

The Strategy of Indonesia's Economic Diplomacy in Building Mandalika Special Economic Zone 2017-2021

Aulia Rahmatin Masyhuri

Witri Elvianti

President University

Abstrak

Dalam beberapa tahun terakhir, Indonesia telah secara aktif mengejar diplomasi ekonomi untuk meningkatkan posisinya di dunia internasional melalui perdagangan, pariwisata, investasi, dan jasa (TTIS). Penelitian ini berfokus pada analisis strategi diplomasi ekonomi Indonesia dalam pengembangan Kawasan Ekonomi Khusus (KEK) Mandalika dari tahun 2017 hingga 2021. Dengan menggunakan metodologi kualitatif yang melibatkan analisis data dan wawancara, penelitian ini mengikuti empat tahap diplomasi ekonomi yang diuraikan oleh Kishan S. Rana, meliputi pemasaran ekonomi, jaringan ekonomi, pembangunan citra, dan pengelolaan regulasi dengan mobilisasi sumber daya. Penelitian ini bertujuan untuk mengungkap komitmen Indonesia dalam mengembangkan pariwisata sebagai sektor strategis, dengan memanfaatkan KEK Mandalika untuk menarik investasi. Temuan penelitian menunjukkan bahwa Indonesia telah berhasil melewati empat tahap tersebut, dengan penekanan khusus pada pariwisata olahraga di Mandalika dan menciptakan iklim investasi yang kondusif. Studi ini menekankan pentingnya akademis dengan memberikan wawasan tentang kompleksitas diplomasi ekonomi, pengembangan pariwisata, dan peran Badan Usaha Milik Negara (BUMN), seperti ITDC yang berperan sebagai BUPP Mandalika. Penelitian ini mengisi kesenjangan dalam literatur, memberikan pemahaman yang lebih baik tentang sifat berlapis diplomasi ekonomi Indonesia dan memberikan implikasi praktis bagi pembuat kebijakan dan investor.

Kata-kata Kunci: KEK Mandalika, diplomasi ekonomi, pariwisata, investasi

Abstract

In recent years, Indonesia has actively pursued economic diplomacy to enhance its international standing through trade, tourism, investment, and services (TTIS). This study focuses on analyzing Indonesia's economic diplomacy strategy in developing the Mandalika Special Economic Zone (SEZ) from 2017 to 2021. Employing a qualitative methodology involving data analysis and interviews, the research follows the four phases of economic diplomacy outlined by Kishan S. Rana, encompassing economic salesmanship, economic networking, image building, and regulatory management with resource mobilization. This aimed to unravel Indonesia's commitment to fostering tourism as a strategic sector, utilizing Mandalika SEZ to attract investments. Findings reveal that Indonesia has successfully navigated through the four phases, particularly emphasizing sports tourism in Mandalika and cultivating a conducive investment climate. The study underscores the academic importance by contributing insights into the intricacies of economic diplomacy, tourism development, and the role of state-owned enterprise, exemplified by the ITDC serving as Mandalika's BUPP. This research bridges gaps in the literature, shedding light on the multifaceted nature of Indonesia's economic diplomacy and offering practical implications for policymakers and investors alike.

Keywords: Mandalika SEZ, economic diplomacy, tourism, investment

Introduction

Since 2015, the Indonesian government has urged the Ministry of Foreign Affairs to focus more on the economic potential of the country (Cabinet Secretariat, 2015). This has become a primary concern for the government because through economic diplomacy, Indonesia can boost its economy by increasing trade and investment values. To achieve this, the Indonesian government has made various efforts to facilitate economic diplomacy, one of which is establishing Special Economic Zones (SEZ) in several regions of Indonesia. SEZs are specific boundary areas with geo-economic and geostrategic advantages, provided with special incentives to attract investments (National Council of SEZ, n.d.). In 2022, there are 18 SEZs scattered across Indonesia, covering industrial, tourism, and trade sectors (National Council of SEZ, n.d.).

Indonesia, known for its diverse culture and captivating natural beauty, holds significant potential in the tourism sector. This potential can be seen through the influx of foreign tourists to Indonesia in 2019, reaching 11,689,000 visitors (The World Bank, 2020). Following the success of developing Bali as an international tourist destination, the Indonesian government is now striving to introduce and develop other areas with similar potential, such as Lombok, through designating Mandalika as a tourism SEZ. Mandalika is one of the tourism SEZs established based on Government Regulation No. 52 of 2014, located in Central Lombok Regency, West Nusa Tenggara, covering an area of 1,035.67 hectares (National Council of SEZ, n.d.).

PT Pengembangan Pariwisata Indonesia (Persero), better known as Indonesia Tourism Development Corporation (ITDC), proposed the development of the Mandalika tourism SEZ with an environmentally friendly tourism concept. It aims to develop tourist attractions and attractions that are always oriented towards preserving the values and environmental quality existing in the community (National Council of SEZ, n.d.). The development of SEZs in West Nusa Tenggara has a positive impact on the regional economy, especially in providing job opportunities. A study conducted in the Mandalika SEZ shows that the tourism industry in the area successfully created new jobs with various types of work previously unknown to the local community (Syafuddin et al., 2020). This is supported by an increase in job opportunities in the region through the establishment of SEZs, projecting an increase of 0.14 million people based on average data for the period 2017-2045. Job provision in Mandalika is expected to reach 24,000 people by 2045.

In 2017, the government officially inaugurated the operationalization of the Mandalika SEZ and requested management to establish clear rules and contracts with investors as an effort to build a specific tourism SEZ in the region

(National Council of SEZ, 2017). Presidential Decree No. 91 of 2017 on Accelerating Business Implementation was released to facilitate investors in attracting investments in Mandalika (Setyowati, 2017). In 2018, it was reported that the area succeeded in attracting investment to build an integrated entertainment and sports district in Mandalika worth IDR 14.5 trillion during the 15 years of development (Patriella, 2018). ITDC, which manages the Mandalika area, also had the opportunity to sign a Promoter Agreement with Dorna on January 28, 2019, in Madrid to organize MotoGP for 5 years and also secured a contract to host the Superbike World Championship (WSBK) (ITDC, 2019). The government also made several improvements to infrastructure by building a by-pass road as access to the Mandalika circuit, inaugurated at the end of 2021, and expected to be used for the WSBK and MotoGP events in early 2022 (Ministry of State Secretariat, 2021). This explanation illustrates the government's efforts in economic diplomacy through the development of Mandalika. Therefore, this research is crucial and interesting to understand Indonesia's economic diplomacy strategy in building the Mandalika Special Economic Zone (SEZ).

