

## SINGHASARI TOURISM SPECIAL ECONOMIC ZONE: CAN IT SURVIVE IN TODAY’S WORLD ECONOMY?

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Article Info	Abstract
<b>Keywords:</b> Heritage Tourism, Singhasari, Special Economic Zone	Indonesia is developing a Special Economic Zone (SEZ) in the tourism sector with Singhasari being the only SEZ that emphasizes cultural and historical heritage tourism. However, until the end of November 2022, Singhasari SEZ has not demonstrated significant success. This article explores the reason behind the Singhasari SEZ’s relative lack of success compared to other SEZs, based on the results of research conducted in November 2022. It examines the institutional governance of the Singhasari SEZ since its inception and analyzes the obstacles encountered, utilizing the theory of the three main pillars of SEZ success. The research employed a qualitative approach utilizing a case study method. Data collection was conducted through observation, interviews, and literature study. The findings reveal that the Singhasari SEZ is managed according to existing regulations with Intelegensia Grahata, Ltd. as a Development and Management Business Entity of the Singhasari SEZ. A significant obstacle identified from a strategic perspective was the initial decision to focus on a historic location for tourism, a choice that lost its relevance during the COVID-19 pandemic. However, the efforts to transition the Singhasari SEZ’s focus from tourism to digital education demonstrate its strategic dynamism. In terms of strategic implementation, the Singhasari SEZ requires assistance from the Central Government regarding infrastructure development to achieve its objectives. The theoretical implication of this research is that it adds community actors to SEZ institutions. The allocation of special funds for infrastructure development in each approved SEZ as well as the increase of involvement of private and community actors in various SEZ activities are the policy implications of this research.
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## INTRODUCTION

Tourism plays a crucial role in generating income and creating jobs for its workers, making it an important tool to accelerate development and improve the quality of life in developing countries (Abuhay et al., 2019; Yfantidou & Matarazzo, 2017). To maximize benefits, meticulous planning is essential in tourism development (Reindrawati, 2023; Stone & Stone, 2020). Indonesia has become a popular tourist destination, and the Indonesian government has developed Special Economic Zones (SEZ) in the tourism sector to attract investment and accelerate regional development (Fauzi et al., 2022; Habibi et al., 2021; Hidayat & Negara, 2020; Hornok & Raeskyesa, 2024; Hutaaruk et al., 2023).

Indonesia began adopting SEZ policies, including for the tourism sector, in 2009 through Law Number 39 of 2009 Concerning Special Economic Zones (2009), implemented by Government Regulation Number 40 of 2021 (2021). A SEZ is a designated area with specific boundaries intended to perform economic functions and provided with certain facilities and incentives (UNCTAD, 2019). This policy aims to balance regional development while promoting rapid economic growth in areas that are strategically important to the country's overall economic progress (Considering Law Number 39 of 2009 Concerning Special Economic Zones, 2009). SEZs can accelerate regional development and serve as a model for boosting, economic growth, including industry, tourism, and trade, thereby creating jobs (Achmad, 2021). The establishment of SEZs is projected to generate high-value-added activities and a demand for skilled labor. With increased investment, demand for inputs, new infrastructure, and related activities is likely to rise, creating additional job possibilities (Taufiqurrahman & Khoirunurrofik, 2023).

A total of 20 SEZs are spread from west to east in Indonesia, comprising 9 SEZs focused on industrial activities, 4 SEZs focused on tourism activities, and 7 SEZs with multiple main activities encompassing tourism, industry, health, digital IT, and technology development (kek.go.id, 2024). As of 2023, the existence of all SEZs has attracted investments worth IDR 140 trillion and employed 86,273 workers from 318 business entities (Hidranto, 2023). This marks a significant increase compared to 2022 when 19 SEZs attracted investments worth IDR 113.21 trillion and employed 55,678 workers from 253 business entities (Dewan Nasional Kawasan Ekonomi Khusus, 2023).

There are several types of SEZs, categorized based on their specific objectives of the type and geographical considerations (UNCTAD, 2019). According to Government Regulation Number 40 of 2021 (2021), SEZ business activities in Indonesia include production and processing; logistics and distribution; research, digital economy, and technology development; tourism; energy development; education; health; sport; financial services; financial industry; creative industry; development and management of SEZ; provision of SEZ infrastructure; and other economies.

