

## Balancing Foreign Direct Investment and Minimum Wage Policy in Indonesia's Batam Free Trade Zone: A SWOT Analysis

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**Abstract:** This study examines the complex relationship between foreign direct investment (FDI) and minimum wage policy as strategic factors in Batam, Indonesia's largest Free Trade Zone (FTZ). Using a qualitative approach, we conducted a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis based on government regulations, secondary economic data (2015–2025), and industry reports. The findings reveal that while Batam's strategic location, fiscal incentives, and labor abundance attract FDI, rising minimum wage demands driven by high living costs threaten its cost competitiveness relative to Vietnam and Thailand. Institutional dualism (local government vs. Batam Investment Agency) further complicates policy coordination. We conclude that Batam is shifting from a low-wage to a productivity-driven competitiveness model. Policy implications include the need for integrated governance, skill upgrading, and infrastructure investment to sustain FDI without suppressing workers' welfare.

**Keywords:** Batam Competitiveness, Foreign Direct Investment, Free Trade Zone, Minimum Wage Policy

### A. Introduction

In 2007, through Government Regulation No. 46 of 2007, the Indonesian Government designated Batam as a *Kawasan Perdagangan Bebas dan Pelabuhan Bebas*. This Government Regulation made Batam function as a Free Trade Zone (FTZ) covering the entire island of Batam and several surrounding islands. This status aims to enable Batam to attract investment, especially from abroad, to accelerate economic growth, create more new jobs, and increase the competitiveness of existing national industries. Batam, a strategic region in the Riau Islands Province, has a unique geographical position because it directly borders two neighboring countries, Singapore and Malaysia. As it developed, Batam also began to adopt *Kawasan Ekonomi Khusus* (Special Economic Zone - SEZ) status, such as the Nongsa Digital Park SEZ and the Batam Aero Technic SEZ, which offer more attractive fiscal and non-fiscal incentives to further attract foreign capital. This policy reflects a strong commitment to making Batam an investment hub, especially foreign investment. However, behind the narrative of rapid economic growth and investment, complex socio-economic issues

have emerged, one of which is the debate over workers' wage practices. This research highlights this duality: the extent to which investment policies are influenced by, and in turn influence, labor wage dynamics in the region.

Foreign investment in Indonesia, especially in Batam as a free trade zone, has had a positive impact on economic growth, including technology transfer, management know-how, a qualified workforce, and opportunities for opening up international markets (UNCTAD, 1996). To increase foreign investment, a supportive investment climate is needed, including government regulations that support the business world to develop and not just focus on investment entry. Foreign companies, as multinational corporations, desire to increase their value by investing in a country. This investment is certainly for business expansion, which according to (J. H. Dunning, 2020) is based on at least 3 things, namely Ownership Advantage, Location Advantages, and Internalization Advantages (J. H. Dunning, 1988). This theory is known as Dunning's OLI Theory, and then could be connected to the Neoclassical theory of Supply-Demand Labor Market which will be very important because it is related to wages (Borjas, 2013; Havan, 2024). Location Advantages describe a country with a low minimum wage as being more attractive for cost-efficiency-based Foreign Direct Investment (FDI), while a country with a high minimum wage is more suitable for technology- and skills-based FDI.

The establishment of a Special Economic Zone is one way that can be used not only to increase Foreign Direct Investment (FDI) but also to encourage the creation of a conducive business climate (Farole & Akinci, 2011; World Bank, 2017). A Special Economic Zone is generally described as a region that geographically has a direct border with another country or borders with the sea, which is managed by a special agency or institution by offering certain facilities or incentives. These facilities and incentives are usually related to value added tax exemptions, duty-free import exemptions, including simplification of customs matters for the Company sector within the zone (FIAS, 2008). The implementation in the field regarding special economic zones is differentiated based on the size and purpose of the formation of a region, including a Free Trade Zone (FTZ) which refers to a region in a country where imported goods are exempt from customs obligations and are treated as if the goods were still abroad (Chen et al., 2018; UNESCAP, 2005).

FTZs and other economic zones emphasize simplifying/improving the business climate through the provision of both fiscal and non-fiscal facilities, the characteristics of services, and the socio-economic conditions of the area. Generally, economic zone development policies focus on providing tax-free facilities (fiscal) and simplifying administrative processes (non-fiscal) (Zeng, 2011). Dunning's theory (J. H. Dunning, 2020) can be cited as stating that the goal of company expansion is to achieve efficiency, so fiscal and non-fiscal incentives or facilities are good steps in the development of an economic zone.

