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Development Strategies for the Special Economic Zone (SEZ) in Bitung City: Social and Economic Perspectives

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ABSTRACT

This study analyzes the role of SWOT analysis in improving the development of Special Economic Zones (SEZ) in Bitung City, conducted at the SEZ Administrator Office over three months. Primary data was collected through surveys, questionnaires, interviews, and documentation. In contrast, secondary data was obtained from relevant agencies such as the One-Stop Investment and Integrated Services Office (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu or DPMPTSP). The respondents consisted of 42 individuals. SWOT analysis revealed that the SEZ's development strategy falls within the first quadrant, indicating a favorable alignment of external opportunities and internal strengths, with an Internal Factor Analysis Summary (IFAS) score of 3.48 and an External Factor Analysis Summary (EFAS) score of 3.72. Key strategies for SEZ development include utilizing fisheries and coconut resources to improve production and quality; enhancing infrastructure, including transportation and fishing ports, to support efficient distribution; improving human resource skills; fostering collective commitment among stakeholders, including the government, business actors, and the community; and building partnerships between local businesses and foreign investors to facilitate technology and capital transfer.

Keywords: Bitung City; Regional Economic Development;

Special Economic Zones (SEZs); SWOT

Analysis

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1. Introduction

Everyone needs to be ready for economic movements that can enter any nation without borders in the current era of globalization (borderless state). In a similar vein, investment flows will increase in popularity and favorability among numerous investors in nations that provide a variety of facilities and incentives. Economic expansion will, therefore, improve people's quality of life through a number of additional multiplier effects (Aguswahyudi, 2018; Ghosh et al., 2018). Indonesia offers a lot of benefits. Geographically speaking, Indonesia can have a significant impact on the political and economic landscape of the Asia Pacific due to its advantageous location. This aligns with Sam Ratulangi's (1953) viewpoint, which remains relevant today as the foundation for the growth of North Sulawesi Province, positioning it as the gateway to the Asia-Pacific.

North Sulawesi Province is one of the provinces that are part of the Sulawesi economic corridor. The superior geographical and geostrategic conditions of North Sulawesi Province, specifically its location or crossing of two (2) extremely important and strategic Indonesian Archipelago Sea Routes (ALKI), specifically ALKI 2 International Sea Lanes through the Bali Strait and ALKI 3 International Sea Lanes through the Banda Sea, lend support to this. The development of the Multi Gate System with the development concept, which includes, among other things, converting Bitung Ocean Port and Sam Ratulangi Airport into an International Hub Port (IHP) that serves as a Cargo Consolidation Center (CCC) and Cargo Distribution Center (CDC), as well as chances brought about by the 2015 Asean Economic Community and the 2017 free trade agreement with China.

The Master Plan for the Acceleration of Indonesian Economic Development (MP3EI), a concept created by the central government, aims to accelerate Indonesian development by promoting the development of energy and infrastructure, human resources, science, and technology, as well as the increase in the added value of the country's leading economic sectors. North Sulawesi Province should so get ready to benefit from the MP3EI program right away. North Sulawesi Province suggests creating a Special Economic Zone (SEZ) in Bitung City in order to take advantage of this chance. A SEZ is a section of the Republic of Indonesia's legal territory with specific borders that is designated to perform economic functions and acquire specific amenities. The SEZ function is carried out by establishing places with geoeconomic and geostrategic advantages that can support industrial operations, exports, imports, and other economic activities with high economic value and global competitiveness. For the economic development of the province of North Sulawesi, Eastern Indonesia, Indonesia, and even the entire world (particularly Asia Pacific), Bitung SEZ will offer numerous advantages. The proposal for Bitung SEZ is predicated on the superiority of North Sulawesi Province's regional commodities, specifically coconut or its derivative products, fisheries or its derivative products, and the addition of goods with significant future potential, such as logistics. This implies that the establishment of the Bitung SEZ will have a significant effect on the economy, Indonesia's negotiating position in international commerce, and, ultimately, the welfare of all Indonesians in Bitung City and North Sulawesi in particular.