This research uses a qualitative method to provide an understanding of Indonesia's economic diplomacy strategy in building the Mandalika SEZ from 2017 to 2021. The issue will be explained using the concept of economic diplomacy related to special economic zones. In this case, the research focuses on analyzing the actors involved in economic diplomacy activities and their contributions to these activities. Based on the conceptual framework description, a country's economic diplomacy can be understood in 4 phases and will only be focused on explaining the economic diplomacy phase in special economic zones more related to tourism and investment.

To support the research, data collection techniques will be carried out using content analysis and interviews. According to Earl Babbie (2001), content analysis is the study of recorded human communication, for example, in the form of books, magazines, web pages, and so on. In this research, data for content analysis will be obtained through the official government website and official documents, while interviews will be conducted with government agencies and stakeholders related to the development of the Mandalika SEZ, such as the DPMPTSP of Central Lombok Regency as the administrator of Mandalika SEZ. Furthermore, interviews will also be conducted with the Regional Planning Agency (BAPPEDA) of West Nusa Tenggara as the Secretariat of the Regional Council and ITDC as the BUPP of Mandalika SEZ. Finally, interviews will also be conducted with the West Nusa Tenggara Tourism Office to further explore the tourism opportunities in Mandalika and their contributions to its development.

Concept of Economic Diplomacy

According to Lee and Hocking (2010), diplomacy in this era not only discusses the relationships between states in the international system but also involves social, economic, political, and cultural aspects. In recent years, many countries have begun to prioritize economic diplomacy as a central agenda in their diplomatic activities. According to Killian (2021), there is no clear definition of economic diplomacy, but scholars attempt to define the concept. Bayne and Woolcock (2017) define new economic diplomacy as activities related to the methods and policy-making processes related to economic activities carried out by state and non-state actors. The same idea is expressed by Rana et al. (2018), explaining that economic diplomacy is the process through which a country interacts with the outside world to achieve national gains. On the other hand, Okano-Heijmans (2011) defines economic diplomacy as a strategy to enhance economic prosperity and political stability. Differences in understanding economic diplomacy in terms of practice and agenda make it challenging to obtain a universal understanding of this concept (Killian, 2021). However, based on the above definition, it can be understood that, in general, economic diplomacy can be interpreted as a process related to economic activities in which a country interacts with the outside world to achieve national interests.

To understand this concept, there are four phases that a country will go through in implementing economic diplomacy (as cited in van Bergeijk & Moons, 2018, p. 7). These phases are economic salesmanship, economic networking or advocacy, image building, and regulatory management, aiming to provide an understanding of the economic diplomacy dimensions a country seeks to achieve (as cited in van Bergeijk & Moons, 2018, p. 7). In the first phase, the country will develop new economic relations through diplomats abroad to introduce the country at the international level. Through ambassadors or diplomats, some countries will focus on promoting the country's potential, either by exporting basic commodities or developing new markets. This is done to explore new economic prospects by introducing the country's potential and capabilities to open opportunities for overseas expansion (Rana, K.S., 2018). Without leaving the first phase, the country will also enter the second phase marked by coordination between the government as a state actor and the private sector as a non-state actor. The government will continue to be a facilitator and the main actor in economic diplomacy but provides a platform and opportunities for non-state actors to play a more significant role in this process (Rana, K.S., 2018). This is done to mobilize foreign direct investment (FDI) and assist domestic companies in growing. In this case, the domestic private sector is highly beneficial in helping

expand networks, usually by building relationships with foreign private sectors, such as through organizing inter-private sector events.

In the third phase, the country's economic activities will be driven by an awareness of the importance of its image. In this case, the country will begin to enhance its national brand for economic advancement (Rana, K.S., 2018). For example, in the tourism sector, the country will create a national brand in the tourism sector that will be beneficial for the economy. This can be determined by looking at the number of foreign tourists, their countries of origin, average length of stay, and the amount of money they spend. To reap economic benefits, brand promotion of the country is needed through the existence of a slogan. Moreover, this brand will be promoted through image marketing, for example, in the tourism sector that requires presenting the country as a destination, high-quality infrastructure, and logistics for the tourism industry. Usually, after the success of the tourism industry through the national brand, it will be followed by the formation of regional brands as part of the national brand. This is also recognized by the coordination between the state and private sector in marketing the industry through their participation in exhibitions and other international events. Finally, the regulatory management and resource mobilization phase will involve activities such as planning and negotiating agreements or regulations and regional diplomacy through the formation of new and innovative groups (Rana, K.S., 2018). In this phase, the country will build a modern image that requires a domestic coalition between state and non-state actors to collaborate in advancing the country's economic interests. This phase also recognizes the formation of new standards/policies and involves business entities, think tanks, and NGOs in external negotiation processes. The Ministry of Foreign Affairs will be responsible for leading and advising on joint actions to be taken, such as in the education, tourism, and public media sectors.