Batam's status as a free trade zone makes it attractive to foreign investors. One of its attractions is its comparative advantage in terms of relatively low company operating costs, specifically employee wages. For a foreign-invested company, wages are not only a source of livelihood for its employees but also a component of production costs that can influence the value of products that can compete in the global market. However, over time, a problem arose due to low wages. Employees believed that as their companies grew, their wages should be increased. Meanwhile, companies believed that a significant increase in the minimum wage would threaten their profitability. This is a normal part of any company's business environment, but if not addressed properly, it could have dire consequences. The government's role is crucial in establishing regulations regarding the minimum wage in Batam. The Batam government must consider the fact that rising labor costs without a corresponding increase in productivity will reduce Batam's competitiveness compared to other manufacturing centers in Southeast Asia, such as Thailand or Vietnam. This issue could trigger foreign direct investment (FDI) companies to relocate their operations from Batam to other countries. If the Batam government fails to address this, it could lead to a wave of layoffs, which would increase unemployment.

On the other side, employees of the company in Batam also face the reality of Batam's unique geographic location, as an island that relies heavily on the surrounding region for its logistical needs, especially for food. Batam often has a higher Consumer Price Index (CPI) than other regions in Indonesia. The city's minimum wage, set by the government, is perceived as only covering minimum physical needs, failing to provide a "living wage" that includes savings, education, and healthcare. This creates social inequality, where workers feel they contribute to Batam's economic growth by sweating in factories, but this growth does not significantly improve their standard of living.

This situation must be a priority for the Batam City Government to maintain its attractiveness for investment. The Batam City Government should immediately coordinate with other relevant agencies to strengthen and sustain the industrial ecosystem in Batam. This paper aims to answer the following questions:

1. What are the key internal strengths and weaknesses of Batam as an FDI destination in relation to minimum wage dynamics?
2. What external opportunities and threats shape Batam's ability to balance FDI attraction and wage policy?
3. What strategic options exist for Batam's policymakers to resolve this tension?

While extensive literature exists on FDI determinants and minimum wage effects separately (Dunning J., 1993; J. H. Dunning, 2020; Neumark & Wascher, 2008; Wooden, 2009), few studies examine their interaction within a Free Trade Zone in a middle-income country. Specifically, no empirical study has applied SWOT analysis to the FDI–minimum wage nexus in Batam. This study addresses that gap.

## **B. Methods**

In this paper, the author uses a SWOT analysis to illustrate the relationship between foreign investment dynamics and the minimum wage in Batam. SWOT stands for Strengths-Weaknesses-Opportunities-Threats. SWOT analysis is defined as a strategic work planning tool used to evaluate and identify the position of an organization, business, or individual. This analysis focuses on evaluating an organization's internal Strengths and Weaknesses, as well as evaluating the Opportunities and Threats in the organization's external environment (Benzaghta et al., 2021). This analysis was initially intended to help an organization comprehensively understand its strategic position in order to formulate medium- and long-term decision-making strategies (Teece, 2018). According to Teece, SWOT is a simple yet widely used tool due to its ability to bridge environmental analysis in formulating policy strategies. This SWOT analysis combines two main analytical factors: internal, which describes the organization's resources, competencies, and limitations. Then external factors include the dynamics of the industrial environment such as economic changes, technology, competition, and government regulations.

Batam, with its status as a Free Trade Zone and Free Port (KPBPB), boasts various advantages that can attract investment. However, it also has weaknesses that must be identified to formulate appropriate policies to maintain a strong investment climate. The following is a SWOT analysis for Batam Free Trade Zone and Free Port.

### **Strengths**

#### **1. Strategic Position**

Batam enjoys a highly strategic geographic location, bordering Singapore, a global logistics hub, and Malaysia, a growing industrial hub. Batam is situated along the international shipping lanes of the Straits of Malacca and Singapore, busy global trade routes. This position makes Batam the face of the Indonesian economy, directly facing the global trade, financial, and logistics hub of Singapore, as well as direct access to the manufacturing and industrial base of southern Malaysia.