SEZ Singhasari is one of the 7 SEZs with more than one main activity. Singhasari was designated as a SEZ based on Government Regulation Number 68 of 2019 (2019), with its primary activities being tourism and digital development. Singhasari is unique among SEZs due to its tourism and cultural approach (Dewan Nasional Kawasan Ekonomi Khusus, 2022). Singhasari is the only SEZ that features a historical heritage tourism theme centered around the remains of the Singosari Kingdom. Therefore, it is expected that it will increase the search for and preserve historical sites, temples, and artifacts (Amiruddin et al., 2021). However, as of late November 2022, there has been no significant progress in

the tourism sector. Consequently, SEZ Singhasari then shifted its main activities to education and digital (Dewan Nasional Kawasan Ekonomi Khusus, 2023). In mid-2022, Singhasari SEZ faced the threat of operational cancellation and was classified as an SEZ category requiring special attention.

The designation of Singhasari as a tourism-focused SEZ was accompanied by the target of attracting investors through the provided facilities and incentives. However, considering its development, the Singhasari SEZ can be regarded as inefficient as it received SEZ status with special attention. This article aims to answer the question of why the Singhasari SEZ is less successful compared to other SEZs. Although several studies have explored the development and management of the Singhasari SEZ by proposing ideas for implementing good governance through the latest technological innovations (Cahyandari et al., 2022), tourism development based on community readiness (Amiruddin et al., 2021), strategic targets based on weakness and threats analysis (Sentanu et al., 2023), and strengthening collaboration between stakeholders (Arini & Dwiputri, 2021), these studies do not yet address the institutional aspects of the SEZ or analyze the obstacles faced from a theoretical perspective. Therefore, this article highlights the institutional governance of the Singhasari SEZ since its inception and analyzes the obstacles it has faced using the theory of the three main pillars of SEZ success: strategic approach, strategic dynamism, and strategic implementation (Aggarwal, 2019). The analysis includes a comparison of SEZ's success in other countries.

## METHODOLOGY

This research employed a qualitative approach utilizing the case study method, aimed at obtaining a systematic, factual, and accurate understanding of the facts, characteristics, and relationships in the implementation of the Singhasari Tourism SEZ (Miller & Yang, 2008). The research was conducted within the Singhasari SEZ located in Malang, East Java. Singhasari SEZ was selected due to its need for progress in achieving the set targets, particularly in its tourism activities.

The initial data collection method involved gathering secondary data, from a range of official SEZ-related documents, SEZ regulations, studies published in scientific journals, and articles about SEZs in both print and online media. Subsequently, field visits were conducted to obtain primary data using in-depth interview techniques and field observations. In-depth interviews were conducted using a prepared interview guide involving various parties, including the Development and Management Business Entity (DMBE) Singhasari SEZ, the President Director of Singhasari SEZ and the Regional Government of Malang Regency (Department of Investment and One Stop Integrated Services, Regional Development Planning Agency). The research activities were conducted in November 2022.

After the data collection phase, analysis is conducted and conclusions are drawn. At this stage, conclusions are also verified as the analyst proceeds. Lengthy discussions and reviews are facilitated among colleagues through mechanisms like Focus Group Discussion (FGD) to develop "intersubjective consensus" or with extensive efforts to replicate findings in other data sets. The FGD involves researchers from the Institute of Home Affairs Governance, the Management of the Indonesian Tourism Association, and the SEZ Development and Management Business Entity. The emerging meaning from the

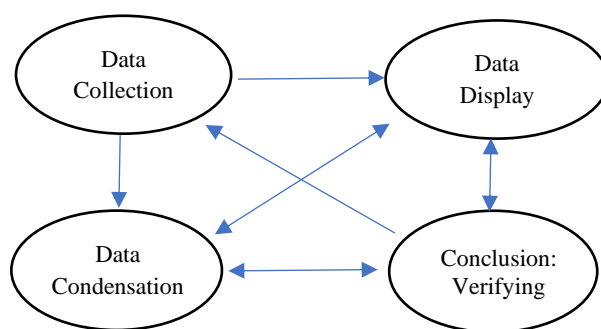


data is adjusted based on its plausibility, robustness, and confirmability, ensuring its validity.

The data analysis model utilized in this research is the interactive model by Miles et al. (2014). The components in data analysis as outlined by Miles et al. (2014) are as follows:

1. Data condensation involves selecting, simplifying, and focusing the collected data including both secondary and primary data resulting from observations and interviews. During this stage, data coding is carried out which will be facilitated using the NVIVO 12 tool.
2. Data display involves organizing and combining information related to research objectives, such as the background of the Singhasari SEZ, its objectives, changes, and obstacles. Presenting the data here helps to understand the context of the research because it presents a more in-depth analysis.
3. Drawing and Verifying Conclusions involves discussing the collected and analyzed data in FGDs to validate the data and provide clearer information regarding the Singhasari SEZ. These findings are compiled in the form of conclusions.

The stages of data analysis can be seen in Figure 1.



