Nongsa Development as A Special Economic Zone

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Abstract: Space as a local development resource is an alternative input that is permanent and always available in an area. The focus of spatial planning and development is to create spaces that are safe, comfortable, productive, and sustainable and just, one of which is by reducing spatial exclusion and poverty. The development of Special Economic Zones (SEZ) is directed as a trigger for regional growth and development. SEZ consists of one or several Zones including: export processing, logistics, industry, technology development, tourism, energy, and/or other economies. Within the SEZ, supporting facilities can be built for workers and locations for micro, small and medium enterprises (MSMEs) and cooperatives can be built, both for business actors and as support for the activities of companies within the SEZ area. Nongsa SEZ stipulated on June 8, 2021 through Government Regulation Number 68 of 2021. This Nongsa SEZ is an area determined by the central government to be an area for carrying out economic functions and obtaining certain facilities. Where it is hoped that in 2030 it will be able to bring in investors to Batam City with an investment value of 16 trillion and absorb a workforce of 16,500 people. With the existence of this Nongsa SEZ, the Regional Government, Batam City is expected to be able to prepare both in terms of facilities and its people to compete with other countries. In addition, it is hoped that community readiness can be prepared from an early age to face the Asean Economic Community (AEC).

Keywords: Asean Economic Community, Nongsa, Special Economic Zone

A. Introduction

Spatial planning is a form of spatial structure and spatial patterns that are arranged nationally, regionally and locally. Spatial planning is closely related to planning to see the spatial structure of the city. In the book Introduction to Spatial Law (Wartono et al., 2023), it is a geographical expression which is a reflection of the scope of policies made by society related to the economy, social and culture.

Spatial planning involves the organization and management of land use and development, including the allocation of different types of land uses such as residential, commercial, and industrial areas. It is also concerned with ensuring sustainable development, environmental protection, and the promotion of social and economic well-being. Spatial planning can be carried out at different levels of governance, from national to regional and local levels, and involves the participation
of various stakeholders, including government agencies, private sector organizations, and civil society groups (Sidabutar, 2022).

**Types of spatial planning**

Spatial planning can be divided into different types or levels, depending on the scale of the planning and the jurisdiction responsible for carrying it out. However, the most common way of categorizing spatial planning is as follows:

**National Spatial Plan**

Spatial planning for the national area has been regulated in the Government Regulation of the Republic of Indonesia Number 26 of 2008 concerning National Spatial Planning. Policy directions and strategies for spatial use in the country’s territory which are used as a reference for long-term planning (Purwasih et al., 2023). The period of national spatial planning is 20 years. Every five years a review will be carried out. This type of spatial planning focuses on the overall organization and development of a country’s territory. It involves the formulation of policies, strategies, and plans at the national level to guide the distribution of land uses, infrastructure development, and other spatial aspects across the entire country. National spatial planning typically considers factors such as economic development, population growth, environmental conservation, and social well-being in order to achieve balanced and sustainable development at the national scale. The national spatial layout plan contains:

1. Preparation of long-term national development plans.
2. Compilation of national medium-term development plans.
3. Utilization of space and control of space in the national territory.
4. The embodiment of integration, linkage, and balance in the development of inter-provincial regions, as well as harmony between sectors.
5. Determination of location and function of space for investment.
6. Spatial planning of national strategic areas.
7. Spatial planning of provinces and districts and cities.
9. Policies and strategies for spatial planning in the national territory include policies for the development of spatial structures and spatial patterns.

The spatial structure of the national territory includes: Access to urban services and centers of regional economic growth Quality and coverage of transportation, telecommunications, energy and water resources infrastructure network services. The spatial structure of the national territory includes factors such as access to urban services and regional economic centers, as well as the quality and coverage of infrastructure networks such as transportation, telecommunications, energy, and water resources (Sidabutar & Indra, 2021). The spatial pattern of the national territory has three parts, namely; protected areas, cultivation areas and national strategic areas. With the following objectives of spatial planning in the national area is to achieve a number of things, including:
1. Safe, comfortable, productive and sustainable national territory space.
2. Harmony between the natural environment and the built environment
3. Integration of land, sea and air space utilization, including space inside the earth.
4. Integration of spatial planning for national, provincial and district or city areas.
5. Utilization of natural resources in a sustainable manner for the improvement of people’s welfare.