Batam's position is very attractive to Singaporean and Malaysian investors, who want to invest in Batam because of its lower logistics costs. With a maximum of one-hour ship journey to Singapore and two hours to Malaysia, Batam is a suitable location for Singaporean and Malaysian companies to locate branches and production bases (Saladin, 2026). International companies currently tend to separate their administrative headquarters from their factories. Placing headquarters or regional offices in Singapore opens up opportunities for Batam to host production, assembly, and logistics facilities for these international companies. This approach is considered capable of increasing company competitiveness by reducing operational costs while maintaining international quality.

Batam's strategic location offers multinational companies the opportunity to achieve significant logistical efficiencies by establishing production branches. In Batam, the company is expected to produce products or support interconnected business activities within its group, with significantly increased production capacity compared to opening or expanding a factory in Singapore. This strategic location allows companies to quickly and easily meet their needs. Furthermore, Batam's proximity to international trade routes makes it easier for companies to source necessary raw materials and ship their products internationally.

## 2. Fiscal Facilities

Batam has the advantage of being a Kawasan Perdagangan Bebas dan Pelabuhan Bebas (KPBPB), also known as a Free Trade Zone (FTZ). The designation of Batam as a Free Trade Zone is a central government policy designed to serve as a gateway for foreign investment, transforming it into an export-oriented production center and a key Indonesian international logistics hub in the Asian region (Batam Pos, 2025).

As a Special Economic and Free Trade Zone, Batam offers highly attractive fiscal facilities for foreign investors. These facilities exempt import duties, VAT, and sales tax on luxury goods. This facility is ideal for companies producing goods solely for re-export, not for sale in Indonesia. Raw materials entering Batam are duty-free and tax-free, and the resulting products are re-exported. This system simplifies business processes and increases efficiency, resulting in operational cost savings for companies. This fiscal policy is highly attractive to foreign companies and investors because it creates a more competitive business climate compared to other cities in Indonesia. For foreign investors, this FTZ policy will significantly reduce global production and logistics costs, especially for companies that rely on imports of raw materials and components from various countries.

## 3. Regional Economic Cooperation

Batam's strategic position also benefits from the Singapore-Johor-Riau (SIJORI) Growth Triangle (Saladin, 2026). This triangular economic cooperation involves Batam in the Southeast Asian value chain, particularly in the export-driven manufacturing, logistics, and services sectors. Multinational companies can leverage Batam as a production hub, efficiently serving the regional markets of Singapore, Malaysia, and the Asia-Pacific region. This undoubtedly increases Batam's attractiveness to foreign investors.

## 4. Infrastructure

As a Free Trade Zone and Free Port, Batam has unique characteristics. Batam's ports are precisely designed to handle the flow of export and import goods without the complicated customs procedures associated with other public ports. This reduces loading and unloading costs, lowers logistics costs, and ultimately improves supply chain capabilities. This advantage is highly attractive to investors seeking to operate

companies with global production networks and requiring speed and efficiency in logistics (Manurung, 2025).

Batam boasts a variety of comprehensive and integrated industrial zones designed to accommodate business establishments. The Batam authorities have built and expanded road infrastructure to facilitate smooth access between locations within the city. They also provide electricity and water to support business activities. As a free trade zone (FTZ), Batam has a significantly higher budget than surrounding areas, enabling it to improve its infrastructure to increase its attractiveness to investment.

#### 5. Abundant Labor Force

Batam, as an investment destination, attracts an influx of labor from various regions in Indonesia. The available labor force possesses diverse education, expertise, and skills. This abundant workforce is generally willing to be paid the prevailing wage standard in Batam, the City Minimum Wage (Upah Minimum Kota-UMK). However, certain specializations also receive wages commensurate with their expertise. This abundant labor supply naturally attracts investors to establish companies in the hope of reducing operational costs, particularly wages for production employees. In international investment theory, labor costs are a crucial component of production costs, particularly in manufacturing, assembly, and logistics for export. Therefore, differences in wage levels between regions are a significant factor in determining investment (Arguero & Radulovich, 2024). Batam's UMK in 2025 is projected at 4.98 million rupiah, far below the average wage in Singapore or Malaysia (Mulya, 2025).

