

Effectiveness of Monitoring the Entry and Exit of Motor Vehicles to and from the Batam Free Trade Area and Free Port

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Abstract. *Smuggling of goods not only harms the state finances but also violates the social and economic rights of the community. To safeguard state finances and the economy in society, strict regulations are necessary to create a deterrent effect against perpetrators of smuggling who have clearly damaged the state finances. The research problems aim to: 1. Identify and analyze the effectiveness of the Government Regulation on the Batam Free Trade Zone and Free Port (KPBPB); 2. Identify and analyze the supervision of the entry and exit of motor vehicles to and from the Free Trade Zone and Free Port in the Batam Free Trade Zone and Free Port. This research uses an empirical juridical approach with descriptive-analytical methods, collecting primary data through interviews and secondary data via library studies. The data is analyzed qualitatively using logical and systematic methods. Research problems are analyzed using theories of legal certainty, legal effectiveness, and trade facilitation. Based on the research results, it can be concluded that: (1) KPBPB aims to enhance economic competitiveness and investment, but its implementation is hindered by, among others, complex regulations. The solution is regulatory revision through service acceleration. Presidential Regulation no. 1 of 2024 serves as the main guideline for KPBPB development. Supervision of motor vehicles in the FTZ at Batam KPBPB is crucial for free trade zone policies to boost competitiveness and investment. Green-plated vehicles with FTZ stamps may only operate within the zone and must pay taxes upon exit, supervised by KPPBC through preventive-repressive approaches and inter-agency cooperation. Main challenges include complex regulations, limited human resources/facilities, low legal awareness, and violations such as cigarette/alcohol smuggling that harm the state.*

Keywords: Free Trade And Free Ports; Import And Export Of Motor Vehicles; Supervision.

1. Introduction

In the era of globalization, international trade is the backbone of global economic growth. Free Trade Zones (FTZs) have become a strategic instrument for countries to increase economic competitiveness and attract foreign investment.¹. emphasized that Special Economic Zones (SEZs) are a powerful tool for regional development, stimulating investment, creating job opportunities, and supporting economic growth through tax incentives and other benefits. In the Asia Pacific region, particularly ASEAN, the trend towards the establishment of free trade areas is growing stronger in response to trade liberalization and regional supply chain integration. Fan et al. in their study of Hong Kong show that as one of the world's most important trading ports², free trade areas are not only a benchmark for international trade liberalization but also important participants in encouraging the innovative development of international trade economic rules and governance.³

Indonesia, with its vision as a global maritime axis, prioritizes economic development strategies through special economic zones, such as free trade zones and free ports. In their research, Azzahra et al. found that the implementation of free trade zones and free ports in Batam successfully boosted economic growth through export- and import-based international trade.⁴ Law of the Republic of Indonesia Number 37 of 2000 is the first national legal starting point that explicitly affirms the status of Free Trade Zones (FTZs) as a strategic regional development policy instrument.⁵ This law provides a legal basis for the implementation of special facilities and policies in designated areas, emphasizing that FTZs are not just a fiscal matter but also a matter of regional governance, financial balance, and regional specialties.

¹ Asian Development Bank, Designing and Implementing Trade Facilitation in Asia and the Pacific 2013 Update (Asian Development Bank, 2013).

² Qingzhi Fan, Yixin Wang, and Siyu Liang, Study on the Development and Future of Hong Kong Trade Logistics (Atlantis Press International BV, 2024), https://doi.org/10.2991/978-94-6463-408-2_71.

³ Bataminfo.co.id, "JPKP Asks Batam Customs to Stop Illegal Goods from Batam Entering Tanjung Pinang," 2025.

⁴ Firsta Reynalda Azzahra, Najamuddin Khairur Rijal, and Devita Prinanda, "The Impact of Exports and Imports on Economic Growth in the Batam Free Trade and Free Port Area (KPBPB)," NeoRespublica: Journal of Government Science 4, no. 1 (2022): 69–82, <https://doi.org/10.52423/neores.v4i1.16>.

⁵ Law of the Republic of Indonesia, "Law Number 37 of 2000 Stipulating Government Regulation in Lieu of Law Number 2 of 2020 Concerning the Free Trade Area and Sabang Free Port into Law," 2020.

In its implementation, Regulation of the Minister of Finance of the Republic of Indonesia Number 34/PMK.04/2021 is designed as a technical regulation for the management of the entry and exit of goods into and from Free Zones. This PMK strengthens the administrative and technical governance of free zones, emphasizing the use of electronic systems and risk management principles in supervision. The designation of Batam as part of the FTZ network is driven by its geographic advantages, such as its position on international shipping routes and proximity to Singapore and Malaysia, as well as its potential in the tourism, logistics, and ship maintenance sectors.