**Figure 1.** Model of Data Analysis Technique  
Source: (Miles et al., 2014)

## FINDINGS AND DISCUSSION

### General description of the Singhasari SEZ

According to the Singhasari SEZ website, this place is strategically located due to its easy accessibility. The SEZ is approximately  $\pm 15$  kilometers via Abdul Rahman Saleh Airport; only 15 minutes via the toll road from the Singhasari toll exit;  $\pm 13$  kilometers from Lawang train station; and  $\pm 15$  kilometers from Malang train station (singhasari.co.id, 2024). However, despite its proximity, accessibility to the Singhasari SEZ is unfortunately ineffective. To reach the SEZ, one must diverge from the main road, Jalan Raya Singhasari-Surabaya, as it is located on a different side of the main road. The journey also involves traveling about 2 kilometers through the residential areas.

The Singhasari SEZ is situated in the sociocultural area, enriched with relics of the Singosari Kingdom, such as temples, albeit not within the same area. Within this area, lies Singasari Museum, with plans for further development, including the construction of a hotel and the provision of tourist hospitality support. On the website, it is stated that the Singhasari SEZ is equipped with a clean water supply, a high-speed internet connection, and two stable power supply sources. Moreover, Singhasari SEZ prioritizes digital

economic platforms to foster synergies between the tourism business and the digital economy. The combined system will create a unique digital ecosystem in the Singhasari SEZ (singhasari.co.id, 2024).

Singhasari was designated as a SEZ based on Government Regulation Number 68 of 2019 (2019) to develop economic activities in Malang Regency. In its early stage, the Malang Regency Regional Development Planning Agency, in collaboration with the SEZ National Council Secretariat and the East Java Province SEZ Secretariat, formulated a development action plan. At the district level, Malang Regency Regional Development Planning Agency, along with related agencies, such as Jasa Marga, Regional Drinking Water Company, and Dinas Cipta Karya, formed an Operational Acceleration Team. This team was formed based on the Regent's Decree and led by the Head of the Malang Regency and Malang Regency Regional Development Planning Agency. Monitoring and evaluation of the Acceleration Team are conducted every 4 (four) or 6 (six) months by the Central and Provincial authorities.

In line with Government Regulation Number 68 of 2019, Singhasari SEZ was established in September 2019 with a focus on the tourism sector and digital development. The Development and Management Business Entity (DMBE) proposed the Singhasari area as a tourism SEZ after completing the study in 2015-2016. This area boasts the former Singosari Kingdom area in the form of a temple, as well as the presence of a tourist center in the Bromo - Tengger - Semeru National Park. However, shortly after operating, the onset of COVID-19 posed challenges in attracting investors to the tourism sector. Consequently, the DMBE directed Singhasari SEZ to digital development (personal communication, November 30, 2022).

At the beginning of the proposal, the Singhasari SEZ spanned approximately 300 hectares. Nevertheless, after Singhasari was officially granted SEZ status in November 2022, the area was reduced to approximately 120.3 hectares. The construction is divided into two stages: the first stage covers an area of 44.2 hectares for the technology area and some tourism areas, while the second stage is designated for special tourism areas.