**Provincial spatial planning**

Spatial plans that is general in nature from the province. In the preparation must refer to the national regional spatial layout plan (Danuwidjojo et al., 2021). These guidelines are in the field of spatial planning and regional long-term development plans. The provincial spatial layout plan contains:

1. Provincial spatial planning goals, policies and strategies
2. The provincial spatial structure plan includes urban systems related to rural areas.
3. Determination of provincial strategic areas Directions for regional spatial use which contain indications of the five-year medium term main program.
4. Provincial spatial planning directives containing directions for provincial system zoning regulations, licensing directions, and others.

The purpose of provincial spatial planning is a direction for realizing the desired provincial spatial space in the future. Some of the functions of provincial spatial planning are (1) as a basis for formulating provincial spatial planning policies and strategies, (2) provide direction for the preparation of main program indications in regional spatial planning and (3) as a basis for determining directives for controlling spatial use in provincial areas (Sidabutar & Indera, 2021).

**Spatial plans for district or city areas**

In accordance with Law Number 26 of 2007 concerning Spatial Planning Article 11 Paragraph 2, the district regional government has the authority to carry out district spatial planning. This arrangement includes spatial planning for the district area, spatial use for the regency area, and control over the spatial use for the regency area. The functions of district or city spatial plans include (1) reference in the use of space or the development of district or city areas, (2) reference to realize the balance of development within the district or city, (3) reference in the preparation of regional long-term development plans and regional medium-term development plans, (4) the reference for investment locations is in district or city areas carried out by the government, the public and the private sector, (5) guidelines for the preparation of detailed spatial plans in districts or cities, and (6) reference in defense administration (Sutianto et al., 2023).

Special Economic Zones (SEZ) are one of the national spatial plans that are determined to carry out economic functions and obtain certain facilities (PP No. 2 of 2011). The purpose of developing this SEZ is to provide opportunities for increased investment through preparing areas that have advantages and are ready to
accommodate industrial activities, export-import and economic activities that have high economic value.

SEZ development is directed as a trigger for regional growth and development. SEZ consists of one or several zones including: export processing, logistics, industry, technology development, tourism, energy and/or other economies. Within SEZ, supporting facilities can be built for workers as well as locations for micro, small and medium enterprises (MSMEs) and cooperatives, both business actors and to support the activities of companies within the SEZ area.

The Government of Batam City through Regional Regulation Number 3 of 2021 The Spatial Plan for the City of Batam for 2021-2041 aims to create space for Batam City to become a civilized world airport based on the tourism, trade and service, maritime, logistics and international industry sectors (Dahari et al., 2022). This policy includes the development of urban service activity centres as an integrated and hierarchical system. Development of urban area infrastructure network systems and improvement of the quality and coverage of city utility services, development and control of areas designated for cultivation and improvement of area functions for national defence and security.

Since the beginning, the declaration of Special Economic Zones (SEZs) in Indonesia has been based on the spirit of accelerating development and economic equality, increasing the rate of economic growth, and increasing the nation’s competitiveness through creating a conducive environment to carry out investment activities in an area. The creation of a conducive environment is carried out by the Central Government by providing various facilities and conveniences for investors investing in the region.

Formulation of the problem

From the background of the problem above, the problem can be formulated as follows:

1. How can the Batam City Government increase the productivity and competitiveness of the people of Batam City in the international market?
2. How to realize economic independence by driving strategic sectors of the domestic economy?

Research purposes

The benefits or uses of this research are expected to be able to contribute ideas to make a picture of a situation or event by finding facts with the right interpretation. From the formulation of the problem above, the research objectives can be formulated as follows:

1. Batam City Government can increase community productivity and competitiveness in the international market.
2. Batam City Government can realize economic independence by driving strategic sectors of the domestic economy.
Benefits of research

Batam City with its strategic position is one of the cities with a very strategic location. Apart from being on international shipping routes, this city is very close and directly borders with Singapore and Malaysia. As a planned city, Batam is one of the cities with the fastest growth in Indonesia. Special Economic Zone is expected to be able to explore every potential area which will be developed into KEK to support Master Plan Indonesia, for the success of economic development activities Country Indonesia. KEK in economic development which is an effort to attract as much domestic and foreign investment as possible. So that can men improve the economy of every region in Indonesia with its potentials.

