

GOVERNMENT REGULATION IN LIEU OF LAW
NUMBER 2, YEAR 2000
CONCERNING
FREE TRADE ZONE AND FREE PORT OF SABANG

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

- Considering :
- a. that the stipulation of the entire territory encompassing the municipality of Sabang (Weh Island, Klah Island, Rubiah Island, Seulako Island, Rondo Island), Brea Island, Nasi Island and Teunom Island as well as the surrounding small islands within certain coordinates as Sabang Integrated Economic Development Area has a very strategic position and location locally, nationally and internationally;
 - b. that to better maximize the implementation of the development of and guarantee business activities in the mining and energy, transportation, maritime and fishery, post and telecommunications, banking, insurance, tourism and other sectors, it is deemed necessary to promote the area as referred to in letter a into Free Trade Zone and Free Port of Sabang;
 - c. that the realization of the establishment of Free Trade Zone and Free Port of Sabang in a short time is the main priority to spur the development and construction in Aceh Special Region so that it shall be able to promote and serve as a model for the development of other regions in Indonesia;
 - d. that in connection with an urgent need as referred to above and pursuant to Government Regulation in lieu of Law No. 1/2000 concerning Free Trade Zone and Free Port of Sabang, it is necessary to stipulate a government regulation in lieu of the law on Free Trade Zone and Free Port of Sabang.
- In view of :
1. Article 22 paragraph (1) of the Constitution of 1945 as already amended by the second amendment to the Constitution of 1945;
 2. Law No. 10/1965 concerning the establishment of Sabang municipality by amending Law No. 7 Emergency/1956 on the establishment of regency autonomous regions in the province of North Sumatera (State Gazette No. 53/1965, Additional State Gazette No. 2758);
 3. Law No. 22/1999 concerning regional administrations (State Gazette No. 60/1999, Additional State Gazette No. 3839);

4. Law No. 25/1999 concerning the financial equilibrium between the central government and regional administrations (State Gazette No. 70/1999, Additional State Gazette No. 3848);
5. Law No. 33/1999 concerning the realization of the special nature of the province of Aceh (State Gazette No. 172/1999, Additional State Gazette No. 3892);
6. Government Regulation in lieu of Law No. 1/2000 concerning free trade zones and free ports (State Gazette No. 147/2000, Additional State Gazette No. 3996).

H A S D E C I D E D :

To stipulate : GOVERNMENT REGULATION IN LIEU OF LAW FREE TRADE ZONE AND FREE PORT OF SABANG

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to in this government regulation in lieu of the law as:

1. the Free Trade Zone and Free Port of Sabang, hereinafter referred to as Sabang Zone is a zone located within the jurisdiction of the Unitary State of the Republic of Indonesia and separated from a customs area so that it shall be free from the imposition of import duties, the value added tax, the sales tax on luxury goods and excise;
2. Sabang Zone shall be a zone encompassing the municipality of Sabang (Weh Island, Klah Island, Rubiah Island, Seulako Island, Rondo Island), Brea Island, Nasi Island and Teunom Island as well as the surrounding small islands located within the coordinate boundaries stipulated as attached and constituting an inseparable part of this government regulation in lieu of the law;
3. the Council of Sabang Zone shall be the Council of Free Trade Zone and Free Port of Sabang;
4. Chairman of the Council of Sabang Zone shall be the chairman of the Council of Free Trade Zone and Free Port of Sabang;
5. the Operational Board of Free Trade Zone and Free Port of Sabang, hereinafter referred to as the Operational Board of Sabang Zone, shall be the Management and Development Board of Free Trade Zone and Free Port of Sabang;

6. Head of the Operational Board of Sabang Zone shall be the head of the Management and Development Board of Free Trade Zone and Free Port of Sabang.

Article 2

In Sabang Zone activities are carried out in the economic area such as in the trade, service, industrial, mining and energy, transportation, maritime and fishery, post and telecommunications, banking, insurance, tourism and other sectors.

CHAPTER II
LEGAL POSITION

Article 3

- (1) Sabang Zone shall constitute the jurisdiction of the Unitary State of the Republic of Indonesia.
- (2) Sabang Zone as a free trade zone and free port shall be stipulated for a period of 70 (seventy) years as from the enforcement of this government regulation in lieu of the law.

CHAPTER III
INSTITUTIONALIZATION

Article 4

- (1) The president shall stipulate the Council of Sabang Zone.
- (2) The Council of Sabang Zone as referred to in paragraph (1) shall be led by the governor of the province of Aceh special region with Aceh Besar regent and Sabang municipality head as members.
- (3) The Chairman and members of the Council of Sabang Zone shall have a five-year term of office and can be reappointed for another term of office.

Article 5

- (1) The Council of Sabang Zone shall set up the Operational Board of Sabang Zone, which shall be led by a head assisted by a deputy head and members.
- (2) The head, deputy head and members of the board as meant in paragraph (1) shall be appointed and discharged by the Council of Sabang Zone after hearing the consideration of the provincial legislative assembly.

- (3) The term of office of the head, deputy head and members of the board as meant in paragraph (2) shall be 5 (five) years and they can be reappointed for another term of office.
- (4) The Operational Board of Sabang Zone shall be accountable to the Council of Sabang Zone.
- (5) The Operational Board of Sabang Zone as meant in paragraph (4) shall be domiciled in the municipality of Sabang.
- (6) The provision about the organizational structure, tasks and authority of the head, deputy head and members of the Operational Board of Sabang Zone shall be regulated further in a decision of the Council of Sabang Zone.