The characteristics of Free Trade Zones bring both benefits and risks. On the one hand, FTZs offer accelerated flows of goods and capital, fiscal incentives, and job creation. However, on the other hand, major risks include the potential misuse of facilities for smuggling of motor vehicles, illegal cigarettes, and alcoholic beverages, transfer pricing/under-invoicing, tax evasion, and the flow of prohibited goods through customs loopholes, which pose serious challenges. Li et al., in their analysis of financial supervision in the Northeast Asia Free Trade Zone, found that coordination and cooperation in financial supervision are still at an exploratory stage, creating conditions for the implementation of a "supervisory sandbox" in the region.⁶ This study demonstrates the significance of introducing a "regulatory sandbox" model in balancing innovation and financial oversight.

Handrisal et al., in their research on the supervision of cigarette distribution specifically in FTZs in Tanjungpinang, found that although supervision had been implemented in a preventive and repressive manner, obstacles were still encountered in the form of unclear boundaries of free zones, a lack of infrastructure, and low levels of public awareness.⁷ This problem is exacerbated by cases of abuse of free trade zone facilities. As reported in the media, the Tanjungpinang City Government Policy Monitoring Network (JPKP) urged Batam Customs to stop illegal goods entering the Bintan and Tanjungpinang areas through document manipulation. The case of securing six lorries and the Leffindo Jaya 10 ship shows a gap in the monitoring system that allows illegal goods to freely enter and exit the area. This is not limited to the entry of illegal goods such as cigarettes, but also includes motor vehicles and at least other alcoholic beverages.

Based on a review of regulations and field practices, several key issues were identified: (1) the gap between the norms provided in central regulations and

⁶ Qian Li et al., "Research on Financial Supervision in Northeast Asia Free Trade Zone — Based on the 'Regulatory Sandbox' Model," MATEC Web of Conferences 336 (2021): 09026, <https://doi.org/10.1051/matecconf/202133609026>.

⁷ Handrisal, Oksep Adhayanto, and Aida Audina, "Supervision of Cigarette Distribution in Free Zones in Tanjungpinang City," 2021, <https://doi.org/10.52447/gov.v6i2.4571>.

the implementing capacity in the regions; (2) weaknesses in the supervisory system including limited human resources, information technology, and inter-agency coordination; (3) the risk of state revenue leakage and economic crime if customs controls are weak; and (4) the need for harmonization with regional regulations so that FTZ zoning does not conflict with local spatial planning and environmental interests. Colla-De-Robertis & Garduno Rivera, through a comparative study using the synthetic control method, found that the impact of FTAs is heterogeneous, where the more dependent a country is on the US for its trade, the less profitable it is to sign an FTA with the US.⁸ These findings indicate the need for a comprehensive evaluation of the effectiveness of free trade areas.

The urgency of research on the effectiveness of FTZ supervision is very strong considering the complexity of the existing problems. A comprehensive evaluation is needed to measure the extent to which the legal structure is translated into effective supervisory practices. This research is expected to: (a) identify the effectiveness of regulations regarding KPBPB especially in Batam; (b) identify supervision in the Batam free trade zone and free port; (c) identify obstacles that exist in the Batam free trade zone and free port and (d) formulate solutions related to problems, especially regarding motor vehicle supervision in KPBPB Batam. With the existing conditions and problems, in-depth research on the effectiveness of supervision of the entry and exit of goods in the Batam FTZ is an urgent need to optimize the function and role of the area in supporting the national and regional economy.

2. Research Methods

The method used in this research is empirical juridical, in this research, in addition to using the legal provisions applicable in Indonesia, it also uses the opinions of experts in certain legal fields, especially those related to this research.⁹

3. Results and Discussion

3.1. Effectiveness of Government Regulations on Free Trade Areas and Free Ports (KPBPB)

In an interview with IRFAN SYAKIR WIDYASA, ST, MAP as Director of KPBPB and KEK Development at the Directorate of KPBPB and KEK Development of BP Batam as a respondent, he explained that the effectiveness of Government

⁸ Esteban Colla-De-Robertis and Rafael Garduno Rivera, "The Effect of a Free Trade Agreement with the United States on Member Countries' per Capita GDP: A Synthetic Control Analysis," *Regional Science Policy and Practice* 13, no. 4 (2021): 1129–45, <https://doi.org/10.1111/rsp3.12402>.

⁹ Legal Research Methodology Book by Prof. Dr. Suteki, SH, M.Hum. & Galang Taufani SH, MH

Regulations on Free Trade Areas and Free Ports (KPBPB) in Indonesia generally aims to increase economic competitiveness and investment through exemption from import duties, taxes, and excise in certain areas.¹⁰ However, its implementation on the ground, particularly in Batam and Bintan, still faces various obstacles such as regulatory complexity, limited human resources and oversight facilities, and a lack of public legal awareness. To overcome these obstacles, regulatory refinements, human resource capacity building, modernization of oversight facilities, intensive outreach, and increased synergy between relevant agencies are required. This comprehensive approach is expected to improve the effectiveness of KPBPB implementation and support sustainable economic growth in these regions.