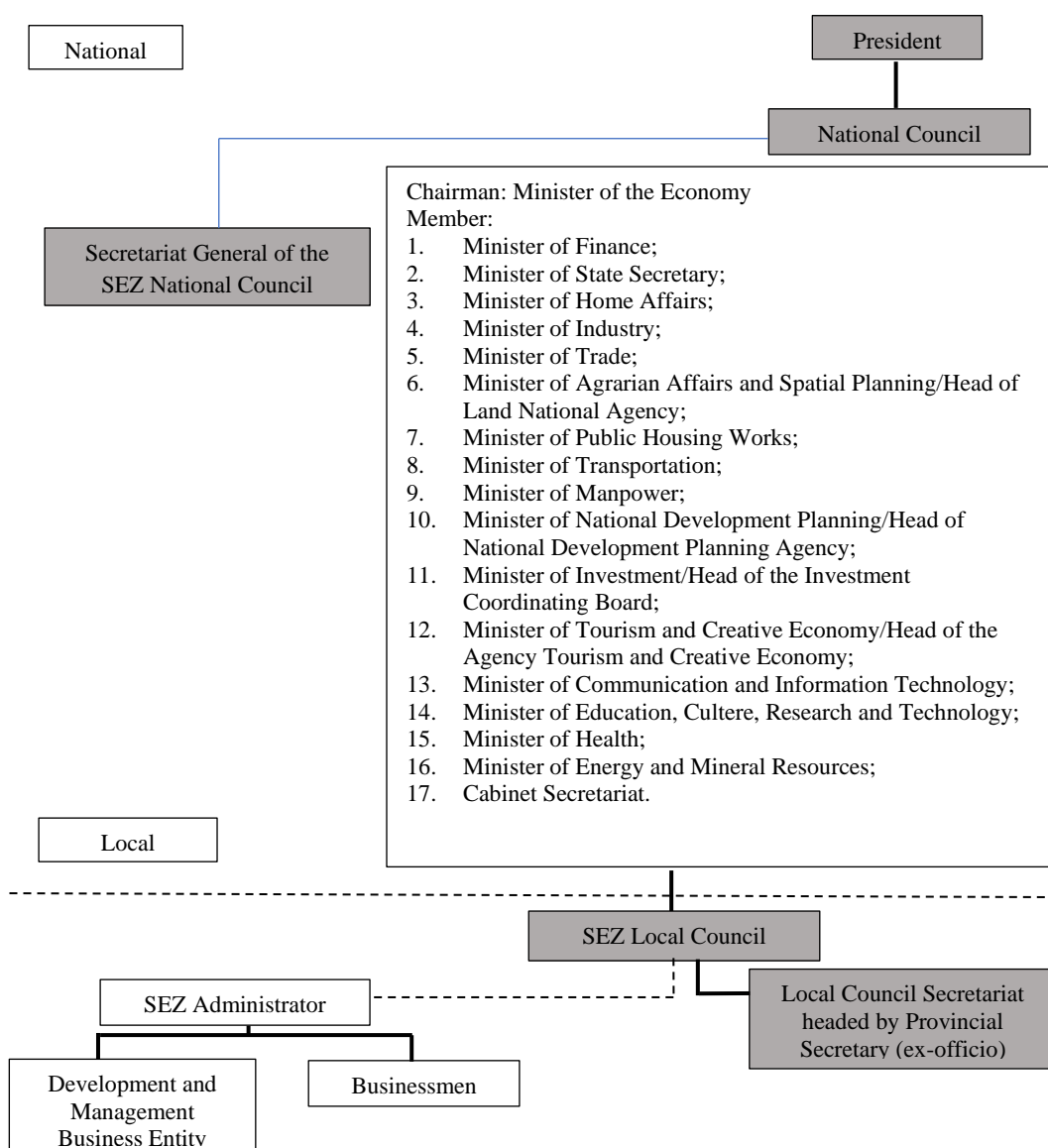
From a fiscal perspective, the facilities provided include investment allowances for up to 10 years and tax holidays of 20% - 100% for 5 - 25 years, granted to business entities or business actors. Exemption from import duties on machinery and equipment free of Value Added Tax and Sales Tax on Luxury Goods within and between zones and SEZs is also offered. Additionally, investors benefit from compensation for losses for up to 10 years, a reduction in net profit by 30% of the investment value, and accelerated depreciation of tangible fixed assets. These facilities were designated to provide a profitable solution for investors who invest in SEZ.

### **Management of the Singhasari SEZ: Institutional Aspects**

Four key institutions have distinct duties and authorities in the SEZ, as mentioned in Article 50 of Government Regulation Number 40 of 2021 (2021). These institutions are the National Council, the Secretariat General of the National Council, the Regional Council, and the SEZ Administrator. The hierarchical position of each institution is illustrated in Figure 2. Following the formation of the SEZ, the responsibility of managing the SEZ was assigned to the DMBE which was formed as a step to accelerate the optimization of SEZ. Based on Government Regulation Number 40 of 2021, the DMBE was formed under the function of SEZ administrators. The establishment of the DMBE



represents a concrete step in synergizing the roles of the government and the private sector as investors in advancing SEZ development.



**Figure 2.** SEZ Institutional

Source: <http://www.kek.go.id>

Government Regulation Number 40 of 2021 (2021) explains that the DMBE can be state-owned, regional, cooperative, private, or joint venture/consortium. Business entities also play a role in proposing SEZ locations, which must pass through approval stages starting from district/city, provincial to central. If the proposing business entity makes the application, the National Council determines the proposing business entity to become the DMBE for the SEZ.

The DMBE plays a role in implementing sustainable management and development in line with national SEZ development goals. It has also determined several strategic steps to optimize resources, including absorbing local workers and attracting foreign investors to enhance the regional economy. Additionally, the DMBE can engage in



strategic cooperation with the government to implement policies aimed at optimizing SEZs, such as providing facilities and fiscal incentives.

From an institutional perspective, aside from the Development and Management Business Entity, there is a body responsible for providing licensing service facilities required by the Development and Management Business Entity. This body also supervises and controls the implementation of the SEZ, as outlined in Article 58 Government Regulation Number 40 of 2021 (2021). When the management has yet to be formed, the supervision and operational control of the SEZ are carried out by the operational acceleration team, which was formed at the beginning of the establishment of the Singhasari SEZ. Until the end of 2022, licensing services were being handled by the Department of Investment and One Stop Integrated Services Malang Regency. This will continue until the management is appointed by the National Council for Special Economic Zones by Government Regulation Number 40 of 2021.