#### 6. Legal and Institutional Certainty

Batam has a regional authority, acting as a representative of the central government, called the Batam Business Agency (Badan Pengusahaan Batam-BP Batam). The presence of BP Batam in managing investment areas can facilitate faster and more integrated investment decision-making. The central government's delegation of strategic licensing authority to BP Batam, particularly for sectors directly related to investment and economic activities, strengthens Batam as a region that facilitates better and more competitive business activities compared to other locations in Indonesia (Sahputra, 2025).

### **Weaknesses**

#### 1. Dependence on Specific Economic Sectors

Batam, as an island and archipelago, is highly dependent on the manufacturing, construction, and international trade sectors. Data from 2025 shows that 83.82 percent of Batam's economy is supported by these three main sectors, indicating a high level of economic concentration in the industrial and infrastructure sectors (Batam Today, 2026). On the other hand, this condition could pose a threat to

Batam's economic structure, as it will be highly sensitive to dynamic changes in the global economy, such as disruptions to international supply chains and the relocation of industries by multinational companies (Puyt et al., 2023).

In a SWOT analysis, an economy with a structure that relies too heavily on a single sector is considered an internal weakness because it will make a region's economy less adaptable or less flexible. When export demand declines, investment slows, ultimately reducing employment, significantly lowering regional income. In other words, over-concentration on a single sector makes a region more vulnerable to external economic shocks than regions with a diverse economic base (Benzaghta et al., 2021).

## 2. Dual Government Institutions

The BP Batam, appointed by the central government, has indeed emphasized Batam's advantages as an investment destination, with its special status. However, this has also created new problems. While formally, Batam has unified leadership through the Mayor, who also serves as Head of the Batam Investment Authority (BP Batam), in practice, governance is complex and there is potential for overlapping authority. The Batam City Government, mandated with public services, often experiences suboptimal coordination with BP Batam, as the manager of the investment area, particularly in spatial planning, land management, and the provision of Batam's basic infrastructure.

This is an internal weakness stemming from the bureaucratic institutional design. Several strategic studies have shown that the advantages of regulations and fiscal incentives in a region or area can be diminished if they lack consistent and integrated governance support. Investors pay close attention to the bureaucratic processes at investment locations (Teece, 2018).

## 3. Regional Fiscal Capacity

Batam, as an FTZ, exempts import duties, VAT, and certain taxes on incoming goods. This attracts inward investment but also limits the region's fiscal space compared to other regions without FTZ status. This makes Batam highly dependent on central government support in the state budget for national projects and on the BP Batam's own budget. This internal weakness reduces Batam's ability to finance the development of social infrastructure and basic services such as healthcare, housing, public transportation, and clean water. Fiscal limitations ultimately reduce the region's long-term investment competitiveness (Benzaghta et al., 2021).

## 4. Urbanization and Regional Disparities

Batam, as an industrial city attracting labor from outside the region, not only strengthens the labor supply but also creates new problems in the form of pressure on urban infrastructure and the emergence of regional disparities, particularly between industrial and residential areas. These issues include dense settlements,

limited adequate housing, and disparities in public services. These disparities are weaknesses that have the potential to disrupt quality of life and raise the cost of living. They can even lead to community resistance to government development programs, thus reducing the region's economic competitiveness (Benzaghta et al., 2021).

#### 5. Domestic Logistics Costs

As a free trade zone (FTZ), Batam only provides facilities for imported goods entering Batam. The concept is that these imported goods will be used for manufacturing and the resulting products will be re-exported outside Batam. However, some goods produced for sale outside Batam within the Republic of Indonesia are treated as imported goods and are subject to import duties and other import taxes. This results in high costs for domestic shipping to other regions in Indonesia. High logistics costs to other regions in Indonesia are a disadvantage, especially for industries with a domestic market (Binekrasi, 2025).

#### 6. Human Resource Quality

Batam still lacks a highly skilled local workforce, while some investments in Batam require skilled and expert workers due to its high-tech industries. This creates a gap between industrial needs and local human resource development.

This weakness, known as the human resource gap, reduces Batam's attractiveness as an investment hub. Batam's location advantages, coupled with fiscal facilities, must be complemented by the capabilities of its human resources so that Batam can become a global value chain, not just a low-cost production base (Karadzhov, 2025).

### **Opportunities**

#### 1. Digital Transformation

Batam, with its strategic location and available land, is attractive for investment in the data center sector and the digital economy. This investment is attracting digital companies to open their offices in Batam (Moises, 2024).