The government's primary policy is the enactment of Law No. 39/2009, which deals with SEZ. The need to preserve regional progress balance and expedite the growth of a region (as a national economic unit) gave rise to Law No. 39/2009. The word "SEZ," as used in Law 39/2009, is "Areas with certain boundaries within the jurisdiction of the Unitary State of the Republic of Indonesia that are designated to carry out economic functions and obtain certain facilities." The goal of offering specific amenities or preferential treatment is to give the business community a long-term outlook. Bitung City, in North Sulawesi Province, has been selected by

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the government to receive certain infrastructure in 2014. Bitung SEZ was established through Government Regulation No. 32/2014, concerning Bitung SEZ (PP No. 32/2014). The policy goal of Bitung SEZ is to create an environment conducive to increased investment, export, and trade activities. The policy of increasing the economic growth power of Bitung SEZ, on the one hand, requires a complex and multidimensional process. On the other hand, the government expects its implementation to be completed according to the planned target.

A region can benefit economically, socially, and environmentally from the creation of SEZ. SEZ boosts economic growth by drawing in investment, generating employment, and boosting productivity. This helps to lower economic inequality and raise regional and national income (Ismail & Widhi, 2022). Through the provision of jobs and better access to essential services, SEZ contributes to the social improvement of the neighborhood. SEZ can also promote the growth of other industries, like healthcare and education.

Additionally, environmentally sustainable SEZ development can take into account environmental factors such as the use of eco-friendly business practices and prudent natural resource management. As a result, businesses and communities may become more conscious of the value of sustainability. Therefore, SEZs assist sustainable development in a region by offering social and environmental benefits in addition to economic ones. In order for SEZ to be implemented correctly and sustainably and to benefit the government, business actors, and community by minimizing the impacts caused, the involvement of the government, business actors, and community is required. SEZ must be developed with the best approach for the economy's current potential in order to be implemented in a planned, methodical manner that maximizes benefits for the government, business players, and the community. Research on Bitung City's SEZ is therefore considered essential.

Based on the description above, the study wants to find out more about the impact of the existence of SEZ in Bitung City with SWOT analysis to find out the strengths (Strengths), weaknesses (Weaknesses), opportunities (opportunities), and threats (Threats) that exist.

2. Literature Review

The province of North Sulawesi is home to Bitung City. The city possesses a wealth of potential natural resources, including forestry, agriculture, and fisheries. Bitung City has been selected as one of the SEZ destinations by the Indonesian government. It is anticipated that Bitung SEZ will develop into the commercial and industrial hub of eastern Indonesia and serve as a gateway to expand trade between Indonesia and Asian nations.

However, Bitung City also faces a number of issues that hinder community welfare and economic growth, including high unemployment rates, poor infrastructure, and limited access to healthcare and educational resources. Therefore, Bitung City needs a SEZ to enhance community welfare and economic progress. The government can use SEZ to help decide on the best policies and tactics to boost community welfare and economic progress.

North Sulawesi Province is home to Bitung SEZ, which was created by Government Regulation No. 32/2014. Bitung SEZ is an economic entry point for nations in the Asia-Pacific region and enjoys a highly advantageous location. The Bitung International Hub Port, which serves as a commerce hub for Eastern Indonesia, facilitates this accessibility. Bitung SEZ, which is 44 kilometers from Manado, the country's capital, is anticipated to develop into the hub for eastern Indonesia's logistics support and product distribution.

Bitung SEZ, which spans 534 hectares, is founded on the superiority of North Sulawesi Province's regional goods. Bitung SEZ, one of Indonesia's biggest fish producers, concentrates on the fisheries processing sector to create high-quality export goods for the global market.



Bitung SEZ is focused on the coconut sector and its derivative goods, which have a wide market and are in high demand both domestically and internationally, in addition to fisheries.