In an interview with IRFAN SYAKIR WIDYASA, ST, MAP as Director of KPBPB and KEK Development at the Directorate of KPBPB and KEK Development of BP Batam as a respondent, he explained that KPBPB in Indonesia is an area separated from the customs area so that it is exempt from import duties, VAT, PPnBM, and excise, aiming to attract investment and increase trade. Areas such as Batam, Bintan, and Karimun are examples of strategic locations for KPBPB. The legal framework includes Government Regulations, Customs Laws, and WTO principles to maintain a balance between free trade and protection of domestic industries. Legal certainty is very important to create a conducive investment climate and protection for business actors and the community.¹¹

The implementation of Government Regulation (PP) Number 25 of 2025 concerning Amendments to Government Regulation Number 41 of 2021 concerning the Implementation of Free Trade Zones and Free Ports in Batam is carried out with a commitment to providing licensing services as mandated by the regulation, particularly in the field of ports and water use in the Free Trade Zone and Free Ports (KPBPB). BP Batam manages related service business permits online and collaborates with Port Business Entities to support the development of Batam's maritime industry. Policies such as the exemption from mooring fees at terminals and shipyards are a concrete part of the implementation of this Government Regulation (PP) to encourage investment and industrial progress in Batam. This implementation facilitates business operations, enhances Batam's competitiveness as a logistics and maritime industry hub, and makes it an investment-friendly region with a sustainable maritime economy.¹²

¹⁰Results of an interview with IRFAN SYAKIR WIDYASA, ST, MAP as Director of KPBPB and KEK Development at the Directorate of KPBPB and KEK Development, on Sunday, November 24, at 09:00 WIB.

¹¹Results of an interview with IRFAN SYAKIR WIDYASA, ST, MAP as Director of KPBPB and KEK Development at the Directorate of KPBPB and KEK Development, on Sunday, November 24, at 09:00 WIB.

¹²Ibid.

In an interview with Faqih Yusuf as Head of Customs and Excise I at the Directorate General of Customs and Excise, Kpu Bc Type B Batam as a respondent explained that the implementation of supervision at the KPBPB is carried out by the Customs and Excise office with a preventive and repressive approach, such as administrative supervision, market operations, and cooperation between security agencies. Special supervision is applied to FTZ motorized vehicles that have green license plates and STNKs with a red FTZ stamp that will enter or exit the KPBPB Batam area and the policy of exempting import duties while operating at the KPBPB Batam¹³.

Some of the main obstacles to the implementation of the KPBPB include overlapping regulations, limited human resources and modern monitoring facilities, a lack of public awareness and compliance with the law, and a local legal culture that still supports informal practices. Violations such as smuggling of motor vehicles, cigarettes, and alcoholic beverages also pose serious challenges that harm the state.

Some other obstacles experienced are obstacles to the centralized licensing system through the risk-based Online Single Submission (OSS) which has not accommodated the special characteristics of the Batam KPBPB. Environmental permits and environmental impact analysis (EIA) addendums are often delayed due to dependence on the central government. BP Batam does not yet have full authority to issue standard certificates and technical verification of environmental permits, so the permit process is less efficient. Technical constraints in motor vehicle supervision and licensing also affect the effectiveness of area management.

In an interview with IRFAN SYAKIR WIDYASA, ST, MAP as Director of KPBPB and KEK Development at the Directorate of KPBPB and KEK Development as a respondent, he explained that the strategy for increasing effectiveness includes revising and harmonizing regulations, increasing the capacity and welfare of officers, investing in IT-based monitoring technology, massive legal socialization to the community, strengthening inter-agency cooperation, enforcing firm and fair sanctions, continuous evaluation, and empowering local governments in accordance with the principles of decentralization. Adaptation to global economic developments and digital technology is also an important part of KPBPB management to remain relevant and efficient in the long term.¹⁴

Regulatory revisions are needed so that BP Batam obtains full authority over licensing and technical verification at KPBPB, accelerating and simplifying the

¹³Results of an interview with Faqih Yusuf as Head of Customs and Excise I at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 9, at 16:00 WIB.

¹⁴Results of an interview with IRFAN SYAKIR WIDYASA, ST, MAP as Director of KPBPB and KEK Development at the Directorate of KPBPB and KEK Development, on Sunday, November 24, at 09:00 WIB

licensing process. BP Batam is developing online licensing services and collaborating with various parties to improve regulatory infrastructure and services.

Cross-institutional collaboration and intensive outreach to the community and business actors are solutions to accelerate licensing and regional development. With adequate authority and integrated services, BP Batam is expected to be the main implementer of optimal KPB PB management.¹⁵

Regulatory adjustments and service digitalization are essential, as is synergy between BP Batam, the central government, and relevant agencies to support optimal and sustainable regional development.