#### 2. Industrial Relocation

The constantly changing global economic conditions must be addressed carefully and opportunities seized to attract further investment to Batam must be exploited. The ongoing tariff war between the United States and China, which imposes high taxes on Chinese-made goods entering the United States, presents an opportunity for factory relocation from China to Southeast Asia. This opportunity must be exploited to ensure that these relocations occur in Batam (Asiatoday, 2025).

#### 3. Regional Economic Integration

Batam, which borders Singapore and Malaysia, is developing the potential of the three countries to form an economic triangle region, leveraging the comparative

advantages of each region. This collaboration aims to foster economic development, infrastructure, tourism, investment, and cultural exchange (Saladin, 2026).

## **Threats**

### **1. Regional Competition**

Batam faces stiff competition from Vietnam and Thailand, which offer more competitive wages to investors. They also offer stable and more certain regulatory guarantees. Many foreign companies initially operating in Batam have shifted their operations to Vietnam or Thailand, partly due to the growing demand for a minimum wage increase in Batam (Mutaali, 2025).

### **2. Cost of Living**

Although Batam has a relatively high minimum wage (UMK) in Indonesia, several studies have found that it is not enough to keep up with the cost of living in Batam. This imbalance significantly reduces workers' purchasing power and increases the vulnerability of informal workers (Luthfia, 2024). Rising prices of basic necessities and inflation in Indonesia, and Batam in particular, have led workers to expect a significant annual increase in the minimum wage (BPS, 2026). This situation has led workers to not only hope for wage increases but also demand them by holding annual rally/demonstrations regarding the City Minimum Wage (UMK).

### **3. Industrial Automation**

Companies in today's digital era have the choice of whether to continue using manual labor, replace it with robots for routine automated work, or combine both. Batam City, dominated by the electronics, semiconductor, shipbuilding, and manufacturing industries for export, has made it a priority area for industrial automation implementation. It is well known that automated machines, such as robots, can significantly replace repetitive manual and physically-based tasks, which currently require operators and production workers. Industrial robots are capable of working faster, more measurably, and more consistently than human labor (Maulan et al., 2025). Therefore, if minimum wage demands are deemed too burdensome for employers, it is possible that companies will prefer robotic automation to human labor, ultimately leading to a reduction in manual labor.

## **C. Results and Discussion**

The problem of low labor wages must be resolved immediately to prevent Batam from being trapped in a competitive battle for low wages. Companies, as employers, naturally desire efficiency and wage savings in operational costs to increase product profitability. Meanwhile, workers expect higher pay, believing the company has used their labor to produce and generate profits. This reality clearly demonstrates that a viable solution lies in finding a balance between the interests of the company and the workers. It's impossible to simply accommodate workers' demands for annual

minimum wage increases without considering the employer's business conditions. Likewise, companies shouldn't simply demand low labor wages without considering the living conditions of workers in Batam. The minimum wage increase in Batam is a double-edged sword, potentially creating a dilemma between maintaining an industrial climate with investment competitiveness and improving the welfare of its workers.

Batam was initially developed as a base for manufacturing and electronics industry. Both sectors are highly sensitive to operational costs and labor costs. Excessive wage increases can trigger factory relocations for various reasons, including the following:

1. Reduced comparative advantage, when Batam's minimum wage (approximately IDR 5.3 million in 2026) is very different from other regions, for example Central Java (between IDR 2.1 - IDR 3.4 million), this causes company profits to erode.
2. Footloose Industry: Labor-intensive industries such as textiles, footwear, or simple assembly lines are characterized by footloose nature, meaning they are easily moved. Companies will prefer to establish factories where operational costs are lowest to remain globally competitive.
3. Geographically, many companies are currently relocating to Central Java. It's possible that companies currently in Batam are also considering relocating to Central Java. This is because Central Java still has extensive land, adequate road infrastructure, and, of course, wages that are only half those in Batam.

Wages in Batam cannot be kept low, as this poses serious risks to the community's economic stability. Low wages can reduce people's purchasing power, leading to a stagnation of local money circulation as people hold back on spending. Ultimately, this slows regional economic growth. Therefore, the Batam government must face the challenge of finding a balance to prevent investment displacement while still maintaining the welfare of workers.