According to Rana (2018), the process or phases in economic diplomacy experienced by a country will be passed through without leaving the previous phase. He also reveals that among these phases, there are priority activities in economic diplomacy, namely export promotion and mobilization of foreign direct investment. In this case, FDI mobilization includes reaching potential investors and making them aware of the potential of their home country, equipped with promotion (Rana K.S., 2018). This will then impact the emergence of foreign companies' interest in investing, which in turn will increase the amount of investment in that country. Meanwhile, developments in international relations actors also affect the diversity of actors involved in economic diplomacy. In his article, Rana (2018) argues that economic diplomacy no longer uses the state as the center; instead, he acknowledges the essential role of

non-state actors as *sine qua non*, meaning that it is necessary or essential. This is also reinforced by Bayne and Woolcock (2017), who also argue about the existence of non-state actor involvement in activities, both in shaping government policies and acting as independent players with their rights. These non-state actors involve business companies, civil society NGOs, and international organizations (Bayne and Woolcock, 2017, Chapter 1, p. 6). Meanwhile, for state actors, economic diplomacy activities in the form of investment promotion remain the main task for embassies (Rana, 2018). Saner & Yiu (2003) argue that economic diplomacy does not only depend on the role of the Ministry of Foreign Affairs as a state actor. The recent development of economic diplomacy also recognizes the crucial role of other ministries. Regardless of the economic development stage, the entire embassy team, including ambassadors and state actors in other sectors such as science & technology, education, media promotion, and even cultural work, is involved in these activities. In this activity, state and non-state actors must work together harmoniously to achieve economic diplomacy goals. The government plays a crucial role in supporting national economic development by providing support for its own companies, legal assistance, export incentives, and even support for foreign companies interested in investing in the country (Saner & Yiu, 2003). Therefore, economic diplomacy should involve both state and non-state actors.

Indonesia's Interest through Building Mandalika SEZ

Based on the General Guidelines for Improving the Quality of Economic Diplomacy Implementation, Indonesian economic diplomacy will be used as a platform to promote Indonesia to the international community through trade, tourism, investment, and services (TTIS) (Ministry of Foreign Affairs, 2012, p. 5). According to Prabhawati (2017), the tourism sector can provide a multiplier effect to improve the welfare of society, both directly and indirectly, especially in well-established tourist destinations. Tourism directly influences the production of goods and services, constituting 4.81% of the national total and contributing to 4.49% of Indonesia's GDP. Additionally, according to the Central Bureau of Statistics of Indonesia, tourism plays a role in generating 4.25% of the national income through taxes (as cited in International Labour Organization, 2011). The diversity in tourism demand in Indonesia, ranging from high-end to low-end markets, not only benefits the well-educated people but also offers employment opportunities for individuals with minimal education, who may face challenges entering the formal labor market (International Labour Organization, 2011). In this context, tourism is one of the essential economic sectors with a strategic position in enhancing the country's foreign exchange after oil, coal, and palm oil

(Kominfo, 2015). This is evidenced by the increasing foreign exchange earnings from the tourism sector, rising from \$11.206 billion in 2016 to \$13.139 billion in 2017 and \$16.426 billion in 2018 (BPS, 2023). The increase in foreign exchange from the tourism sector indicates that Indonesian tourism has significant potential for development for the economic benefit of Indonesia and economic growth.

According to an article titled "Prospects and Challenges for Indonesia Facing Tourism Service Liberalization" in the *Journal of Tourism and Creativity*, Indonesia has not been able to maximize the development of its tourism sector, despite having many superior tourist destinations (Prabhawati, 2017). One reason is the lack of promotion and the low quality of infrastructure. The quality of infrastructure in Indonesia is still far from ideal. According to the *Travel and Tourism Competitiveness Report*, the country is ranked 71st for infrastructure (World Economic Forum, 2019, p. 68). In this regard, Indonesia needs to improve the quality and availability of infrastructure to support the development of the tourism sector. According to the Minister of Investment, Bahlil Lahadalia, the tourism sector in Indonesia has good prospects with many benefits for the country's economy. Therefore, the government is committed to accelerating infrastructure development in tourist destinations through investment (Kemenparekraf News, 2022). This aligns with research conducted by Wahyuni et al. (2021, p. 4), showing that the need for investment continues to increase with the growing economy. Therefore, investment in tourism development is crucial.

In addition to challenges in the tourism sector, attracting investment is another crucial factor. Based on the research on *Economic Diplomacy Performance: Evaluation of Trade and Investment Agreements* by the Ministry of Foreign Affairs, a significant challenge facing Indonesia in realizing economic diplomacy through investment lies in issues affecting the investment climate related to the ease of doing business in Indonesia, which ranks 114 out of 189 economies worldwide (Ministry of Foreign Affairs, 2015, p. 17). In this regard, some issues hindering investment in Indonesia include a lack of infrastructure facilities, unclear regulations, and policies that do not support a healthy investment climate. This prompts the Indonesian government, particularly through the Investment Coordinating Board (BKPM), to continuously strive to improve investment performance in Indonesia for the sake of national economic interests. In summary, it can be understood that tourism is a strategic and potential sector in Indonesia that opens up investment opportunities in the tourism industry for Indonesia. However, both tourism and investment have some challenges that need to be addressed by the government. Therefore, it is

crucial for the Indonesian government to address these issues through the establishment of new projects, including special economic zones.

Article 31 of Law Number 25 of 2007 on Investment explains the formation of special economic zones (SEZs) with the aim of accelerating economic growth in strategically important areas for national economic development. Within these zones, the government is empowered to implement different investment policies. To support the development of Special Economic Zones in Indonesia, the government establishes institutions and boards of directors responsible for organizing the development of SEZs.

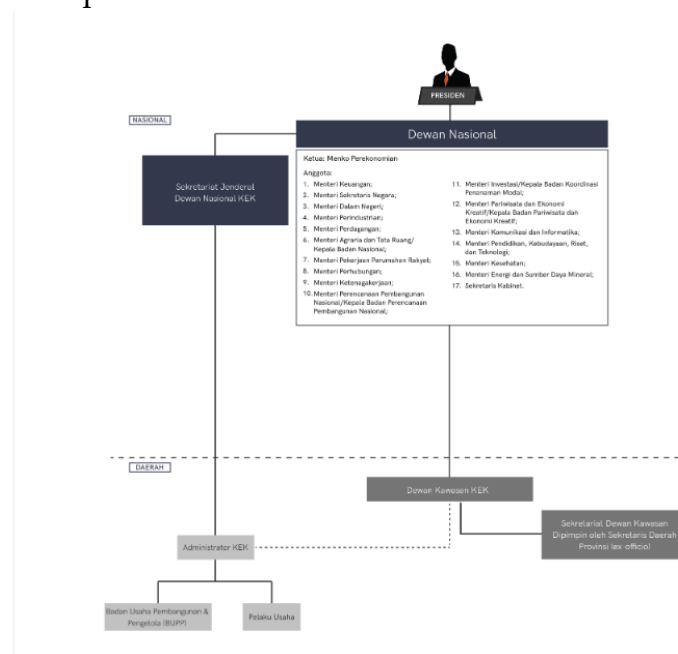


Figure 1. The Institutions and Board of Directors of SEZ (National Council of SEZ, n.d.)