CHAPTER IV TASKS AND AUTHORITY

Article 6

- (1) The Council of Sabang Zone as meant in Article 4 paragraph (2) shall have the task and authority to stipulate general policies on, foster, supervise and coordinate the activities of the Operational Board of Sabang Zone.
- (2) The head of the Operational Board of Sabang Zone shall have the task and authority to undertake the management, development and construction of Sabang Zone in accordance with the functions of Sabang Zone.
- (3) In undertaking the activities of managing Sabang Zone, the Operational Board of Sabang Zone shall be authorized to draw up provisions as long as they do not contradict with this government regulation in lieu of the law and the prevailing laws.

CHAPTER V FUNCTIONS OF THE ZONE

Article 7

- (1) Sabang Zone has the function as a place for the development of businesses in the trade, service, industrial, mining and energy, transportation, maritime and fishery, post and telecommunications, banking, insurance, tourism and other sectors.
- (2) The function as meant in paragraph (1) shall encompass:
 - a. the activities of manufacturing, construction designing, engineering, sorting, preliminary inspection, final inspection, packing and repacking of goods and raw materials from home and abroad, services for the repair and reconditioning of machinery and quality promotion;

- b. supplies and development of infrastructures and facilities of water and water sources, infrastructures and facilities for communication, including seaports and airports, power buildings and networks, post and telecommunications and other infrastructures and facilities.

CHAPTER VI
LICENSING

Article 8

To expedite the activities of Sabang Zone, the Operational Board of Sabang Zone shall be authorized to issue business licenses and other business licenses needed for companies setting up and running their businesses in Sabang Zone through the delegation of authority pursuant to the prevailing laws.

CHAPTER VII
MOVEMENT OF GOODS, QUARANTINE, FOREIGN EXCHANGE,
IMMIGRATION AFFAIRS, SHIPPING AND FLIGHT

Article 9

- (1) The goods subjected to a prohibition provision shall be prohibited to be taken into Sabang Zone.
- (2) The entry and release of goods into and out of Sabang Zone can be conducted only by companies already obtaining a business license from the Operational Board of Sabang Zone.
- (3) The companies as meant in paragraph (2) can take into Sabang Zone only goods related with their business activities
- (4) The entry and release of goods into and out of Sabang Zone through the seaport and airport appointed and located under the supervision of the customs office shall be exempted from the import duty, the value added tax, the sales tax on luxury goods and excise.
- (5) The entry and release of goods into and out of Sabang Zone into a Customs area shall be subject to the imposition of customs management in the import and export areas and the provisions in the excise area.
- (6) The entry of consumers' goods from outside a Customs Area for the need of the residents in Sabang Zone shall be granted exemption from the import duties, the value added tax, the sales tax on luxury goods and excise.
- (7) The quantity and types of the goods granted the facilities as meant in paragraph (6) shall be stipulated by the Operational Board of Sabang Zone.

Article 10

- (1) The laws on the quarantine of human beings, animals, fish and plants for the territory of Indonesia shall remain enforceable in Sabang Zone.
- (2) The Operational Board of Sabang Zone may cooperate with the officials of authorized government agencies to expedite inspection and other cooperation

Article 11

- (1) The rupiah currency shall be the legal tender in the entire Sabang Zone.
- (2) The entry and release of the Rupiah currency from a Customs Area to Sabang Zone and the other way around shall subject to the regulations stipulated by the government while the entry and release of the rupiah currency between Sabang Zone and a foreign country shall be subject to the general regulations prevailing in a Customs Area.
- (3) Foreign currencies can be transacted in Sabang Zone through banks or foreign exchange merchants with a license pursuant to the prevailing laws.
- (4) In Sabang Zone, all international trade transactions shall be conducted in foreign exchange by banks obtaining a license pursuant to the prevailing laws.

Article 12

- (1) The law in the immigration area of the Republic of Indonesia shall remain valid in Sabang Zone.
- (2) The granting of immigration facilities to foreigners undertaking free-trade businesses in Sabang Zone shall be regulated in a decree of the Minister of Justice and Human Rights.

Article 13

The Operational Board of Sabang Zone, with the approval of the Council of Sabang Zone, may establish regulations in the regulation of conduct for shipping and flights, the movements of goods at the seaport and the provision of seaport facilities and so forth as well as the stipulation of tariffs for all kinds of services pursuant to the prevailing laws.

CHAPTER VIII
SOURCES OF INCOME AND FINANCING

Article 14

- (1) The Operational Board of Sabang Zone shall make available its own sources of income to finance its own internal affairs.
- (2) The operational Board of Sabang Zone may also obtain sources of income originating from the sources of the state's budget, the regional budget and other sources not contradicting the prevailing laws.
- (3) The Operational Board of Sabang Zone shall be obligated to manage the finance pursuant to the prevailing laws.
- (4) Every year the Operational Board of Sabang Zone shall be obligated to draw up a budget of income and spending, which shall be validated by the Council of Sabang Zone.
- (5) Every year the financial report of the Operational Board of Sabang Zone shall be audited by a financial audit institution pursuant to the prevailing laws.

Article 15

Sabang Zone may receive loans domestically and from abroad with the approval of the Council of Sabang Zone and the provincial legislative assembly through the central government.

CHAPTER IX
CLOSING PROVISIONS

Article 16

With the enforcement of this government regulation in lieu of the law, the provisions regulating the imposition of import duties, the value added tax, the sales tax on luxury goods and excise shall not be enforced in Sabang Zone.

Article 17

This government regulation in lieu of the law shall take effects as from the date of promulgation.

AKBAR & AKBAR

Law Office

For public cognizance, this government regulation in lieu of the law shall be promulgated by publishing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
On September 1, 2000

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Signed

ABDURRAHMAN WAHID

Promulgated in Jakarta
On September 1, 2000
ACTING STATE SECRETARY

Signed

MARSILLAM SIMANDJUNTAK

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2000 NUMBER 148