The Batam government, together with the BP Batam, must continue to shift the competitiveness paradigm from relying on low-wage labor to strengthening a sustainable industrial ecosystem. Here are some steps taken as part of the synergy between the government and BP Batam's policies:

#### 1. High Value-Added Industries

Batam has shifted from labor-intensive industries to focus on high-tech sectors (semiconductors, aerospace, and the digital economy). This synergy is implemented through a human resource competency improvement program to prepare a skilled, trained, and ready-to-use workforce, ensuring wages are commensurate with high levels of work output. In other words, wages are based on productivity, not solely on living expenses and inflation. In addition to developing human resources, Batam must also improve the availability of adequate road infrastructure, expand loading and unloading ports, and upgrade airports to

streamline logistics costs and reduce additional costs that currently burden investors.

## 2. Legal Certainty for Business

Foreign investors (FDI) will be attracted to investing in a region if they are guaranteed legal certainty and ease of doing business. Batam must further enhance its integrated licensing system through the Online Submission System (OSS) and strengthen self-service channel such as the Public Service Mall, to reduce bureaucratic red tape and extortion. This streamlining of bureaucratic red tape also includes streamlining labor and investment bureaucracy to reduce non-wage costs for companies. Furthermore, several areas in Batam have been designated as special economic zones (SEZs), such as Batam Aero Technic and Nongsa Digital Park, which provide legal certainty, including fiscal, customs, and immigration incentives. Furthermore, incentives should be provided for capital-intensive and high-tech investments to make them more attractive to investors.

3. The government acts as a mediator in discussions between workers and employers to determine a reasonable minimum wage to maintain workers' purchasing power and ensure the continuity of company operations. This tripartite dialogue must prioritize deliberation to reach mutual agreement. The Batam government also ensures that all industrial areas, which are nationally vital, are free from all operational disruptions, providing investors with a sense of long-term security.

## **D. Conclusions**

This study concludes that the correlation between foreign investment and minimum wage policy in the Batam Free Trade Zone (KPPBPB) is complex and interdependent. The analysis shows that Batam's role as an FTZ relies on a combination of strategic location, fiscal facilities, and low labor costs. However, efforts to increase the minimum wage without a corresponding increase in labor productivity will reduce Batam's competitiveness, particularly in Southeast Asia. Based on existing theories, this finding is in line with Dunning's OLI (Ownership-Location-Internalization) Theory, particularly the Location Advantages factor, which emphasizes that investors will choose locations with cost efficiency, particularly in terms of labor and business certainty (J. H. Dunning, 1977, 1980). However, this study also confirms the understanding of sustainable economic development, which emphasizes that wages are not only a cost but also a tool to improve the welfare, purchasing power, and social stability of the workforce.

This research addresses the main topic by emphasizing that the policy of maintaining minimum wages solely to attract investment is a risky short-term strategy, just as a strategy of high wage increases without considering business conditions also has the potential to encourage industrial relocation (footloose industry). Therefore, a balance between the investment climate and minimum wage policy can only be achieved by

shifting the paradigm from a low-wage advantage to one based on skills, productivity, and industrial added value. The Batam City Government and BP Batam have a very strategic role as policymakers to bridge the interests of workers, the business world, and the state to ensure the long-term sustainability of the Batam FTZ. This research recommends the following things: 1) The Batam City Government needs to reformulate the minimum wage policy based on productivity indicators; engage in government-employer-worker dialogue; and reduce non-wage living costs such as housing, transportation, and food prices; 2) The Batam Business Agency (BP Batam) needs to improve the high-value-added industrial ecosystem; integrate investment and employment governance; and provide incentives based on improving workforce skills; and 3) Industry in Batam needs to shift its business model from a labor-cost-based to a productivity-based one; implement performance-based payroll; and improve open communication with workers.

As a summary, with the various measures mentioned above, even if wages in Batam increase, the Total Cost of Business is expected to remain competitive compared to other regions and neighboring countries. This will ensure Batam remains a magnet for foreign investment and a vital part of the value chain in international trade routes. This research can be continued to deepen and examine the relationship between minimum wage policy, labor productivity, and the sustainability of foreign investment in the Batam Free Zone (FTZ). Further studies could use a comparative approach with other FTZ areas or examine the institutional roles of the Batam Free Zone Authority (BP Batam) and the Batam City Government in creating employment policies. This approach is expected to produce more appropriate and sustainable policy recommendations for Batam's development as an investment zone.

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