The urgency of implementing Presidential Decree Number 1 of 2024 concerning the Master Plan for the Development of KPB PB Batam, Bintan, and Karimun is very necessary to be implemented immediately as a guideline for accelerating regional development. This Presidential Decree regulates priority strategies and programs to resolve the problem of income and expenditure of motorized vehicles in Batam as well as other operational issues. The implementation of this Presidential Decree is expected to make governance more integrated and efficient, strengthen institutions, synergize between agencies, and optimize investment and infrastructure development.¹⁶ As well as BP Batam can carry out its management and service roles effectively, in accordance with the Regulation of the Director General of Customs and Excise PER-15/BC/2022, creating a conducive business ecosystem and sustainable development.

In short, Presidential Decree Number 1 of 2024 marks a new milestone in building management synergy, strengthening the monitoring system, and encouraging the economic development of the Batam, Bintan, and Karimun Free Trade and Free Port Areas for sustainable shared progress.

3.2. Supervision of the Entry and Exit of Motor Vehicles to and from the Batam Free Trade Zone and Free Port

1. Regulations concerning the Entry and Export of Motor Vehicles to and from the Batam Free Trade Zone and Free Port

Regulations regarding the entry and exit of motor vehicles in the Batam Free Trade Zone and Free Port are an integral part of the implementation of the free trade zone (FTZ) policy in Indonesia which aims to increase economic competitiveness and attract foreign investment. Motor vehicles labeled FTZ are vehicles registered and operating in FTZ areas such as Batam, Bintan, and Karimun, which have characteristics such as green license plates and if the plate

¹⁵Ibid.

¹⁶Ibid.

is white on the STNK there is a red stamp with the word FTZ and may only be used within the zone.¹⁷. The special characteristics of FTZ vehicles include several important aspects that distinguish them from motorized vehicles generally operating in other Indonesian customs areas.

The legal basis for regulating FTZ vehicles in Batam cannot be separated from the national legal framework that comprehensively regulates Free Trade Zones and Free Ports. Law Number 10 of 1995 concerning Customs, amended by Law Number 17 of 2006, serves as the formal and material legal basis for customs activities in Indonesia, including the supervision of motorized vehicle traffic in free trade zones and free ports.¹⁸ The focus of customs activities includes two main aspects, namely supervision of the traffic of imported and exported goods, as well as the collection of goods traffic taxes in the form of import duties and export duties, where motor vehicles are included in the category of goods whose movements are monitored.¹⁹.

In an interview with Rudi Irawan as Supervisory Investigator at the Directorate General of Customs and Excise, KPU Bc Type B Batam stated that currently the regulations related to Entry and Exit of Motor Vehicles to and from the Batam Free Trade Zone and Free Port still using Article 73 paragraph (7) and Article 74 paragraph (7) of the Minister of Finance Regulation Number 34/PMK.04/2021 concerning the Entry and Export of Goods to and from Areas that have been Designated as Free Trade Areas and Free Ports.

The implementation of Article 73 paragraph (7) and Article 74 paragraph (7) is regulated in the Regulation of the Director General of Customs and Excise number PER-15/BC/2022 concerning Procedures for the Entry and Export of Motor Vehicles to and from Areas that have been Designated as Free Trade Areas and Free Ports (KPBPB).²⁰

FTZ vehicles receive import duty exemption facilities as one of the fiscal incentives provided to business actors and residents domiciled in the

¹⁷ Evi Dwi Hastri et al., International Law in the Era of Society 5.0.

¹⁸ Government Regulation of the Republic of Indonesia Number 41 of 2017, "Concerning Amendments to the Regional Government Regulation Government Regulation (PP) Number 25 of 2025 concerning Amendments to Government Regulation Number 41 of 2021 concerning the Implementation of Free Trade Zones and Free Ports

¹⁹ SH H, Riduan Syahrani, Keywords for Studying Legal Science, 2023, https://www.google.co.id/books/edition/KATA_KATA_KUNCI_MEMPELAJARI_ILMU_HUKUM/xk3AEAAAQBAJ?hl=en&gbpv=0 %0A%0A.

²⁰ Results of an interview with Rudi Irawan as Supervisory Investigator at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 27, at 19:00 WIB.

area.²¹ However, this exemption from import duties does not mean that FTZ vehicles are completely free from tax obligations.

In an interview with Faqih Yusuf as Head of Customs and Excise I at the Directorate General of Customs and Excise, Kpu Bc Type B Batam as a respondent explained that the applicable provisions state that this vehicle must pay Value Added Tax (VAT) and Sales Tax on Luxury Goods (PPnBM) which were previously suspended if the owner wants to take the vehicle out of the FTZ area. This tax payment mechanism is a form of implementing the principle of fiscal justice where tax exemption facilities are provided while the vehicle is operating in the zone, but tax obligations still apply when the vehicle leaves the special economic zone.²²

The characteristics of FTZ vehicles that can be identified physically include green license plates with black writing, Vehicle Registration Certificates (STNK) that have a red stamp that says "FTZ Facility" (if the plate is white) which indicates that the vehicle may not be taken out of the area, as well as several license plates that end with certain letters such as X, Z, or V.²³ This visual identification is crucial in the context of surveillance because it makes it easier for law enforcement officers, particularly officers from the Customs and Excise Supervision and Service Office (KPPBC), to verify and take action against vehicles that violate regulations.