Based on regional potential and geostrategic advantages, Bitung SEZ is expected to encourage downstreaming and boost the competitiveness of the fisheries, agro, and pharmaceutical sectors. It is also projected to attract investment in IDR 32.89 trillion and is projected to absorb a workforce of 34,710 workers by 2025 (Sekretariat Jenderal Dewan Nasional Kawasan Ekonomi Khusus, 2024). Investment contributes significantly to reducing the unemployment rate. Strategic infrastructure projects, such as toll roads and ports, have created many new jobs. Positive economic growth is also closely related to a decrease in the unemployment rate. In the first quarter of 2023, the North Sulawesi economy grew by 5.26% (year-on-year), surpassing the national economic growth of 5.03% in the same period (Badan Pusat Statistik Provinsi Sulawesi Utara, 2023). Both investment and economic growth have a significant positive impact on reducing the unemployment rate in North Sulawesi Province.

The Special Economic Zone (SEZ) in Bitung City is one of over 20 SEZs established in Indonesia to boost investment and local economic growth. It is managed by the Department of Investment and One Stop Integrated Services, which facilitates the licensing process for investors, provides information on regulations and incentives, and coordinates with government agencies and other stakeholders to ensure smooth development. Additionally, the One-Stop Investment and Integrated Services Office (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu or DPMPTSP) promotes Bitung SEZ to both domestic and foreign investors to attract further investment.

SEZ has experienced one significant problem, namely the stalling of infrastructure development caused by various factors, including constraints in land acquisition and budget limitations for necessary infrastructure projects. The COVID-19 pandemic has had an impact on Bitung SEZ, which has resulted in reduced investor interest in investing in Bitung SEZ. Although several investors have been operating, the number is still far from the expected target. Bitung SEZ itself has a target that must be achieved, namely an investment target of 32.89 Trillion. The first projection was set in 2014 (Setiawan et al., 2022). The labor projection with a target of 97,300 workers was the target when the Bitung SEZ was initially formed based on PP 32 of 2014. However, over time, the targets that have been set have changed due to COVID-19, so there is a moratorium or temporary suspension. Many changes make investment projections decrease but decrease in the sense that there is development but not as big as the expected target. The results of interviews conducted with the manager of the Bitung SEZ show that, for now, the target to be achieved is the realization of the Bitung SEZ development of 1.6 trillion by 2024. The mission of the Bitung SEZ is to improve the regional economy, support the central economy, and create a multiplier effect or create jobs. The relationship between economic growth and the unemployment rate is that if there is an increase in national/regional output, in this case, economic growth, it will cause labor demand to increase and the unemployment rate to decrease (Roring et al., 2020).

The COVID-19 pandemic has attracted a lot of attention; even the economy of a country cannot be separated from the problems that must be faced (Martomo et al., 2022), including North Sulawesi Province, which experienced a decline in economic growth in 2020, the level of regional income and employment so as to reduce unemployment, so there must be an analysis of labor development. The absorption of a lot of labor is not always guaranteed by a high rate of economic growth, either nationally or regionally. Economic growth, changes in local revenue, changes in general allocation funds, and the level of labor in the province of North

Sulawesi in the last ten years have always experienced development, even in the conditions of the COVID-19 pandemic experienced by the world (Kolinug, 2023).

3. Research Methodology

This study applies both quantitative and qualitative methods descriptively. Questionnaires were used to collect quantitative data, and direct observations and interviews were used to collect qualitative data. The descriptive analysis approach, SWOT matrix, and SWOT diagram analysis are the SWOT analyses that are employed.

In this analysis, observation and interviews with the One-Stop Investment and Integrated Services Office (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu or DPMPTSP) were used to obtain primary data. Secondary data is obtained through literature studies from various scientific journals, books, websites, and so on. From the results of observations and interviews, internal strategic factors (strengths and weaknesses) and external strategic factors (opportunities and threats) can be identified.

The following step after obtaining the SWOT indicators is to calculate the rating and weight for each strength and vulnerability, then multiply the rating by the weight. Additionally, the rating and weight for opportunities and threats are established and then multiplied. On a scale of 1 to 4, the Bitung SEZ criteria are used to calculate the weight (1 being unaffected and 4 being significantly impacted). Once the weight value has been determined, divide each indicator's weight by the sum of its strengths, weaknesses, opportunities, and threats to determine the relative weight for each indicator. This will result in a total relative weight value of 1.00 (100%).