The development of a SEZ relates to the capacity of the area manager. SEZ Singhasari was built and managed by a limited liability company, formed by members or affiliates of the company consortium, namely Indonesian Tourism Development, Ltd, Intelengensia Grahata, Ltd, and Archipelago Mandala Horizon, Ltd. This business entity operates in conjunction with the SEZ institution.

From an institutional perspective, the formation of the Singhasari SEZ has followed the established procedures, involving all relevant institutions in their respective roles. According to Chaisse and Ji (2020), Mugano (2021), as well as le Roux and Schoeman (2016), there is no uniform SEZ institutional model across countries. However, there are similarities between the main SEZ stakeholders, such as the government, SEZ authorities, area developers, area operators, and area users.

At the beginning of its establishment, the DMBE for the SEZ Singhasari was managed by a consortium of companies, namely Pembangunan Wisata Indonesia, Ltd, Intelengensia Grahata, Ltd, and Cakrawala Mandala Nusantara, Ltd. This consortium was formalized through a notarial deed, resulting in the designation of Intelengensia Grahata, Ltd, as the DMBE for the Singhasari SEZ.

Despite not being a part of the SEZ institution, the Operational Acceleration Team, formed by the Regent, continues to offer support and assistance in the development of the Singhasari SEZ. One of them is collaborating with Regional Drinking Water Companies to ensure access to drinking water capable of serving international-scale campuses. Additionally, the Operational Acceleration Team, in collaboration with the Ministry of National Development Planning, continues to strive to ensure that providing access to drinking water can become a Government Collaboration with Business Entities.

### **Obstacles to the Singhasari SEZ: Lessons from the Experience of Other Countries**

The development of SEZ has shown mixed results, emphasizing the need for tailored approaches based on regional specifics and a well-defined operational framework for success. It is essential to delineate clear roles and responsibilities between the government and the private sector. Challenges in SEZ development include determining the legal and regulatory framework, planning and assessing business feasibility, and providing adequate infrastructure (Zeng, 2015).

According to Aggarwal (2019), the success of SEZ depends on three pillars: a well-defined strategic approach, strategic dynamism, and strategic implementation. Initially, a

strategic approach involves determining the focus of SEZ activities. For example, the Republic of South Korea established a manufacturing-oriented SEZ, effectively attracting foreign investors in the export-oriented light industry. This strategic plan aims to generate the foreign exchange required for import substitution programs, obtain a large amount of highly educated labor, promote exports, give access to innovative technologies, and boost light manufacturing competitiveness without creating a threat to local companies (Aggarwal, 2019).

Taiwan adopted an approach to strengthen its development strategy towards SEZs based on export processing zones. SEZ in Taiwan province focuses on Small and Medium-sized Enterprises (SMEs) in the light consumer sector and utilizes export processing zones to enhance technological advancement in the early stages of its development. The government employs a proactive and reactive policy framework, encouraging collaboration between Export Processing Zone (EPZ) companies and non-EPZ companies to promote subcontracting and local procurement. Under the proactive approach, the government provides small companies with targeted subsidies, import protection, credits, and incentive packages to support small businesses in enhancing their productive capacity. By facilitating access to new technologies, skills, capital, and markets globally, integration with the global value chain strengthens the technological competitiveness of these small businesses. Following the integration into the global value chain, these companies shifted from assembling imported raw materials to increasing local production and procurement as original equipment manufacturers (OEM), to original design manufacturing (ODM), and selling their own branded products known as Original Brand Manufacturing (OBM) (Aggarwal, 2019).

These two countries show that the success of the Singhasari SEZ will be contingent upon the strategic selection of its business type. The decision to focus on the tourism sector within the Singhasari SEZ is well-founded, given its advantageous location in the historic territory of the ancient Singosari Kingdom, the oldest kingdom in the region. Several countries including Bangladesh, China, Lao People's Democratic Republic, Malaysia, and the Russian Federation have established Special Economic Zones (SEZs) to promote tourism and tourism-related industries. Tourism SEZs offer similar advantages as SEZs in the manufacturing sector. However, it is important to recognize that in the context of tourism, which often involves naturally beautiful or culturally rich locations, many countries rely on general incentive programs, the development of remote and underdeveloped regions, or other clustering methods rather than utilizing SEZs as a policy tool to support this industry (UNCTAD, 2019). Countries utilize SEZs to enhance tourism for several reasons. One reason is that tourism areas, due to their limited and homogeneous nature, provide an optimal framework for the integrated development of resort and recreational facilities. Furthermore, according to UNCTAD (2019), tourism areas can serve as a means for attracting foreigners, providing environmental protection, and supporting sustainable as well as environmentally friendly development, including ecotourism. These objectives can be managed well in limited SEZ areas compared to national areas in general.