The provisions and restrictions imposed on FTZ vehicles cover several important aspects. First, the use of FTZ vehicles is limited to within FTZ areas such as Batam, Bintan, and Karimun, thus limiting their mobility geographically.²⁴ Second, vehicle owners are prohibited from taking their vehicles out of the zone without paying the applicable taxes, where violations of this provision can be subject to administrative and criminal sanctions in accordance with applicable laws and regulations.²⁵ Third, FTZ facilities also apply

²¹ Hamdani and Bushindo, "The Ins and Outs of Export-Import Trade Volume 1," 2017, https://www.google.co.id/books/edition/Seluk_Beluk_Perdagangan_Eksport_Impor_Jil/iDtBEAAAQBAJ?hl=en&gbpv=0.

²² Results of an interview with Faqih Yusuf as Head of Customs and Excise I at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 9, at 16:00 WIB.

²³ MM Herman Budi Sasono, SE., Port Management and Export-Import Realization, 2021, https://www.google.co.id/books/edition/Manajemen_Pelabuhan_dan_Relaasi_Eksport/n2TKbuGpAKYC?hl=en&gbpv=0 %0A%0A.

²⁴ Humphrey Wangke, "Indonesia-Malaysia Cooperation in Border Management in Kalimantan," Jakarta: Yayasan Pustaka Obor Indonesia, 2018, https://www.google.co.id/books/edition/Kerja_Sama_Indonesia_Malaysia_dalam_Peng/4MNeDwAAQBAJ?hl=en&gbpv=0.

²⁵ Government Regulation (PP) Number 25 of 2025 concerning Amendments to Government Regulation Number 41 of 2021 concerning the Implementation of Free Trade Zones and Free Ports

to legal entities, foreign representatives, and certain other vehicles that meet the requirements set by the government.

From the perspective of legal certainty, the regulation of FTZ vehicles must fulfill three identity values according to Gustav Radbruch, namely the principle of legal certainty (rechtsicherheit), the principle of legal justice (gerechtigkeit), and the principle of legal utility (zweckmäßigkeit).²⁶ Legal certainty in this context has two meanings according to Utrecht, namely first, the existence of general rules that make individuals know what actions are allowed or not allowed to be done; second, in the form of legal security for individuals from government arbitrariness because with the existence of general rules, individuals can know what the state may charge or do to individuals.

In the context of international trade, the regulation of FTZ vehicles in Batam cannot be separated from the GATT-WTO framework which regulates the principles of international trade including tariff and non-tariff regulations.²⁷ Indonesia, as a WTO member country, must align its WTO policies, including motor vehicle regulations, with agreed international commitments, including in terms of protecting domestic industry, implementing quality and safety standards, and preventing detrimental trade practices.²⁸ Customs regulations are a vital instrument in securing national interests while facilitating efficient cross-border trade, including regulating motorized vehicle traffic in free trade areas and free ports.

The concept of trade facilitation, which emphasizes the balance between the smooth flow of goods and security and supervision, is a principle that must be applied in regulating FTZ vehicles.²⁹ The World Bank emphasized that trade facilitation reform requires operational guidance on how to assess status, necessary steps, and implementation at the national and regional levels, which of course also applies to the context of motor vehicle supervision in the Batam KPBPB. Therefore, regulations regarding FTZ vehicles must be designed in such a way that, on the one hand, provides convenience and incentives for the community and business actors in the area, while at the same time maintaining

²⁶ Jongkers Tampubolon, International Trade and Business, 2020, https://www.google.co.id/books/edition/Perdagangan_Dan_Bisnis_Internasional/jk5bEQAAQBAJ?hl=en&gbpv=0.

²⁷ Se.I Mardianton, Sh M.Pd Faisal Efendi, and Mea Me Ira Sumarni, Se., Prospects and Dimensions of the Economy in Indonesia, 2024, https://www.google.co.id/books/edition/Prospek_dan_Dimensi_Perekonomian_Di_Indo/fWAHEQAAQBAJ?hl=en&gbpv=0.

²⁸ Jasman Jafar Ma'ruf, International and Global Marketing, 2025, https://www.google.co.id/books/edition/Pemasaran_Internasional_dan_Global/iNWKEQAAQBAJ?hl=en&gbpv=0.

²⁹ Parjiono and Agunan P. Samosir, Fiscal Policy, Climate Change, and Sustainable Development, 2018, https://www.google.co.id/books/edition/Kebijakan_Fiskal_Perubahan_Iklim_dan_Keb/oa1EAAAQBAJ?hl=id&gbpv=0.

aspects of supervision and security to prevent misuse of facilities that could harm the state.