Following the acquisition of the weight value and relative weight, the influencing condition, the rating, is established. In contrast to weakness and threat factors, strength and opportunity variables are assigned rating values.

On a scale of 1 (poor) to 4 (excellent), the rating represents the strategic factors of the company. The purpose of grading is to ascertain whether the company's strategic elements, namely, its opportunities and strengths, may have a positive influence (+), whilst its threats and weaknesses (-) can have a negative impact. The following is the formulation of the weights and branches:

$$Weight = \frac{Assessment}{Total\ Assessment}\ x$$

The total value of the sum shows how the company's strategy reacts to its strategic factors.

4. Results and Discussion

The goal of SWOT analysis is to maximize opportunities and strengths while minimizing vulnerabilities and foreseeing threats in order to determine the optimal course of action. The Bitung City SEZ's SWOT analysis of strategic variables will be explained below. Both internal and external influences will be analyzed. Internal Strategic Factors (IFAS) and External Strategic Factors (EFAS) are two strategic elements that are included in Bitung City's efforts to create SEZ.

Internal strategic factors (IFAS) The internal environmental analysis was carried out on internal strategic factors, consisting of strengths and weaknesses in the development of SEZ in Bitung City. The internal strategic factors include:

a. Strength Factors

1) Natural Resources: The SEZ in Bitung City has abundant natural resources, such as coconuts and fisheries, which are an internal strength of the Bitung SEZ.



- 2) Infrastructure in the SEZ in Bitung City, such as roads, ports, and transportation facilities, supports economic activities.
- 3) Government regulations that provide support for investment and development in SEZ.
- 4) Accessibility: The strategic location of Bitung SEZ has access to domestic and international markets.
- 5) Workforce in the SEZ that has skills that are in line with industry needs.

Weaknesses

- 1) Delays in the construction of Bitung SEZ can disrupt operational continuity.
- 2) SEZ development may cause negative social impacts, such as displacement of residents or an increase in the cost of living around the area.
- 3) The skills of the local workforce do not always match the needs of the industry in the SEZ.
- 4) Limited capital for industrial development in SEZ.
- 5) Lack of coordination between stakeholders in SEZ management.

External strategic factors (EFAS) Analysis of strategic factors originating from outside or external factors includes Opportunities and Threats factors. External strategic factors that will be analyzed in the Bitung City SEZ include:

Opportunities

- 1) Technological advances can improve the production efficiency and competitiveness of products from SEZ.
- 2) Access to vast international markets, especially for high-value-added products.
- 3) Potential for cooperation with foreign investors who can bring new technology and capital into the SEZ.
- 4) Global economic growth that encourages demand for products from SEZ.
- 5) Government policies that support SEZ development.

Threat Factors (Threats)

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- 1) Competition with other SEZs at home and abroad.
- 2) Changes in government policies that may affect the desirability of SEZ.
- 3) Environmental issues that may lead to protests from communities and organizations.
- 4) Fluctuations in global commodity prices may affect the competitiveness of SEZ products.
- 5) Political and security instability can hinder investment in SEZs.

After completing the identification of strategic factors, weighting, and rating are then carried out on strategic factors, which aim to classify strategic factors as both internal and external. The results of giving weights and ratings to the IFAS internal factors indicate whether the factor is a major or minor strength. The weight shows the priority importance of these factors for the development of the Bitung City SEZ. The calculation of the weight of the IFAS internal factors is carried out by tabulating the IFAS score data, as shown in Table 1.