This research is expected to be able to provide broader insights about the benefits of this Special Economic Zone for the development of Nongsa, both from the development of infrastructure, the economy locally and nationally. It is also hoped that the development of the quality of Batam City community resources can be improved so that they have competitive skills and qualifications in the international market and can face the AEC (Asian Economic Community).

AEC is carried out in order to increase ASEAN’s competitiveness and be able to compete with China and India to attract foreign investment to ASEAN countries. Foreign investment is urgently needed to increase employment so that in the end it will increase the welfare of residents in ASEAN countries. As one of the countries that became a member of ASEAN, Indonesia, especially Batam City, is preparing itself both in terms of facilities and resources, where the acceleration of infrastructure development, both roads and other supporting facilities, is carried out consistently and continuously.

B. Literature Review

Asean Economic Community (AEC)

AEC is carried out in order to increase ASEAN’s competitiveness and be able to compete with China and India to attract foreign investment to ASEAN countries. Foreign investment is urgently needed to increase employment so that in the end it will increase the welfare of residents in ASEAN countries.

Special Economic Zone

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SEZ development is directed as a trigger for regional growth and development. SEZ consists of one or several zones including: export processing, logistics, industry, technology development, tourism, energy and/or other economies. Within SEZ, supporting facilities can be built for workers as well as locations for micro, small and
medium enterprises (MSMEs) and cooperatives, both business actors and to support the activities of companies within the SEZ area.

C. Methods

Analysis Method

Data analysis was performed using descriptive analysis techniques. Descriptive data analysis techniques in this qualitative research are in the form of analysing, describing and summarizing events or phenomena from data obtained through literature or direct field observations. Descriptive research is a research method that shows the characteristics of the population or phenomenon being studied. Until finally this research method mainly focuses on explaining the object of research and answering what events or phenomena occurred. This method is different from other methods which tend to focus more on discussion.

Why an event or phenomenon occurs, the events and phenomena referred to here are the object of research. While the results of the research will of course describe the object of research in detail, some experts provide a definition or understanding of the research method which is one of the research methods. The purpose of the qualitative descriptive analysis is to describe in full and in depth the occurrence of the various phenomena studied. The method used is collecting data from various sources and literacy, from online media and related regulations.

Place and Time of Research

The research was conducted in Batam City, Riau Archipelago Province. Time the research was carried out for approximately one (1) month, both data collection and data management.

Research Data and Variables

In order for the data obtained for this study to be complete, the researcher needs to determine the data sources used. Sources of data in this study include:

Primary Data

According to (Amelia, 2021) primary data is: "Primary data is data obtained from the first source either from individuals or individuals such as the results of interviews or the results of filling out questionnaires that are usually carried out by researchers". Meanwhile, according to (Aritenang, 2020) primary data is: "Primary data is a source of research data obtained directly from original sources (not through intermediary media)". Examples of primary data are data obtained from respondents through questionnaires, focus groups, and panels, or also data from interviews with researchers with informants. This researcher’s data can be directly observed regarding the Development of the Nongsa Special Economic Zone both online and offline by coordinating with related agencies.
Secondary Data

According to (Elmyra Noor Khalida, 2018) secondary data is: "Secondary data is primary data that has been further processed and presented either by primary data collectors or by other parties, for example in the form of tables or diagrams." Meanwhile, according to (Fatimah et al., 2022) secondary data is: "Secondary data is a source of research data obtained by researchers indirectly through intermediary media. Is data obtained through literature or archival studies which include? Literature study, this method is taken by studying a number of books, writing scientific papers that have to do with the problem under study. General description of the Nongsa Special Economic Zone (SEZ).

Research Steps

Observation Techniques

Observation is a data collection technique that is carried out through an observation, accompanied by recordings of the state or behavior of the target object. According to Sudjana’s observation is systematic observation and recording of the symptoms studied. Observation techniques are systematically observing and recording the phenomena investigated. In a broad sense, actual observation is not only limited to observations made either directly or indirectly. Meanwhile, according to Sutrisno the observation method is defined as observation, systematic recording of the phenomena investigated. Observation is a method of data collection in which researchers or their collaborators record information as they witness during research. According to (Achmad & Nasir, 2022) observation is an intentional, systematic observation of social phenomena with psychological symptoms for later recording. Through this observation stage, the author wants to explore data regarding the development of Nongsa as a Special Economic Zone (SEZ).