In an interview with Faqih Yusuf, Head of Customs and Excise I at the Directorate General of Customs and Excise, KPU Bc Type B Batam, as a respondent, explained that the Regulations Concerning the Entry and Exit of Motorized Vehicles to and from the Batam Free Trade Zone (KPPBPB) are regulated by the Minister of Finance Regulation Number 34/PMK.04/2021, which explains the procedures for the entry and exit of goods, including motorized vehicles, in the free trade area. Vehicles must go through a licensing procedure that includes the issuance of an entry certificate and other documents required to ensure legality and compliance with customs and tax regulations.³⁰

PMK 34/PMK.04/2021 regulates the procedures for importing and exporting goods, including motor vehicles, into and out of the Free Trade Zone (KPPBPB). Incoming motor vehicles must be accompanied by legal documents such as an Entry Certificate (SKPKB-03) and related customs documents, which serve as administrative proof of the vehicle's legality in the free trade zone. Vehicles are released after fulfilling all applicable tax and customs obligations. This regulation also stipulates that the carrier's manifest must be reported for strict customs supervision, with the aim of ensuring compliance with tax and customs provisions and preventing misuse.³¹

Director General of Customs and Excise Regulation Number PER-15/BC/2022 is a technical implementation that complements the Minister of Customs and Excise Regulation. This regulation governs the administrative procedures for issuing documents for the entry and exit of motor vehicles, document validation, physical inspections, and field supervision to ensure that all processes are carried out according to regulations. This includes a mechanism for requesting document corrections and coordination with various relevant agencies to strengthen oversight to prevent smuggling and violations.³²

These two regulations play a crucial role in ensuring orderly, transparent, and legal governance in motor vehicle operations at the Batam Port Authority (KPPBPB), thus supporting regional development and ensuring the country's fiscal compliance. Intensive coordination between Customs and Excise, the Batam Free Trade Zone Authority (BP Batam), and other agencies is also key to the successful implementation of these regulations in the field.

³⁰Results of an interview with Faqih Yusuf as Head of Customs and Excise I at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 9, at 16:00 WIB.

³¹Ibid.

³²Ibid

2. Supervision of the Entry and Exit of Motor Vehicles to and from the Batam Free Trade Zone and Free Port

Supervision of the entry and exit of motor vehicles at the Batam Customs and Excise Service Office (KPPBC) is a crucial function carried out by the Customs and Excise Supervision and Service Office (KPPBC) as the front guard in maintaining the integrity of the free trade area and free port and preventing violations of tax and customs regulations. Supervision is basically directed at avoiding any possible deviations from the objectives to be achieved, and through supervision it is hoped that it can help implement established policies to achieve planned objectives effectively and efficiently.³³. In the context of the Batam KPBPP, effective supervision of motor vehicle traffic is key to ensuring that the import duty exemption and tax deferral facilities granted to FTZ vehicles are not misused by irresponsible parties.

In an interview with Rudi Irawan as Supervisory Investigator at the Directorate General of Customs and Excise, Kpu Bc Type B Batam as a respondent explained that Customs supervision is defined as an activity carried out in the context of law enforcement and efforts so that customs, excise, and departmental/ministerial/technical agency regulations entrusted to the Directorate General of Customs and Excise (DJBC) can be implemented properly. In practice, Supervision of the Entry and Exit of Motorized Vehicles to and from the Batam Free Trade Zone and Free Port by Batam customs is carried out at customs supervision posts in customs areas such as Bintang 99 Port, Batu Ampar Port, Telaga Punggur Port, Kabil Port etc., Supervision by means of risk management, namely checking vehicles entering and leaving the customs area. The following are related documents for the entry and exit of vehicles in the Batam Free Trade Zone and Free Port, namely:

1. PPFTZ-01 document (LDP in) for vehicles from outside the customs area to KPBPP Batam (99 Star Port)
2. PPFTZ-03 document for local vehicles (other places in the customs area) that will apply for endorsement (VAT refund) (Batu Ampar Port, Kabil Port)
3. PPFTZ-01 (KPBPP Out) document for vehicles from KPBPP Batam to local (other places within the customs area) (Telaga Punggur Port).³⁴

Other Supporting Documents:

1. Letter of approval from the relevant KPBPP authority (e.g., BP Batam).

³³ Widodo Dwi Pramono and Ratna Eka Suminar, *Regional Economics for Spatial Planning*, 2020, https://www.google.co.id/books/edition/Ekonomi_Wilayah_Untuk_Perencanaan_Tata_R/BSNYEQAAQBAJ?hl=en&gbpv=0.

³⁴Results of an interview with Rudi Irawan as Supervisory Investigator at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 24, at 09:00 WIB.

2. Other customs documents such as Purchase Invoice or Bill of Lading (B/L), although they may differ from regular imports.

3. Certificate of Origin.

KPPBC Batam implements two main types of supervision that complement each other, namely preventive supervision and repressive supervision, both of which have different characteristics, objectives, and implementation mechanisms but support each other in achieving overall supervision effectiveness.