Based on the figure above, the institutions and boards of SEZ are divided into national and regional management. Article 14, paragraph (1) of Law Number 39 of 2009 explains that the National Council consists of ministers and heads of non-ministerial government institutions, while the Regional Council consists of the government and representatives of regional governments. Meanwhile, as written in Presidential Regulation Number 29 of 2010 concerning the National Council and Regional Council of SEZ, administrators have tasks such as granting business permits and other permits needed for businesses establishing, operating, and developing activities in SEZ; monitoring and controlling the operational activities of SEZ; and regularly and incidentally reporting on the operationalization of SEZ to the Regional Council. However, the majority of

business activities in SEZ fall under the responsibility of the Business Entity Manager and Regulator (BUPP). In addition to establishing institutions in SEZ, the government also formulates separate investment policies provided to investors. In this regard, the general investment policy in SEZ is regulated in Government Regulation Number 96 of 2015 concerning Facilities and Incentives in Special Economic Zones, which covers taxation, customs and excise; traffic of goods; manpower; immigration; land; and licenses and non-licenses. This aims to attract more investment as part of Indonesia's commitment to accelerate economic growth.

As one of the potential sectors in Indonesia, from the beginning of the establishment of the SEZ proposal until 2018, there were 30 areas proposed as tourism SEZs (National Council of SEZ, 2018). However, until 2021, only 8 areas met the requirements and were designated as SEZs, including Mandalika (Kemenparekraf, 2022). Among these SEZs, Mandalika is one of the most prominent destinations because, in 2015, Mandalika was named the Best Halal Tourism Destination and Best Honeymoon Destination at the World Halal Travel Award (Yulistara, 2018). The Mandalika Special Economic Zone is a special economic zone in the Pujut District, Central Lombok Regency, West Nusa Tenggara Province. Located in the southern part of Lombok Island with an area of approximately 1,175 hectares (CNN Indonesia, 2022). Generally, West Nusa Tenggara Province is known for its tourism potential, and Mandalika was chosen as one of the Super Priority Tourism Destinations (DPSP) or known as the new Bali in the Ministry of Tourism and Creative Economy of Indonesia program (Kemenparekraf, 2020). In this regard, area development is directed in accordance with the Master Plan for National Tourism Development (RIPPARNAS), which is an essential aspect of building Mandalika SEZ, including the development of tourist attractions; tourism accessibility; development of public infrastructure, public facilities, and tourism facilities (JDIH BPK RI, 2011). Additionally, tourism development also needs to consider empowering the community through tourism and investment development in the tourism sector.

Firstly, in terms of attraction, Mandalika has many attractive tourist destinations, including nature-based tourism, cultural tourism, and man-made tourism. Nature-based tourism includes Kuta Mandalika beach, Merese hill, and white sandy beaches along the Mandalika region. Besides its natural beauty, Lombok is also rich in various cultures that are very interesting to tourists. Cultural attractions in Mandalika can be enjoyed during major events. In this regard, Mandalika offers attractions through traditional culture such as Peresean and Gendang Beleg. Finally, the attraction of the Mandalika SEZ cannot be separated from the presence of the main sports tourism icon in the area, the

Pertamina Mandalika International Circuit. The circuit's construction began in 2019, involving American architects, Populous. It is built through collaboration between ITDC and Vinci Construction Grands Project (VCGP) from France (ITDC, 2019).

Secondly, the development of tourism accessibility. To facilitate tourism activities and attract investment in Mandalika, the Indonesian government continues to provide good accessibility for tourism not only in the area but also outside Mandalika. In this regard, the quality of infrastructure for access continues to be improved even after the inauguration. Access for incoming tourists from outside Lombok to Mandalika can be done through 2 main entry points, namely Lembar Port and Lombok International Airport (Tourism Office of West Nusa Tenggara, 2018). To welcome international events in the Mandalika SEZ, the airport continues to improve its accessibility by equipping itself with an expansion terminal that can accommodate 7 million passengers/year, additional cargo areas, runway extensions up to 3,300 m with a width of 45 m, and apron expansion to accommodate 18 narrow-body aircraft and 4 wide-body aircraft (National Council of SEZ, 2021). To support mobility and access to Mandalika, a bypass road connecting BIZAM and Mandalika SEZ, which is only 24 km apart, was built. In addition, the construction and maintenance of roads as access to this area are carried out to support mobility to Mandalika.

Thirdly, improving public infrastructure, public facilities, and tourism facilities in Mandalika. For public infrastructure, the development of the area is equipped with access to electricity and clean water. In addition, this area also has a mosque and a medical center as part of public facilities. Finally, to accommodate tourists coming to the area, Mandalika continues to increase the availability of hotels, especially during international events. According to the Head of the West Nusa Tenggara Tourism Office, before the 2021 WSBK, 1,000 hotel rooms were prepared for tourists in Mandalika (DPMPTSP NTB, 2021). Considering Mandalika's prospects, accommodation development is continually enhanced with the increasing interest of investors in the accommodation business. Fourthly, the Mandalika SEZ continues to empower the surrounding community. Based on the final year-end report data from the National Council of SEZ in 2021, there were 1,494 workers in the Mandalika SEZ, and 43% of them came from West Nusa Tenggara (DPMPTSP NTB, 2022). This figure will continue to increase to empower the community in the region through tourism development around Mandalika.