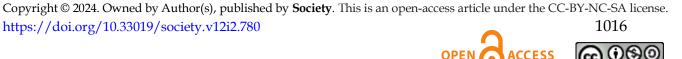


Table 1. IFAS Matrix for SEZ in Bitung City

Internal Factors		Weight	Rating	Score
Strength				
1.	SEZ has abundant natural resources, such as coconut fisheries.	0,12	4,00	0,47
2.	Infrastructure in SEZ, such as roads, ports, and transportation facilities, support economic activities.	0,12	3,50	0,41
3.	Government regulations provide incentives for investment and development in SEZ.	0,09	3,80	0,34
4.	Strategic SEZ location for domestic and international market access.	0,12	4,00	0,47
5.	Workers in SEZ have skills that are in line with industry needs.	0,09	3,00	0,26
	Total Strength			1,95
	Weaknesses			
1.	Construction delays may disrupt operational continuity.	0,09	1,50	0,13
2.	SEZ development may cause negative social impacts.	0,09	3,20	0,28
3.	Local labor skills do not always match the needs of industries in SEZ.	0,09	3,80	0,34
4.	Limited capital for industrial development in SEZ.	0,12	3,60	0,42
5.	Lack of coordination among stakeholders in SEZ management.	0,09	4,00	0,35
Total Weaknesses				
IFAS Grand Total		1,00	34,40	3,48

Source: Excel Processed Data 2024

Table 1 shows the results of the analysis calculation obtained. The total score for internal factors, which includes strengths and weaknesses, is 3.48, which shows that the Bitung City SEZ is in a strong position to utilize strengths to overcome the weaknesses faced in the development of SEZ in Bitung City. This shows that with the various strengths available, the Bitung City SEZ is able to compensate for the various weaknesses by utilizing its various strengths. This can be seen from the score of the analysis results, which are in a position of 3.48 or above 2.50. The greatest strength of the Bitung City SEZ development strategy is the strength of natural resources and the strategic location of the SEZ, which is 0.47. This shows that natural resources and the strategic location of SEZs can attract investment targets in the development of SEZs in Bitung City.

Meanwhile, the weakness of the SEZ in Bitung City is the limited capital required for the development of SEZ in Bitung City, which is 0.42. This can be seen from the impact of the COVID-19 pandemic, which has hampered the flow of investment into Bitung SEZ. Many investors have delayed or canceled investment plans due to the economic impact caused by the

COVID-19 pandemic. This has a direct impact on the availability of capital for industrial development in the SEZ in Bitung City.

External condition analysis is carried out on strategic factors, including opportunities and threats, in the development of SEZ in Bitung City. Suppose the results of EFAS are found that the results obtained are below 2.50. In that case, it means that SEZs, under existing circumstances, have not been able to utilize opportunities optimally and are very vulnerable to competitive threats. This means that when facing the dynamics of the external environment, SEZ is in a weak position. Otherwise, if the results are more than 2.50, it can be concluded that when facing the dynamics of the external environment, the position of SEZ is relatively strong. The results of the SEZ EFAS analysis can be seen in **Table 2**.

Table 2. EFAS Matrix for SEZ in Bitung City

	External Factors	Weight	Rating	Score
Opportunities				
1.	Technological advances can improve the production efficiency and competitiveness of products from SEZ.	0,12	4,00	0,48
2.	Access to vast international markets, especially for high-value-added products.	0,09	3,70	0,34
3.	Potential for cooperation with foreign investors who can bring new technology and capital into the SEZ.	0,09	3,50	0,32
4.	Global economic growth is driving demand for products from SEZ.	0,12	4,00	0,48
5.	Government policies that support SEZ development.	0,09	3,80	0,35
	Total Opportunities			1,97
	Threats			
1.	Competition with other SEZs at home and abroad.	0,09	3,00	0,27
2.	Changes in government policy that may affect the desirability of SEZ.	0,09	3,50	0,32
3.	Environmental issues that may lead to protests from the public and environmental organizations.	0,09	3,80	0,35
4.	Environmental issues that may lead to protests from the public and environmental organizations.	0,09	3,60	0,33
5.	Political and security instability may hinder investment in SEZ.	0,12	4,00	0,48
Total Threats				1,75
	EFAS Grand Total	1,00	36,90	3,72

Source: Excel Processed Data 2024

Following the results of the analysis of external strategic factors on opportunity and threat factors in the SEZ of Bitung City, in **Table 2** above, the total EFAS score obtained is 3.72. This



shows that the SEZ in Bitung City is in a strong external position, which means that the development of the SEZ in Bitung City is able to take advantage of every opportunity that exists and overcome every threat that exists because it is in a position above (2.50).