Given the compelling focus on the reasons mentioned above, it is understandable why Singhasari SEZ choose the tourism sector. Singhasari, as the site of Indonesia's oldest kingdom, is rich in historical artifacts and museums. However, this decision was proven to be ill-timed. The COVID-19 pandemic, which persisted for 3 years, led to a halt in tourism



activities. Consequently, the DMBE promptly pivoted towards digital education (personal communication, November 28, 2022):

*Initially, Singhasari SEZ operated in the tourism sector under government regulations. During the early stages, Intelligensia Grahata, Ltd, which was later designated as the Development and Management Business Entity through a Regent's Decree, aimed to develop its tourism zone due to its attraction. However, the onset of the COVID-19 pandemic altered the dynamics, leading to investor withdrawals and making it difficult to sustain tourism-focused activities. Therefore, we focused on the other zone, where the activities were more about digitalization. Then the Development and Management Business Entity developed an animation village, collaborating with companies that focus on digitizing animation. (personal communication, November 28, 2022)*

Currently, Intelegensia Grahata, Ltd and the Malang Regency government collaborate under their respective duties and limits of authority. Intelegensia Grahata, Ltd collaborates with the University of Indonesia and Brawijaya University to provide assistance and training to animators. Additionally, the Malang Regency Education Office has initiated efforts to regenerate high-quality animators by engaging guardians of elementary and middle school students in the area and providing outreach about the animation program at the vocational school level within the Singhasari SEZ.

Secondly, strategic dynamism is crucial. Adapting business strategy, including the type of business, is essential for development during various situations. As carried out by the DMBE Singhasari SEZ, shifting the type of SEZ business from tourism to digital education was a response to changes brought about by the COVID-19 pandemic. Taiwan has also changed its SEZ strategy over time by strengthening its development strategy through SEZs. Taiwan achieved success by pioneering an innovative industrial incubator model with its Export Processing Zone (EPZ), which led to various transformations in the country's industrial structure of the country while it was being developed. In the late 1970s' EPZs were upgraded to attract capital-intensive activities to align with economic restructuring throughout the economy of Taiwan. Subsequently, in the late 1980s, EPZs transitioned towards accommodating high-tech industries, followed by a shift towards logistics industries in the 1990s. Therefore, SEZ companies can establish relationships with domestic producers and further improve their capabilities because the country has domestic capabilities (Aggarwal, 2019). This helps develop a two-way relationship between EPZ and non-EPZ companies. Thus, EPZ investors have become important customers for Taiwanese companies outside the zone. Presently, China's Taiwan Province has ten EPZs and six logistics-oriented Free Trade Zones clustered into two growth poles, Kaohsiung and Taichung. These poles are further bolstered by diverse science parks and industrial estates, serving as pivotal centers driving economic dynamism within the region (Aggarwal, 2019).

The third is strategic implementation. Strong political support is also necessary for the SEZ to succeed in order to transform the prepared strategies into implementation. As Aggarwal (2019) stated, the success of China, Taiwan, and Korea indicates that the political policies issued are pro-investors. In addition to providing large tax incentives and reducing import duties on imports, the government is also paying attention to good infrastructure development. A large amount of funding was injected for infrastructure development. In

addition, the three countries are also investing in human resources as well as improving and strengthening the quality of institutions.

In Indonesia, SEZ institutions involve the roles of both the government and private sector, which makes SEZ institutions complicated. Empirical evidence indicates that SEZ institutions are influenced by certain economic, political, regulatory, and constitutional systems. Within the context of a Unitary State in Indonesia, the Central Government is the main stakeholder responsible for managing overall economic development, developing policies, and coordinating SEZ policies with other related policies. To support the Central Government, regional governments serve as SEZ land owners, mandated to pay attention to the interests of the region and its populations. Frequently, central government policies are different from the targets of regional governments, and vice versa.