Lastly, tourism development also depends on investment development in the tourism sector. This includes facilities and incentives, investment promotion, and investment progress in the Mandalika SEZ. In Government Regulation

Number 96 of 2015 concerning Facilities and Incentives in Special Economic Zones, facilities and incentives provided to business entities and business actors in the SEZ cover taxation, customs and excise; traffic of goods; manpower; immigration; land

Indonesia's Strategy in Building Mandalika

The development of the Mandalika SEZ creates positive impacts for Indonesia not only economically but also in diplomacy. In this context, Indonesia's economic diplomacy is carried out through the development of the area involving various stakeholders contributing to the process. To better understand Indonesia's economic diplomacy strategy in building the Mandalika SEZ, several interviews were conducted with stakeholders involved in the development process. Based on these interviews, the economic diplomacy strategy in building the Mandalika SEZ lies in several aspects, including developing Mandalika as a sports tourism destination, creating a healthy investment climate, and forming good cooperation among stakeholders.

a. Development of Mandalika as a Sports Tourism Destination

In addition to being a special tourism economic zone, Mandalika has also earned the title as one of the 5 Super Priority Tourism Destinations (DPSP), known as the new Bali. Based on an interview with Ms. Nungki, the Coordinator of the Tourism Sector at BAPPEDA West Nusa Tenggara, the development of the new Bali is a step towards tourism development with the hope that this destination will be as great as or even greater than Bali. This was also confirmed by Mr. Izzudin Mahili, Head of the Marketing Division of the NTB Tourism Office, who revealed that the formation of the Mandalika SEZ as a DPSP would be beneficial because government priorities and programs would be directed towards DPSP. He also added that Mandalika, as a DPSP, falls under Wonderful Indonesia as a national tourism brand.

In its development, the Mandalika SEZ must have its own characteristics as a tourist destination so as not to compete with other destinations, especially Bali as its neighbor. In this regard, based on an interview with Mr. I Made Pari Wijaya, Assistant Vice President (AVP) Operational Site at ITDC Mandalika, the development of the Mandalika SEZ is aimed at becoming a sports tourism destination with the brand "Premiere Destination for Sport and Entertainment." He also explained that the development of tourist destinations is expected to complement each other and not compete by directing regional/destination development clearly. In this case, he continued that tourism in Mandalika is indeed

prioritized for sports tourism, emphasized by the presence of an international circuit as its main icon. This is also reinforced by the maximization of land, sea, and air use for sports activities or events in the Mandalika area.

In general, tourism development requires three crucial aspects: attraction, accessibility, and facilities. To support Mandalika as a special economic zone focused on sports and entertainment tourism, ITDC revealed that attention is also given to these aspects, including providing accommodations such as hotel and mall construction. For accessibility, development is carried out by improving infrastructure such as expanding roads to Mandalika and building a bypass road as explained in the previous section. In this regard, according to ITDC, the development of Mandalika has a significant impact on Indonesia not only at the provincial level but also nationally. Therefore, infrastructure preparation is done from two sides, namely inside the Mandalika area and outside the area. For construction inside the area, because it is owned by ITDC, infrastructure development becomes the responsibility of ITDC, including fundraising, construction, and supervision. Meanwhile, outside the area, such as the construction of the bypass road and other infrastructure related to Mandalika, is done by the Ministry of Public Works and Spatial Planning (PUPR) or the West Nusa Tenggara PUPR Office. However, there are also facilities for public purposes that enter the Mandalika area, such as river waterways conducted and operated by the government even though the land is owned by ITDC. They also revealed that from 2016-2025 is the Mandalika area development phase or the construction period. It has been confirmed that the construction of road infrastructure for the Mandalika SEZ has reached 70%, scheduled to be completed by 2023. Meanwhile, other basic infrastructure such as clean water facilities, waste management, and electricity are scheduled to be completed by 2025.

In addition to the three crucial aspects in the development of tourism areas as explained above, the development of the area as a sports tourism destination also requires sports activities. In this regard, as a sports tourism destination, events or activities held in the area are dominated by various sports competitions at both local and international levels. Here are some sports competitions held in Mandalika from 2017-2021.

Table 1. Sport Competition in Mandalika SEZ 2017-2021

Year	Competition	Type
2017	Tour de Lombok Mandalika	Bicycle Race
	Paragliding Festival	Paragliding
2018	Tour de Lombok Mandalika	Bicycle Race
	TNI International Marathon	Marathon
2019	Tour de Lombok Mandalika	Bicycle Race
	Mandalika International Marathon	Marathon
2020	L'etape Indonesia Tour De France	Bicycle Race
2021	HK Endurance Challenge Lombok Series	Triathlon
	Idemitsu Asia Talent Cup	Motorcycle Race
	World Superbike (WSBK)	Motorcycle Race
	L'etape Indonesia Tour De France	Bicycle Race

Note: Calendar of Event of West Nusa Tenggara 2017-2021 (Tourism Office of NTB, n.d.) and processed by authors, 2022

For this reason, strengthening Mandalika as a sports tourism destination is done by maximizing sports activities in all elements available, namely land, sea, and air. Activities on land are maximized by organizing international-level competitions such as motorcycle racing supported by an international circuit, cycling races, and marathons. In the sea, activities such as water sports, including swimming and surfing, can be enjoyed. Moreover, with hills in Mandalika, air activities like paragliding are also conducted. This was revealed in an interview with Mr. I Made Pari, stating that ITDC continues to enhance the appeal of sports tourism through event organization, as a variety of activities will make tourists more enthusiastic. With Mandalika progressing as a sports tourism destination in line with its branding as the "Premiere Destination for Sport and Entertainment," this builds and enhances confidence in Mandalika to host other sports events in the future. Some of these events include regularly held competitions such as the World Superbike (WSBK) and MotoGP with 10-year contracts, as well as the Eco Shell Marathon with a 3-year contract. Other regularly organized events include L'Etape and marathons.

b. Creating a Healthy Investment Climate in Mandalika

According to Article 30 of Government Regulation Number 2 of 2011 regarding the Implementation of SEZs, area development is managed and

financed by the proposer with funding from various sources, including state/regional revenues and expenditures, business entities, cooperation between central/regional governments and business entities, and other legal sources as stipulated by applicable regulations. In the case of the Mandalika SEZ, area development is the responsibility of ITDC as the Business Entity Managing and Developing (BUPP). Through interviews, ITDC explained that establishing Mandalika as a special economic zone made it easier to obtain development funding. However, this cannot be the sole funding source due to the project's scale. Therefore, ITDC secured loans from multinational banks such as the World Bank and the Asian International Infrastructure Bank (AIIB), successfully obtained from AIIB. In addition to collaboration, Mandalika's development also opens opportunities for investors to establish businesses in the area. To attract investment, the government, through Mandalika's core management, strives to facilitate investment in the area by providing facilities and incentives.