Documentation Techniques

Documentation is intended to obtain data directly from research sites including: relevant books, regulations, activity reports, photographs, documentaries of data relevant to research. With this documentation technique, researchers can obtain information not from sources, but they obtain information from various other written sources or from documents available to informants in the form of works of thought and statutory regulations. The documentation method in qualitative research is a complement to the use of observation and interview methods. Documentation studies, namely collecting documents and data needed in research problems are then studied in depth so that they can support and add to the trust and evidence of an incident. In this study the documentation method was used to obtain data in the form of documents or records regarding Special Economic Zones. This document is used by the author to obtain data in the form of stored records from documents that the author needs to obtain information that the author has not received when carrying out observations. Through this technique the author seeks to find data from written sources, both from books or literature that is relevant to the research being conducted. This document is used by the author to obtain data in the
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D. Results and Discussion

The implementation of national development in general is aimed at increasing the prosperity of its people, which can be achieved by recognizing the various factors which are the strength of its competitiveness in the world arena which no longer recognize boundaries, including those in the form of economic, political, cultural boundaries known as globalization. It is important for the Government to recognize and understand the competitive position of Batam City which is one of Indonesia’s strategic areas, especially among ASEAN countries in welcoming the AEC (Asian Economic Community) era, so that it will provide broader insights and the right foundation in designing and implementing policies that can be used as leverage or as a nudge, as an incentive to do better things.

SEZs in Indonesia have started to be regulated since 2009, which is the development of various types of economic zones in previous periods. In 1970, it was known as the development of the Free Trade Zone and Free Port. In 1972, the development of the Bonded Zone emerged. It continued in 1989 with the Industrial Zone, then in 1996, the Integrated Economic Development Zone (KAPET) was developed, and finally, since 2009, the development of the Special Economic Zone began. As of the issuance of Law Number 39 of 2009 concerning KEK as the basis for implementing SEZs, many companies have shown an interest in carrying out investment activities within SEZs so that now 18 SEZs have been formed spread across 14 provinces in Indonesia, where 8 SEZs are engaged in investment in tourism activities and 10 other SEZs in Industrial Activities.

Until now the existence of the 18 SEZs as a whole has created investment realization of around USD 5.46 million and created around 32,643 jobs, of which around 34% of investment realization and 30% of realized job creation came from 4 SEZs which were progressing rapidly based on an evaluation from the Secretariat General of the National Council of KEK. One of the 4 SEZs is Nongsa SEZ. Nongsa SEZ is one of two SEZs located in Batam and was established on June 8 2021 through Government Regulation Number 68 of 2021. Located on an area of 166.45 Ha, Nongsa SEZ is committed to holding investments related to digital and tourism.

The rapid progress of Nongsa SEZ in carrying out investment activities can be seen from the progress of development within the area, such as construction of 2 plots out of 11 Data Center Hub plots which will be developed on an area of 32.7 Ha, as well as granting 5 Ha of land to the Kominfo Tier 4. The development of the
Nongsa SEZ does not only provide benefits for the interests of the Nongsa SEZ itself, but at the same time also provide benefits to the Regional Government and the community in fiscal and non-fiscal forms, such as:

1. Increase local revenue from PBB for the Data Center Hub in the amount of IDR 250 million per year to IDR 2.6 billion per year
2. The target total revenue from BPHTB is around IDR 33.8 billion for Data Center Hub and other land sales
3. Increase local revenue from Street Lighting Tax (PPJ) around IDR 6.4 billion per month and IDR 76.8 billion per year
4. As an entry point for International IT companies from Singapore and Abroad.
5. Save the country’s foreign exchange in digital business up to IDR 20-30 trillion per year with the largest contribution from the data center sector and international education
6. There is a transfer of technology in the IT field so that the Nongsa SEZ can become a center for developing young Indonesian IT workers to become technopreneurs
7. Maximizing international internet connections, where there are 12 underwater FO cables only 2-3 km from KEK Nongsa which can be optimized for the development of data centers and the animation industry
8. Attract Data Center supporting investment to come to Batam
9. Creating employment absorption during the development process
10. Collaboration with several institutions in developing local talent

Therefore, the Nongsa SEZ is a strategic area in the economic development of Batam City in particular and Indonesia in general so that it is prepared to provide a multiplier effect to the Government of Batam City and its people. With the establishment of Nongsa as a special economic zone, it can be a new stimulus in increasing the economy of Batam City.

