

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Batam is one of the regions in Indonesia that has the advantage of a strategic geographical position, which is directly bordered with two neighboring countries, Singapore and Malaysia. Moreover, Batam is a crucial location for trade, industry, investment, and tourism because it is located along the Malacca Strait, a major route for international trade. Since it is a good place to invest and conduct international trade, Batam has developed a favorable economic climate as a result of its geographic circumstances.

A Free Trade Zone (FTZ) is a territory or area that the government has created in order to promote investment and global trade by offering particular incentives or facilities to potential investors and business owners. One of the cities in Indonesia with a free trade zone is Batam City. The industrial and trade sectors have developed rather quickly in Batam City since the implementation of the Free Trade Zone legislation. (A. N Iman, 2020) The Free Trade Zone (FTZ) generally has a narrow area, clear territorial boundaries, and a sea port as an entrance. In the Free Trade Zone (FTZ), various barriers to trade such as tariffs and quotas were removed with the aim of facilitating bureaucracy and attracting new investors to the free trade zone.

The purpose of establishing a free trade zone also provides additional currency for the region and makes Batam a region that can attract foreign investors to invest so that it can help improve the economy of Indonesia and Batam in particular. In this case, the Enterprise Agency of the Free Trade Area and the Free Harbour Area has authority in the management of the area to the objectives of establishing the area in enhancing economic growth.

The creation of the Batam Free Trade Zone brings about both advantageous and disadvantageous outcomes. The downsides of establishing a free trade zone can be divided into two categories. The first category encompasses relatively minor

negative impacts, which revolve around problems concerning the transfer of capital, investor facilities, and competition with local investors. On the other hand, the second category involves very perilous negative impacts, which may result if investors pressure a country or interfere with its affairs in exchange for promised capital. Given these two types of negative effects, it is apparent that the Batam City Government, as the implementing agency, must establish clear regulations concerning the Free Trade Zone implementation.

As a region with Free Trade Zone policy, Batam has great potential to be utilized well. The facilities and incentives provided to boost the local economy have made Batam the only region in Indonesia that implements the Free Trade Zone policy. However, this policy also has both positive and negative impacts on the social aspect. Therefore, author interested in researching the “**The Impact of Free Trade Zone Policy on the Workforce Aspect in Batam City**”.

## **1.2 Formulation of the Problem**

Based on the explanation in the background above, then formulation of the problem in this study is “How is the implementation of the free trade zone policy on the workforce aspect in Batam city?”.

## **1.3 Purpose of the Study**

Based on in the formulation, the author can state the objectives of this research are:

1. To identify the impact of Free Trade Zone policy which implemented in Batam on the workforce aspect.
2. To understand the effectiveness of Free Trade Zone policy that has been implemented in Batam city.

## **1.4 Significance of the Study**

The benefits to be achieved in conducting research entitled The Impact of Free Trade Zone Policy on the Workforce Aspect in Batam City are as follow:

1. For Author

This research is expected to train the author's knowledge so that the author can continue to explore knowledge and information about things that the author has never known, both theoretically to be studied and in good writing and through this research can also be a graduation requirement to graduate and get a bachelor degree (one) at the writers campus.

2. For Researchers

This research can be used as additional experience, insight and as a guide complete the final task which is one of the conditions for completion Applied Degree in the Department of Business Administration and can be used as a means for reference material and enhance the development and creativity and innovation for other researchers.

3. For Readers or Society

The result of this research and writing can be used as a reference or literature in studying the impact of the enforcement of Free Trade Zone policies in Batam. And the author expected to provide broad benefits to social practitioners, stakeholders, politicians, and governments.

### **1.5 Scope and Limitation of the Problem**

Problem limitation is the scope of a problem or an attempt to limit the scope of a problem too broadly or broadly so that researchers focus more on one problem and the object to be worked on. This is done so that the discussion is not too broad and covers aspects that are far from relevant. There are many issues, one or two questionable issues will definitely be investigated. Therefore, in this research the author determines the scope to be researched, namely:

1. This research only focuses on the employment aspect of the implementation of the FTZ policy in Batam City.
2. This research was conducted in Batam City Manpower Office.

## **1.6 Writing System**

The systematic of writing this report is composed of 5 chapters, where each chapter will be further divided into sub-sub subjects which will be discussed in detail. There are the systematics of each chapter and a brief explanation:

### **CHAPTER I: INTRODUCTION**

In this chapter explain the background that became the reason the author chose the topic, the formulation of the problem, the purpose of the study, the significance of the study, scope and limitation of the problem, and the writing system.

### **CHAPTER II: LITERATURE REVIEW**

In this chapter explain the literature of related theory, the literature review, and the framework.

### **CHAPTER III: RESEARCH METHODOLOGY**

In this chapter describe the location and object of the study, the types and sources of data, the data collection technique, the data processing technique, the types of the study, and the schedule and budget of the study.

### **CHAPTER IV: RESULTS AND DISCUSSION**

In this chapter explain the result, the discussion, and the limitation of the research.

### **CHAPTER V: CONCLUSIONS AND SUGGESTIONS**

In this chapter explain the conclusion and the suggestions from the research that has been done.