The process of providing facilities and incentives in the Mandalika SEZ is conducted through various stages. According to interviews with Mandalika's administrator, if investors want to invest in the area, they must consult with ITDC as the BUPP regarding their business plans and choose a location based on slots determined by ITDC according to the Master Plan. Subsequently, investors will sign a cooperation agreement, namely the Land Use Development Agreement (LUDA) with ITDC. After completing all processes with ITDC, administrative permitting can be processed by the administrator until the SEZ facilities are obtained by the investor.

Regarding facilities for investors, the Mandalika SEZ administrator provides facilities in accordance with Article 2 of the Minister of Finance Regulation Number 237/PMK.010/2020 concerning Tax, Customs, and Excise Treatment in Special Economic Zones. Based on this regulation, there are four specific rules provided by the SEZ: Income Tax; Value Added Tax or Sales Tax on Goods and Services; Luxury Goods Sales Tax; and import duties and taxes (PDRI) and/or excise (JDIH BPK RI, 2020). Additionally, service convenience is provided for investors in managing administrative licensing processes. A designated Responsible Party (PIC) will assist with administrative needs such as Hygiene and Sanitation Certificate (SLHS), Health Certificate (SLS), Building Development Approval (PPG), etc. In this process, in addition to cooperating with ITDC, the administrator will also collaborate with other institutions such as local

tax offices, immigration offices, and customs offices regarding the permit issuance process to expedite the process.

On the other hand, ITDC explained that there are two types of incentives given in the Mandalika SEZ: incentives from ITDC and facilities from the SEZ itself. As the BUPP, ITDC states that investors who invest in Mandalika will build their businesses on land with clear ownership status and rights certificates. Moreover, facilities in the SEZ are already clearly and completely prepared. It can be said that investors receive priority services from public infrastructure such as wastewater treatment, clean water, and electricity. Through interviews, Mr. I Made Pari revealed that usually, investors undertake land acquisition processes themselves, while in the Mandalika SEZ, they will be assisted by ITDC and cannot be disturbed by external parties because dispute resolution will be handled by ITDC. On the other hand, SEZ facilities are also obtained by investors through the administrator, as explained above. Although the Mandalika SEZ was established in 2014, SEZ facilities and incentives were fully received by investors in 2020. He added that this was due to the issuance of the Omnibus Law on Job Creation, providing clarity and legal certainty in the SEZ. In this context, before this law was enacted, there were several obstacles considered to impede investment in SEZ, such as challenges in land procurement, infrastructure and utility provision, as well as overlapping regulations. These constraints become crucial issues as they have the potential to affect investment attraction in the SEZ, hindering the development and thereby impacting the competitiveness of tourism at the international level. Hence, the government anticipates that the enactment of Law Number 11 of 2020 will address these challenges by providing clarity on implementation procedures, ensuring the provision of facilities and amenities in SEZ, thereby enhancing their attractiveness to investors (National Council of SEZ, 2021, p.33). In terms of investment, all investors, whether foreign or domestic, are treated equally. The difference lies only in the completeness of regulations and administration between foreign and domestic investments, following general investment provisions. Through the explanations above, it can be seen that one of Indonesia's strategies in developing the Mandalika SEZ is to create a healthy investment climate through investment facilitation and legal certainty. Additionally, it is essential to prepare regional governments as key stakeholders in SEZ development.

c. Collaboration among Stakeholders

To realize the development of Mandalika as envisioned, every institution coordinates and works together, especially those that are members of the regional-level management. In this regard, based on interview results, the Secretariat of the Mandalika Region Council collaborates with ITDC in monitoring the region's development. As the Secretariat, area development carried out by ITDC will be forwarded to the National SEZ Council. Additionally, the Central Lombok Investment and Integrated One-Stop Service Agency (DPMPTSP) also collaborates with ITDC in processing investments to be made by investors in Mandalika.

On the other hand, collaboration at the regional level is also carried out by almost all Regional Apparatus Organizations (OPDs) in West Nusa Tenggara. In this case, all parties strive to contribute to advancing and developing the Mandalika SEZ. This includes developing attractions by coordinating with the West Nusa Tenggara Tourism Office to increase event frequency and create side events that enliven activities in the area. Furthermore, to improve accessibility to Mandalika, cooperation with the Ministry of Public Works and Housing (PUPR) is possible for road infrastructure development and with Angkasa Pura to enhance airport facilities. Additionally, facilities improvement, such as electricity development, involves other institutions like PLN. Therefore, it seems that the development of the Mandalika SEZ is not detached from assistance and cooperation with other parties outside the core management.

Regardless of cooperation with the government at the district and provincial levels, the development of the Mandalika SEZ also involves the national government. The main collaboration in Mandalika's development is with the core management at the national level, namely the National Council for Special Economic Zones. Furthermore, collaboration is also conducted with related ministries to monitor, ensure, and contribute to Mandalika's development. In this case, interview results indicate that ITDC confirmed that collaboration with the central government must be done, especially with relevant ministries covering the Ministry of Tourism, Ministry of Public Works, Coordinating Ministry for Maritime Affairs and Investment, etc. The role of the central government is not limited to investment, tourism, and infrastructure development, but also to help organize events like the 2021 WSBK, which required event assistance from the central government.

Lastly, to build an internationally standardized tourism destination, collaboration in Mandalika's development is not limited to the national

level but also involves international cooperation. In this regard, ITDC, as the development agent to build and enhance Mandalika's productivity, reveals that Mandalika's development requires international collaboration, especially with foreign entities such as DORNA as the organizer of international racing events, hotel providers like Pullman, and the Sepang circuit in Malaysia. Additionally, in water management, Mandalika has a seawater-based water treatment plant (SWRO) that collaborates with a company from the United States.