Figure 1. Special Economic Zone of Nongsa

In addition, Batam can also become a digital-based education center that can meet market demands both nationally and internationally.
The Batam City Government, both the Batam City Concession Agency led by Muhammad Rudi, invited the community to contribute to the development of this Special Economic Zone. With the presence of the IBM Academy Hybrid Cloud and Artificial Intelligence (AI) at Nongsa Digital Park, Batam, this is collaboration between the government and the private sector in creating a professional workforce in the future. "Nongsa Digital Park is equipped with maximum technological infrastructure so that it can support the ICT sector in our country to become the center of the digital economy ecosystem in the future," said Rudi when inaugurating the IBM Academy (Batam, 2023).

Continuous improvement of educational accreditation can also increase the insight and knowledge of students in Batam City. So that in the future it can face the
Asean Economic Community (AEC) and international industry. The AEC is the realization of a free market in Southeast Asia which has been carried out in stages since the ASEAN Summit in Singapore in 1992. The aim of the establishment of the AEC is to increase economic stability in the ASEAN region, and is expected to be able to overcome problems in the economic field among ASEAN countries.

AEC has a pattern of integrating the ASEAN economy by forming a free trade system or free trade between ASEAN member countries. The ASEAN members including Indonesia have agreed on an agreement on the ASEAN Economic Community. The consequences of the AEC agreement are in the form of a free flow of goods for ASEAN countries, the impact of the free flow of services, the impact of the free flow of investment, the impact of the flow of skilled labour, and the impact of the free flow of capital. Of course, these things can have positive or negative consequences for the Indonesian economy. To fulfil national interests as well as a strategy to face the competitive level in the AEC, Indonesia issued a foreign economic policy in the form of special economic zones (KEK).

E. Conclusion

SEZ Nongsa is a big challenge for the people of Batam City in dealing with it. Where everyone has the opportunity to be able to work there so that competitiveness is high. The more competitive the opportunities that exist also provide opportunities to be able to increase income and experience. Based on research and discussion conducted by researchers, it can be concluded that (1) Special Economic Zones were created to accelerate economic development that is evenly distributed throughout Indonesia, (2) Batam Island is an island that has a strategic area adjacent to 2 (two) countries, namely Singapore and Malaysia. So that the geographical location of Batam City can be utilized in increasing the economy and state income, (3) the central government and regional governments have their respective roles in running this Special Economic Zone so that concrete and sustainable cooperation is needed to provide sustainable investment convenience in Indonesia, especially in Batam City, (4) political will the government is really needed as a guarantee to investors who want to invest in special economic zones or as government support to make it easier for investors to act as facilitators, (5) A part from providing facilities, other supporting factors must also be prepared by the government, such as human resources who are educated and have abilities that are not inferior to foreign resources, (6) the Nongsa Special Economic Zone (SEZ) focuses on developing the digital industry and also tourism so that infrastructure readiness is very important, and (7) the investment target expected by the Nongsa SEZ until 2030 is 16 trillion with a target workforce of 16,500 people.

The establishment of Nongsa as a special economic zone providing a great opportunity for the government and the community to improve the economy and science. Based on the research that has been done, there are several recommendations that the author wants to convey, namely (1) the application of the Nongsa Special Economic Zone can increase human resources in Batam City so that they can compete in the professional world, (2) the city of Batam has advantages in
facilities, especially in the digital field so that it can facilitate digital access in Batam City. This advantage can be used to support economic development in Batam City that is relevant to technology and digitalization, (3) the government, both the Central Government and the City of Batam, must ensure that education accreditation in Batam City is good so that it creates a competitive and creative generation, (4) discipline and consistency are expected to be applied so that it can become a style and lifestyle for both the community and the government that determines the regulations, and (5) investment security guarantees must also be given by the government, especially to foreign investors, so that they are confident and comfortable investing their money in Indonesia.

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References