Similar to other countries that establish tourism SEZs, infrastructure development is crucial to support and facilitate accessibility to these areas. Relying solely on regional government budgets, certainly, necessitates that infrastructure projects be undertaken on a manageable scale. This requires political decisions at the central level. Budget allocation from the central government for infrastructure development is essential. However, there has been insufficient attention to infrastructure development in the Singhasari SEZ. The issue was highlighted in an interview with the Regency of Malang's Regional Government on November 28, 2022. The officials stated that the Regency of Malang's Regional Government needs support from the Province of East Java's Regional Government and the Central Government. Several concerns were expressed regarding the initiatives, including the upgrade of Abdurrahman Saleh Airport in Malang to meet an international standard airport and the inadequate road access to the SEZ, which fails to meet necessary dimensional requirements. The area is not located along the main road, Singhasari-Surabaya main highway, but approximately 2 kilometers away, passing through residential areas. Enhancing the access quality is challenging due to the presence of settlements and traders on the route. Moreover, tax incentives from the provincial government, which have yet to be established, are crucial for the advancement of the Singhasari Special Economic Zone. The Singhasari SEZ Development Team and the Malang Regency Spatial Planning Service have made efforts to secure the SEZ to prevent friction, such as detaining investors who want to create tourist attractions around the Singhasari SEZ.

*We really need support from both the provincial and the central government for this. From the list of action plans for us, we have done everything. What needs to be improved is only minor, such as water infrastructure. However, our demands for the central government, such as the internationalization of Abdurrahman Saleh Airport, remain unfulfilled. Furthermore, there is no provision for that access either. ... The entrance to the SEZ remains difficult to navigate. Many aspects are beyond our jurisdiction and require external support, such as regional regulations regarding incentives. Taxes are not only imposed at the district level; there are other taxes at the provincial level. "Well, there is nothing from the Province to provide easy incentives. (personal communication, November 28, 2022)*

This issue has persisted for a long time, as explained by the Malang Regency Culture and Tourism Office in 2011-2015 (Amiruddin et al., 2021). The issues regarding heritage tourist attractions in the Singhasari area include the poor transportation infrastructure to reach tourist attractions, the insufficient community involvement in the

development of heritage tourist attractions, a lack of integrated planning between heritage tourist attractions, and the inadequate management of heritage tourist destinations when it comes to packaging tourist attractions into products and tour packages. Due to insufficient investment, this historic landmark has not been managed optimally. Additionally, the limited budget for the Malang Regency Culture and Tourism Office poses significant challenges for conducting exploratory research in new locations (Krisnawati & Suprihardjo, 2014). The infrastructure limitations faced by the Singhasari SEZ are particularly unfortunate, considering that the main objective of the SEZ program is to overcome such obstacles to enable the business sector to operate efficiently (Zeng, 2021). SEZs are expected to support market forces by addressing market failures such as insufficient industrial infrastructure and non-functioning land markets (such as land scarcity, ownership disputes, and settlement difficulties). Providing a conducive environment for the business sector is crucial (Farole, 2011), which includes the provision of good infrastructure (Frick et al., 2019) such as electricity, water, roads, and telecommunications (Zeng, 2021). These services increase a zone's appeal, thereby fostering zone expansion (Frick et al., 2019). To maximize the benefits of infrastructure development, it is imperative for management to collaborate with central government and regional governments. Strong collaboration in infrastructure development will yield significant impacts and benefits by facilitating access to the SEZ zone and connectivity between the SEZ and the surrounding community's economy (Adam, 2019).

Therefore, the delineation of roles among various parties as stipulated in the regulations should be effectively implemented. This aligns with Farole (2011) perspective which elucidates the roles and responsibilities of stakeholders in SEZ: (1) The government bears the responsibility for strategic planning, determining locations, making land use guidelines, conducting initial feasibility studies, developing infrastructure, providing training/development workforce, and establishing SEZ regulations; (2) Regulators facilitates government services such as licensing, monitoring compliance, and designating government and private land as SEZ areas. They also designate government or private landowners as SEZ developers or managers; (3) The developer is responsible for finalizing the land use plan and preparing the land, such as leveling and other pre-construction, providing infrastructure such as drainage, waste disposal systems; (4) The operator is responsible for managing facility rentals with investors, ensuring the provision of utilities at the location, and conducting marketing activity such as promoting new SEZ opportunities.

In addition to effectively depicting the situation in the Singhasari SEZ from the perspective of the 3 key pillars of SEZ success, the research conducted by UNCTAD (2019) also underscores the importance of assessing the success of SEZs beyond quantitative growth and dynamic goals. It emphasizes the inclusion of social goals in the evaluation process. Almost 2/3 of SEZ policies worldwide (61 percent) indicate that the goal of SEZ is quantitative growth, followed by dynamic goals. Quantitative growth focuses on objectives such as attracting investment, promoting exports, and creating jobs. Conversely, dynamic growth aims to promote innovation, industrial upgrading, knowledge transfer and skill development, economic diversification, structural transformation, and integration into local value chains (Mugano, 2021).