Indonesia's Economic Diplomacy in Building Mandalika SEZ

According to Kishan Rana (2010), the first phase, namely economic marketing, is the initial stage of economic diplomacy in which a country begins to expand its international market reach. In this regard, the country, through agents or representatives such as diplomats, will introduce the country's potential at the international level. In its implementation, the Mandalika Special Economic Zone (SEZ) has received significant attention from the Indonesian government, intending to compete at the international level. The Indonesian government, through embassies as part of the Ministry of Foreign Affairs and the Indonesia Investment Promotion Center (IIPC) under the Ministry of Investment, seeks to introduce Mandalika and its tourism potential, especially regarding the business advantages through investment in the region. According to the ITDC's 2016 Year-End Report, efforts to promote Mandalika involving promotional activities through Indonesian representations began in 2017, coinciding with its inauguration. Throughout the activities conducted from 2017 to 2021, the Indonesian embassies and IIPC, as actors in this phase, promoted the region through roadshows and forums related to tourism and investment to open new markets for the Mandalika SEZ. ITDC confirmed in interviews that the development of the Mandalika SEZ still involves the role of the Ministry of Foreign Affairs through Indonesian embassies in various countries. Nevertheless, this phase is more dominated by the involvement of relevant ministries such as the Ministry of Tourism and the Ministry of Investment in promoting tourism and investment potentials excessively in the region. As a result, Mandalika gained more recognition, and more investors became aware of its potential.

In the second phase, namely economic networks, Kishan S. Rana (2010) explains that the involvement of non-state actors in economic diplomacy begins without abandoning the first phase or the role of official state agents. In this case, the country will expand its network not only through official state agents but also non-state agents such as companies. In practice, the development of Mandalika is largely the responsibility of ITDC. Therefore, activities related to the Mandalika

SEZ, including its promotion abroad, still require coordination with ITDC. In this regard, to expand its network, ITDC makes two types of efforts: through collaboration opportunities provided by state agents and direct interactions with foreign non-state actors where ITDC actively participates in foreign activities through forums and international events. Unlike the previous phase, this phase began in 2014, coinciding with the establishment of Mandalika as a special economic zone, where ITDC started building relationships with foreign companies to support regional development. ITDC also confirmed that they collaborated with other foreign state-owned companies and actively participated in international events, such as the Property and Tourism World Exhibition (MIPIM) in France, an international exhibition for property and tourism attended by many potential investors (ITDC, 2016). As for the platform provided by state actors, it became more intensive in 2017 through Indonesian embassies and IIPC.

In the third phase, namely image building, it is explained that the country will begin to realize the importance of image (Rana, 2010). Indonesia's awareness of building a positive image in the development of the Mandalika SEZ has existed even before its operational inauguration in 2017. This phase involves both state and non-state actors working together to build a positive image of Indonesia through Mandalika. In this regard, there are two images that Indonesia wants to build through the Mandalika SEZ. First, Indonesia seeks to build a positive image as a tourism destination by developing the Mandalika area since its establishment in 2014. In this case, the government uses the slogan "Wonderful Indonesia" as a nation branding for tourism. Additionally, based on ITDC's confirmation, the development of Mandalika tourism, focused on sports and entertainment, uses the specific branding "Premier Destination for Sport and Entertainment."



Figure 2. The Construction of the Mandalika Circuit as an effort to build the image of 'Premiere Destination for Sport and Entertainment' (Issetiabudi, 2020)

With this, the Indonesian government continues to develop sports tourism attractions by building the Mandalika circuit since 2019 (CNN Indonesia, 2022). Besides developing attractions, according to Kishan Rana, building a positive image for tourism also demands the development of other aspects supporting tourism activities such as infrastructure and logistics. In practice, infrastructure development began in Mandalika since 2014 and became more intensive since its operational inauguration in 2017 until the research was conducted. Second, the Indonesian government also seeks to build a positive image for investment in Mandalika. In this case, efforts to create this image also began in 2014 when Mandalika was established as an SEZ. The Indonesian government seeks to build a positive image by providing a healthy investment climate by supporting basic infrastructure development, providing facilities and incentives for investors, and simplifying bureaucracy, as explained by the administrator in the previous subsection. However, similar to the first and second phases, the promotion of Mandalika's image as a new tourism SEZ began in 2017 when Mandalika officially operated as an SEZ. For tourism, the results can be seen from the number of tourist visits, length of stay, and the amount of money spent. However, the results of image building in the tourism sector are fluctuating due to external factors affecting tourist visits, such as the Lombok earthquake in 2018 and the Covid-19 pandemic starting in 2020. To address natural disaster issues, the government ensures readiness to prepare minimum standard emergency responses, disaster mitigation equipment and facilities, and establish an early warning system related to disasters in the SEZ (ITDC, 2019, pp. 48-50). Regarding COVID-19, the government, through the Ministry of Tourism and Creative Economy, collaborates with the National Standardization Agency (BSN) to ensure comfortable tourism amid the pandemic by providing the Indonesian National Standard (SNI) Certification for Cleanliness, Health, Safety, and Environmental Sustainability (CHSE) to Tourism Sector businesses, other tourism-related businesses/facilities, and tourism destinations (Wonderful Indonesia, n.d.). As for investment, there was an increase in the amount of investment from 2017 to 2021. However, the realization of investment and construction of investment projects were hindered by Covid-19 with physical distancing policies (National SEZ Council, 2021, p. 18).

The last phase is regulatory management, where the country will try to build an image of modernity by forming a domestic coalition between the private and official sectors as an effort to achieve economic interests abroad (Rana, 2010).