Preventive supervision is intended to prevent deviations from occurring in the implementation of activities before violations occur.³⁵ This form of supervision usually takes the form of procedures that must be followed in carrying out activities, with the aim of preventing actions that deviate from the established basis, providing guidelines for carrying out activities effectively and efficiently, determining the targets and objectives to be achieved, and determining the authority and responsibility of the agency in relation to the tasks that must be carried out.³⁶ In the context of FTZ motor vehicle supervision in Batam, preventive efforts are carried out through several main activities integrated into the KPPBC supervision system.³⁷

Preventive supervision activities carried out by KPPBC Batam on FTZ vehicles include strict administrative supervision of vehicle documents, issuance and monitoring of Goods Release Certificates (SKPB) for vehicles leaving the FTZ area, verification of the completeness of tax documents, and supervision of the implementation of VAT and PPnBM payments before vehicles are allowed to leave the area.³⁸ In addition, outreach activities for service users and the public involved in the ownership and use of FTZ vehicles are also an important part of preventive supervision to increase awareness and compliance with applicable regulations.

Repressive supervision is carried out after an action is carried out by comparing what happened with what should have happened. Repressive supervision aims to determine whether the activities that have been carried out have followed established policies and provisions, and in practice is carried out in two ways: remote supervision through testing and research of accountability letters accompanied by evidence regarding the activities carried out, and close supervision carried out at the activity site or administrative location. The

³⁵ Eddie Renaldy, Denny Ikhlas, and Ardha Utama, "International Trade," Jakarta: Publisher, 2018, 45–47.

³⁶ Muh. Adzam, "Dynamics of Fiscal and Monetary Policy in Indonesia," Jakarta: Penerbit, 2025, 145–49.

³⁷ Results of an interview with Rudi Irawan as Supervisory Investigator at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 24, at 09:00 WIB.

³⁸ Hannah, "GEOPOLITICAL CONSEQUENCES OF INDONESIA'S INTERNATIONAL TRADE," no. 2 (2021).

activities of this repressive effort are carried out through physical supervision of vehicle inspections, periodic market operations at strategic points in and out of the FTZ area, and taking action against violations with criminal sanctions or administrative sanctions according to the level of violation committed.³⁹

The implementation of KPPBC supervision of the entry and exit of motorized vehicles at KPB Batam encompasses three main, comprehensive and integrated activities. First, intelligence activities are conducted to obtain initial information on suspected violations through data collection and analysis of suspicious vehicle movement patterns, analysis of vehicle transaction documents, and coordination with relevant agencies to obtain accurate and reliable information. These intelligence activities are crucial because they serve as the basis for determining priorities for supervision and enforcement against emerging violations.

Second, market operations or enforcement operations are carried out to safeguard state rights and guarantee the fulfillment of customs obligations through physical efforts of an administrative or repressive nature.⁴⁰ Market operations are conducted periodically at strategic locations such as ferry ports, border checkpoints, and areas serving as entry and exit routes for vehicles from the FTZ. During these operations, KPPBC officers conduct physical inspections of vehicles, verify documents, check license plates and vehicle registration documents, and confiscate vehicles found to be violating applicable regulations.

Third, collaboration with other agencies such as the police, the Public Order Agency (Satpol PP), the Indonesian Navy (TNI AL), and other relevant agencies to create synergy in supervision and law enforcement. This collaboration is crucial given the complexity of the issues faced in supervising FTZ vehicles, which often involve various legal aspects that require inter-agency coordination. Improving cooperation between the police and the Public Order Agency (Satpol PP) regarding the presence of illegal vehicles and intensifying firmer and stricter market operations to prevent further violations are strategies that must be continuously developed. Currently, the Batam Directorate General of Customs and Excise (DJBC) has collaborated with the Riau Islands Regional Police to monitor the entry and exit of goods into the Batam Free Trade Zone and Free Port.⁴¹

In the era of globalization and digital transformation, FTZ vehicle surveillance in Batam must also adapt to developments in information and communication technology. The development of technology-based surveillance systems such as

³⁹Results of an interview with Rudi Irawan as Supervisory Investigator at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 27, at 19:00 WIB.

⁴⁰ Nadila Silvia Amanda, "Nadila's International Trade Policy Analysis" 4, no. 1 (2022): 14–23.

⁴¹Results of an interview with Faqih Yusuf as Head of Customs and Excise I at the Directorate General of Customs and Excise, Kpu Bc Type B Batam, on Sunday, November 9, at 16:00 WIB.

electronic monitoring systems, CCTV with artificial intelligence technology, GPS-based vehicle tracking systems, and inter-agency database integration are urgently needed to improve oversight effectiveness. Efficient and effective mobilization of the rule of law must be achieved with the support of administrative officials and involved community members, where technology can be a key support in accelerating the verification process, violation detection, and inter-agency coordination.

The systematic, synergistic, comprehensive dimensions of supervisory impact, aligned with the main tasks and functions, must be indicators in evaluating the supervisory performance of the Batam Customs and Excise Office (KPPBC). Good customs and excise supervisory regulations have been proven to have a positive impact on the implementation of supervisory work in supervisory work units, as reviewed from these four dimensions. Therefore, updating and refining supervisory regulations must be carried out continuously to adapt to the development of violation modes and the increasingly complex dynamics of international trade.