Several theories analyze the success of SEZs from the perspective of the impact of SEZ formation. Neoclassical theory Baissac (2011) explains the pessimistic view towards

SEZ implementation, which only focuses on the economy. This view is further reinforced by the opinion of the World Bank, which states that the evaluation of SEZ emphasizes two main factors, including: 1) The main impact of SEZ on the economy and 2) The main impact of SEZ on economic reform.

Despite the early association of SEZs with worker maltreatment, in the early phases of growth, they served as useful instruments for absorbing extra labor. As a result, the formation of SEZs only appears to be successful in earning foreign exchange and absorbing labor. However, it has not fully addressed the broader aspects of the economy. Supporting this view, The World Bank provides an analysis and evaluation of SEZs concerning their welfare impacts, which include 1) increasing national income and 2) creating efficiency and economy, which is achieved through various policies.

Another perspective, advocated by Heterodox (Baissac, 2011), known as New Growth Theory and Neo Institutional, deviates from traditional trade theories in analyzing SEZ formation. This viewpoint underscores the transfer of science and technology in SEZ establishment. New Growth Theory explains that apart from economic factors, social and political factors determine the allocation of capital and labor. In other words, the level of welfare is determined not only by economic factors but also by social aspects that evolve following the accumulation of human resources. Furthermore, Neo Institutional focuses on increasing productivity and efficient utilization of production factors within a country. Developing countries experience a productivity gap in which labor is not immediately absorbed, despite the presence of competitive advantages. Therefore, technology distribution is the main key to anticipating productivity gaps. This implies the optimistic side of Heterodox's view, where one of the positive impacts of the formation of SEZs is technology transfer (Baissac, 2011).

Reflecting on views related to Heterodox, the success of the Singhasari SEZ should also be assessed from a socio-political perspective. The local community must perceive the presence of the Singhasari SEZ. The lack of involvement of the local community in the development of the Singhasari SEZ was acknowledged by the Malang Regency Regional Government (personal communication, November 28, 2022). The local community is best positioned to recognize the potential and opportunities that Singhasari has to offer and anticipate negative impacts. The involvement of local communities can make the Singhasari SEZ a sustainable tourism that improves the economic, social, and cultural welfare of local communities (Amiruddin et al., 2021).

## CONCLUSION

The policy of establishing the Singhasari SEZ in Malang Regency has shown less than optimal results. This is based on the consideration that the Singhasari SEZ has not succeeded in improving the economic, social, and cultural welfare of the local community. Viewed from the strategic perspective, the Singhasari SEZ's obstacles to choose the type of tourism business have been negatively impacted by the COVID-19 pandemic. Based on the perspective of strategic dynamism, the decision of the Development and Management Business Entity to change the type of business from tourism to digital education reflects an adaptive response to developments in the post-COVID-19 pandemic situation. However, it is important to note that such changes must be based on a well-defined strategic approach. Short, medium, and long-term threats must be mapped. Furthermore, strategic

implementation requires a political role, including state leaders and decision-making elites, both at the central, provincial, and district levels. Even though the Singhasari SEZ has focused on digital education, the role of the central government in infrastructure development is highly anticipated.

In the institutional governance of the Singhasari SEZ, all institutions have fulfilled their roles according to procedures. The success of the Singhasari SEZ hinges not only on formal institutional involvement but also on informal institutions, particularly in politics and local community engagement. Community participation as the party closest to the SEZ area can provide adequate information regarding regional potential and contribute to regional development.

The research also proposes the view that evaluating the success of a SEZ should not solely be done from an economic perspective but it must also employ a social perspective. In addition to looking at its contribution to the economic development of a region, SEZ must also evaluate its impact on the social life of its people. How a green economy is developed in the tourism industry, for example, or how the sustainability of people's lives in SEZs is maintained through the presence of SEZs, without unlimited exploitation. This is evident in the contentment of individuals residing within the SEZ, as the environment is upheld and a way of life is fostered that reveres the moral and cultural tenets of the indigenous community.

The research underscores the policy implications, emphasizing the necessity of collaborative engagement among various stakeholders to optimize SEZ Singhasari activities. This includes the collaboration between the Development and Management Business Entity, central and regional governments, and also the community. The challenges encountered in developing SEZ Singhasari activities, particularly in infrastructure, warrant focused attention from the Central Government to facilitate improved progress within the SEZ Singhasari. Focused attention from the central government such as allocating special funds can be generated for infrastructure development, especially road access and the release of the land needed.

Second, amidst current state budget constraints, prioritizing the involvement of the private sector and society is imperative. Therefore, the central government and regional governments must be able to show the advantages of the Singhasari SEZ to the private sector and open up space for the community to participate actively. This could entail actively involving start-up companies in promoting Singhasari's educational and cultural tourism through diverse platforms, thereby fostering broader participation in managing the Singhasari SEZ.

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