In this case, cooperation between private and official agents has existed since the establishment of the Mandalika SEZ in 2014 through institutions and the Board of Directors of the region. Indonesia's economic interests through the Mandalika SEZ lie in tourism development by encouraging investment. This interest is realized by issuing specific regulations to attract investment in the region. Moreover, cooperation can also be seen through the formation of committees to organize international events such as WSBK 2021. The West Nusa Tenggara government worked intensively with ITDC in realizing this event. However, in this phase, the Ministry of Foreign Affairs (MoFA) plays a minimal role in supporting the Mandalika SEZ. The research found that from 2017 to 2020, there was no domestic coalition involving MoFA related to the Mandalika SEZ. MoFA's significant role began with the emergence of allegations of human rights violations in the Mandalika SEZ development process revealed by the Mandate Holder for Special Procedures (SPMH) of the Human Rights Council in 2021. In this case, MoFA attempted to ensure the truth of the issue by conducting direct monitoring in Mandalika. However, a domestic coalition to discuss responses to these allegations only began to be discussed in 2022.

Based on the explanations above, it can be understood that Indonesia has gone through four phases of economic diplomacy in building the Mandalika Special Economic Zone (SEZ) from 2017 to 2021. However, it was found that the implementation of these phases was not done sequentially. In this case, the first phase is the last phase to begin, while the other phases have started since the establishment of Mandalika as a special economic zone in 2014 and intensively implemented from 2017 to 2021. This is due to the official operation of Mandalika starting in 2017. Therefore, the promotion of Mandalika as a new special economic zone could only be done since 2017, coinciding with the implementation of separate investment regulations in the area. Meanwhile, some activities started earlier in 2014, including the development of basic infrastructure and the formation of special institutions for Mandalika as it was a requirement for official operation. Besides being non-sequential, it was also found that there is an overlap between each phase starting in the same year, and some efforts are part of more than one phase. For example, in the first phase where official agents need to capitalize on local opportunities and build new economic connections, the Indonesian government has acknowledged the role of non-state actors by cooperating, as in the Market Sounding in Tokyo organized by the Ministry of Investment and the Indonesian Embassy in Tokyo (Putut, A., 2017), where they also collaborated with ITDC to promote Mandalika's potential. This also indicates that these efforts are also part of the second phase or economic network. Since the management of Mandalika is regulated and approved by the president, activities

or events related to the area must coordinate with ITDC as the SEZ Manager. Therefore, economic diplomacy phases in building Mandalika overlap with each other.

Regarding actor involvement, it was found that in its implementation, a state-owned enterprise, namely ITDC plays a dominant role in building Mandalika. This is because ITDC is specifically appointed to regulate and manage Mandalika, thus having greater responsibilities and opportunities to be involved in every activity and development effort in the area. Moreover, external economic diplomacy is generally dominated by the role of the Ministry of Foreign Affairs, but in practice, the development of Mandalika is not truly involved or represented by the Ministry of Foreign Affairs but involves other relevant ministries such as the Ministry of Tourism, Investment, Public Works, and others. Nevertheless, cooperation between state and non-state actors runs smoothly.

Conclusion

Over the past few years, Indonesia's economic diplomacy interests have increased. This is evident from the policy direction of Indonesia's domestic and international programs aimed at enhancing the country's economic diplomacy. In general, Indonesia's economic diplomacy is used to promote trade, tourism, investment, and services at the international level. The country seeks to maximize its potential sectors by encouraging investment as part of its economic diplomacy strategy. To achieve this, the government has established special economic zones consisting of potential areas in Indonesia that are provided with specific facilities and incentives to attract investment and enhance competitiveness at the international level.

In Indonesia, tourism is a highly strategic sector that needs to be optimally developed. Indonesia's natural beauty and cultural diversity attract tourists to visit the country. However, there are several challenges in tourism, including a lack of tourism competitiveness and the availability of infrastructure and access in other potential destinations that are far from ideal. In this regard, the government is making efforts to address these issues through a commitment to promoting tourism development. Therefore, the government has established special economic zones for tourism, expected to overcome tourism and investment challenges.

Mandalika Special Economic Zone (SEZ) is one of the most prominent Tourism SEZs in Indonesia. President Joko Widodo acknowledged that Mandalika adds to the list of Indonesia's economic growth points outside Java. Moreover, the development of Mandalika SEZ also enhances Indonesia's

economic diplomacy. Research found that in building Mandalika, economic diplomacy strategies can be seen in the formation of the area as a sports tourism destination with the slogan "Premiere Destination for Sport and Entertainment." Furthermore, the special economic zone also supports the implementation of a healthy investment climate in Indonesia.

Based on the explanations, the development of Mandalika as a strategic tourist destination reflects economic diplomacy strategy. Using Kishan S. Rana's concept of economic diplomacy, the research found that Indonesia has gone through all phases of economic diplomacy. Phase 1 can be identified through the role of Indonesian representations abroad in promoting the tourism and investment potential in Mandalika, including Indonesian embassies and the Indonesia Investment Promotion Center (IIPC). Phase II can be seen through ITDC's involvement as the SEZ Managing Authority (BUPP) to expand business networks through collaboration with the non-state actors, including Dorna, etc. While Phase 3 can be identified through awareness of Indonesia's image in tourism and investment. The tourism image is built through the national branding "Wonderful Indonesia," and the image of Mandalika as a sports tourism destination through "Premiere Destination for Sport and Entertainment" as part of national branding. The country also realizes the need to strengthen the tourism image in Mandalika by maximizing attractiveness and developing accessibility and facilities. Additionally, the investment image is built through creating a healthy investment climate by enacting specific laws for investors, simplifying bureaucracy, and ensuring the availability of basic infrastructure. Finally, Phase 4 can be seen through cooperation between state and non-state agents to advance Indonesia's economic interests through the development of the Mandalika SEZ and the establishment of investment regulations and the Omnibus Law in the Mandalika SEZ to enhance investment and business competitiveness in the region at the international level.

Research found that in Indonesia's economic diplomacy strategy in building the Mandalika SEZ from 2017 to 2021, the dominant actor involved in the region's development process is a state-owned enterprise, namely ITDC. This is due to ITDC's role as the SEZ Managing Authority (BUPP), giving them more opportunities to be involved in the process in each phase. Meanwhile, the Ministry of Foreign Affairs plays a minimal role in the process, compared to other relevant ministries that have played a much larger role in the process.

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