negotiation terms that potentially hurt the objectives of EEC development.

Besides the divergence identified within the analyses, the Indonesian, Malaysian, and Thailand systems contained functionally equivalent mechanisms designed to facilitate investment through different avenues. All three jurisdictions maintained a one-stop service function, though with varying degrees of integration. These further provided fiscal incentives including tax holidays and customs exemptions, albeit fundamental differences in the allocation. Indonesia and Malaysia adopted rule-based administrative processes requiring investors to meet predetermined criteria for standardized incentive packages. However, Thailand's framework under Sections 48-59 operates on discretionary determination by the Policy Committee without statutory procedural constraints. It offered greater deal of flexibility, enabling the creation of tailor-made incentive packages.

⁴⁴ Corruption and delays in bureaucratic processes are inherently connected with each other, as the former can manifest in the latter and the latter can be an indication of possible corruption. See Clara Kowlaga Beerli Kasser-Tee, "Understanding, Preventing and Fighting Administrative Corruption in the Business Registration Regime in Ghana," *Business Law Review* 41, no. 4 (2020): 134–38, <https://doi.org/10.54648/bula2020109>.

Comparative Synthesis

The review of previous analysis focused on combining the results into an extended synthesis based on the commitment to the comparative matrix. This ensured that the results remained doctrinally grounded, as well as provided insights into the different approaches adopted by Indonesia, Malaysia, and Thailand. The synthesis should be based on the fundamental understanding of the results, namely bureaucratic hurdles arising from different failures, such as authority structure, licensing pathway, inter-agency coordination, and transparency of discretion. The varying degrees of gaps found within these aspects are further shown in Table 2.

TABLE 2: Overview of Comparative Synthesis Between Different FTZs Legal and Administrative Frameworks

Evaluative Variable	Indonesia: Batam FTZ	Malaysia: Port Klang Free Zone	Thailand: Eastern Economic Corridor
Authority structure	Dual authority between BP Batam and Batam City Government	Federally legislated framework with delegated administration to appointed Zone Authority	Centralized authority through EECPC and EECO
Licensing and investment approval pathway	Hybrid OSS and BP Batam/IBOSS-related permits	Fragmented approvals through SSM, MITI, Zone Authority, local councils, and technical agencies	Integrated EEC-OSS with operational licensing and negotiated incentive process
Inter-agency coordination	Coordination attempted through ex-officio structure, but	No comprehensive statutory mechanism requiring coordination	Coordination is institutionally internalized through centralized EEC governance

	institutional dualism remains	among relevant agencies	
Transparency / administrative discretion	Legal uncertainty arises from fragmented rules and overlapping authority	Relatively rules-based but procedurally dispersed	Broad discretion in customized incentives and permit-related decisions
Principal bureaucratic hurdle	Institutional dualism and land-right uncertainty	Procedural fragmentation across uncoordinated agencies	Discretionary opacity despite administrative efficiency

Source: Authors' analysis

From the aspect of authority structure, Indonesia suffered from overlapping authority, which created confusions among potential investors without close and effective communication with the government. Malaysia has clearer legal allocation with layered administration due to the federalist structure, further complicated by zone authorities. Among the three, Thailand has the strongest centralization responsible for reducing potential top-down bureaucratic frictions, including the technical provision of an easily understood governmental dynamics for investors. In terms of licensing, Thailand is procedurally most integrated, due to the centralized authority structure, with Malaysia being most fragmented. Indonesia remained hybrid and potentially redundant, despite the existence of a one-stop government service through OSS and BP Batam-related permits.

Within the context of inter-agency coordination, the issue in Malaysia tends to revolve around procedural fragmentation and the subsequent complex administrative channels that investors must navigate. The issue in Indonesia leaned towards jurisdictional conflict including the uncertainty of final authority. Thailand avoided these fragmentations through centralization, further outlining the consistency that the country has from the aspect of authority structure. Transparency and administrative discretion are where the trade-off is more conceptually visible, as efficiency creates related risks. Meanwhile, Indonesia and Malaysia encountered predictability problems from

institutional and procedural complexity. The numerous differences eventually led to the overall deviation from the idealized FTZ framework as previously devised, though each jurisdiction suffered the gaps in different ways. This does not automatically mean that all systems were inherently ineffective, as the trade-offs outlined could be used to the advantage of each country to attract investment.

Conclusion

In conclusion, the extensive analyses carried out were mainly focused on the inability of the central thesis of superficial procedural fixes to resolve bureaucratic barriers. However, the main issue was unresolved institutional dualism between BP Batam and City Government, fixed only by consolidation of power to support more centralization. This failed to address the inherent implications of structural hurdles, such as lack of legal certainty and regulatory fragmentation, as evident in the disproportionately larger number of primary law sources analyzed in the case of Batam compared to the other two countries. Malaysia had a much clearer structural pattern, riddled with administrative inefficiencies. Procedural fragmentation potentially forced investors to undergo multiple uncoordinated agencies, uncharacteristic of FTZs-minded system. Thailand, topped the list in terms of efficiency through centralized authority, but was lacking in transparency due to the significant discretionary executive powers and negotiation-based incentives system.

The divergent systems showed the trade-offs that a country needed to produce in ensuring the FTZs were rapidly developed by attracting investors. Therefore, this study proposed recommendations that could be applied to minimize bureaucratic hurdles. Indonesia considered the enactment of a decisive legislative reform to resolve Batam's institutional dualism by creating a single legal authority over investment matters, particularly land rights. For Malaysia, a National SEZ Coordinating Body should be established to integrate all agencies without restructuring the federal system. Thailand established a system of mandatory disclosure for customized incentive negotiations to prevent unchecked discretionary executive power and extended EEC-OSS reforms nationwide to prevent a dual-speed economy, while maintaining certain fast-tracked and incentive-based advantages for the EEC. Further reviews should explore the main limitation of this study, which was empirical evidence.

Advances in the literature regarding FTZ development within the investment context contributed to addressing the numerous issues, by exploring how the bureaucratic hurdles translated into actual impediments to investment growth. In addition, this finally helped to hasten the economic growth of the region.

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