Motor vehicle supervision is carried out by Batam Customs, together with the Batam Free Trade Zone Authority (BP Batam), the police, and related agencies. This involves document inspections, physical inspections of vehicles, if necessary, and enforcement of tax and customs compliance. This supervision is carried out in an integrated manner, including raids, patrols, and administrative oversight, to prevent smuggling and other violations.⁴²

Based on the Regulation of the Director General of Customs and Excise Number PER-15/BC/2022, supervision of the entry and exit of motor vehicles to and from the Free Trade and Free Port Area (KPBPB) is carried out in the following ways:

1. Document Check

Supervision includes verification of customs documents such as the Motor Vehicle Entry Certificate (SKPKB), area business permits, and other supporting documents required to be submitted to the Customs Office. These documents serve as the legal basis for the import and export of motor vehicles.

2. Vehicle Physical Inspection

Physical inspections are conducted selectively based on risk management, primarily to verify vehicle chassis and engine numbers to ensure they match documentation. The results of the physical inspections are recorded in a report, which serves as official monitoring data.

⁴²Ibid.

3. Integrated Supervision

Batam Customs and Excise in collaboration with BP Batam, the Police, and related agencies conduct integrated supervision through field raids, routine patrols, and administrative supervision to ensure that no smuggling or administrative violations occur.

Through this mechanism, motor vehicle supervision at the Batam Port Authority (KPPBPB) is comprehensive and effective, maintaining order and legal certainty, and supporting orderly area management in accordance with statutory provisions. Collaborating with Customs, BP Batam, the Police, and other agencies, supervision is optimally implemented to prevent smuggling and other regulatory violations at the Batam Port Authority (KPPBPB).

4. Conclusion

Based on the results of this research and the discussion in chapter III, the following conclusions can be drawn: 1. Effectiveness of Government Regulations on the Batam Free Trade Area and Free Port (KPBPB). The KPBPB's primary objective is to increase economic competitiveness and investment by exempting import duties, taxes, and excise duties in certain areas such as Batam, Bintan, and Karimun. However, implementation in the field faces challenges in the form of complex regulations, limited human resources and supervisory facilities, and a lack of public legal awareness. The OSS-based licensing process also does not fully accommodate the unique characteristics of the Batam KPBPB, hampering management efficiency. To increase effectiveness, regulatory revision and harmonization are needed, strengthening the capacity and welfare of supervisory officers, implementing IT-based supervisory technology, massive legal outreach, and increasing synergy between agencies. Full authority for BP Batam in licensing and technical verification is crucial to expedite the process and provide integrated services. The implementation of Presidential Regulation No. 1 of 2024 is considered crucial as a guideline for accelerating the development of the Batam, Bintan, and Karimun KPBPB, optimizing governance, supervisory systems, and investment in an integrated manner for sustainable economic development. With good synergy and adaptive regulations, the KPBPB is expected to become a special economic zone that is efficient and conducive to investment and economic growth. 2. Supervision of the Entry and Exit of Motor Vehicles to and from the Batam Free Trade and Free Port Area (KPBPB) Motor vehicle monitoring at the Batam Free Trade Zone (FTZ) is a crucial component of the free trade zone (FTZ) policy, which aims to enhance economic competitiveness and attract investment. FTZ vehicles are characterized by green license plates (not permitted to leave the zone) and an FTZ stamp on their vehicle registration certificates (STNK). Vehicles are permitted to operate only within the zone, with the obligation to pay taxes upon exiting the zone. Monitoring is carried out by the Customs and Excise Supervision and Service

Office (KPPBC) using a preventive and repressive approach, including document inspections, vehicle physical inspections, market operations, and cross-agency cooperation. Key obstacles to oversight include regulatory complexity, limited human resources and modern oversight facilities, a lack of public legal awareness, and local legal cultures that impact compliance. Violations such as vehicle smuggling, illegal cigarettes, and alcoholic beverages pose significant challenges that cost the state money. A complex licensing system and large vehicle volumes also pose technical obstacles to oversight. Strategies to overcome these obstacles include revising and harmonizing regulations to facilitate supervision, increasing the capacity and welfare of officers, modernizing supervision facilities with digital technologies such as AI and GPS, and intensifying legal outreach to the public. Synergy and coordination between supervisory agencies must be strengthened through the formation of a joint task force for integrated supervision. If necessary, random checks should be carried out on local vehicles applying for endorsements to increase business compliance with regulations. Using a license plate checking system to quickly ensure the match between vehicles and license plates entering and leaving the Batam KPPPB. In addition, strict sanctions enforcement and continuous evaluation of policy implementation need to be implemented to increase the effectiveness of supervision and maintain the integrity of the Batam KPPPB. This approach is expected to create a comprehensive, transparent, and adaptive supervisory system to changes in the global economy and digital technology, thereby supporting the development of a sustainable regional economy and being safe from the misuse of FTZ facilities.

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