Bitung City SEZ is in a strong and advantageous position, according to the findings of the analysis. The suggested strategy is progressive, or, to put it another way, it makes use of the region's potential to produce superior commodities. This means that Bitung City SEZ is in excellent and stable condition, allowing it to continue developing, growing, expanding, and expanding in order to make the most progress possible.

Bitung City's SEZ can draw in both global and domestic investors and has a lot of potential to boost the local economy. Rich natural resources are available in Bitung SEZ for production and export, particularly in the coconut and fishing industries. Bitung SEZ is an economic gateway to the Asia-Pacific region, with access to international port links that facilitate the distribution of goods. As such, improved infrastructure development will increase the accessibility and efficiency of product distribution from Bitung SEZ to international markets. Additionally, Bitung City's SEZ offers prospects for growth from the outside, including the opening of international markets that could collaborate with multinational corporations and foreign investors to boost investment and technology transfer to this area. Therefore, creating the Bitung SEZ to boost economic growth is a task for the Bitung City government.

Although Bitung City has internal strengths, some limitations must be addressed in the effort to create SEZ. The following internal weaknesses need to be addressed: Bitung SEZ frequently experiences delays in development that can disrupt operations; Bitung SEZ development can have negative social impacts; local labor skills are not always in line with the needs of the industry in the SEZ; Bitung SEZ has limited capital for industrial development; and there is still a lack of coordination amongst stakeholders in Bitung SEZ management.

However, there are a number of external threats that should be expected, including competition from other SEZs, policy changes, environmental concerns that may spark public and environmental group protests, price swings, and political and security instability that may make it difficult to invest in Bitung SEZ.

Through greater investment, job creation, infrastructure development, economic diversification, increased exports, and government assistance, the formation of SEZ will positively affect a region's economic development. Bitung SEZ has the potential to propel economic growth in North Sulawesi and Indonesia overall with the correct approaches and resolution of current issues.

The Bitung SEZ should be developed as one of the best places to boost the economy and the community's well-being, taking into account the many potentials, strengths, and possibilities that are present.

Bitung City's SEZ development is strongly tied to a number of variables that can promote infrastructural development and economic expansion. Infrastructure improvements like the Manado-Bitung Toll Road and the International Hub Port, which are intended to increase the accessibility and effectiveness of goods distribution, assist Bitung SEZ. A strong infrastructure is necessary to draw in investment and make exporting easier. Strong infrastructure development, attention to key industries (fisheries and coconut), incentives for investment, transportation integration, government backing, and workforce skill development are all crucial to the growth of Bitung SEZ.



5. Conclusion

The development of SEZ in Bitung City, based on the research findings, demonstrates a favorable alignment between external opportunities and internal strengths, placing it in the first quadrant of the SWOT analysis. To ensure the growth and sustainability of the SEZ, it is essential to maximize the potential of local resources, particularly fisheries and coconuts, to enhance both production and quality. By focusing on these sectors, Bitung can strengthen its economic foundation and attract more investment. Improving infrastructure, especially transportation networks and fishing ports will be crucial for supporting efficient product distribution and providing better access to both domestic and international markets. Enhanced infrastructure will facilitate smoother trade processes, increase efficiency, and enhance competitiveness.

In addition, the development of human resources must be prioritized to ensure the local workforce can meet the demands of a growing economy. This includes improving skills and providing educational programs tailored to the needs of industries within the SEZ. Equally important is the need to build collective awareness and commitment among stakeholders, including the government, business actors, and the community. This will help ensure continued progress and focus in developing Bitung SEZ. Collaborative efforts between local businesses and foreign investors will further enable technology and capital transfer. Moving forward, strategic actions should be taken to capitalize on the SEZ's strengths and opportunities. Increased coordination between stakeholders is necessary to ensure that development is directed, efficient, and results-driven. Finally, the Bitung City Government must take a more active role in SEZ development, aligning with priority programs and targets to ensure the SEZ's long-term success.

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