

CHAPTER 1

INTRODUCTION

1.1 Background

To help development and economic growth in Indonesia, investment is significant. The government can use investments to improve infrastructure and advance the standard of living of the Indonesian population. One of the measures the government is willing to take is attracting foreign investors to invest in Indonesia in the form of direct foreign investment (FDI). In essence, it is predicted that FDI flows to Indonesia will increase productivity, which in turn will influence national revenue growth in the form of gross domestic product (GDP) and increased exports.¹ There are many business opportunities for the exact purpose of foreign investment in Indonesia, such as infrastructure, agriculture, manufacturing industry, tourism, etc.

PT. Bio Inti Agrindo (BIA) is one of the international firms investing in Indonesia, PT. BIA is a subsidiary of POSCO International, a Korean corporation primarily engaged in trading, exports and imports steel, cement, crude oil, heavy machinery, automotive parts, and textiles.² PT. BIA was founded on 18 October 2006 in Indonesia as a palm oil plantation company. PT.BIA has been developing a Palm Oil Plantation company at Merauke more specifically in Ulilin district in Papua, with a size of more than 36,600ha.³ PT BIA has been investing in palm oil

¹ Safitriani, Suci. "PERDAGANGAN INTERNASIONAL DAN FOREIGN DIRECT INVESTMENT DI INDONESIA". Buletin Ilmiah Litbang Perdagangan 8, no. 1 (July 31, 2014): 93-116. <http://jurnal.kemendag.go.id/bilp/article/view/89>

² "POSCO International Corp." Bloomberg. Accessed March 8, 2021. <https://www.bloomberg.com/profile/company/047050:KS>.

³ "PT. BIA Sustainability Dashboard". PT Bio Inti Agrindo (BIA). <https://www.ptbia.co.id/sustainability/sustainability-dashboard>

plantations in Merauke since 2012, producing crude palm oil or CPO (crude palm oil). Not only are the findings promoted in Indonesia, but they have also been exported abroad. Companies must have a Roundtable on Sustainable Palm Oil (RSPO) or an alliance consisting of different a coalition of organizations from various palm oil industry sectors to compete in the global market to establish and enforce international standards for the exact purpose of the sustainable development of palm oil. Therefore, since acquiring an RSPO member in 2018, and by August 2019, PT BIA has been exporting their palm oil.⁴

The potential for the exact purpose of plantation land in southern Papua (Merauke, Boven Digoel, Mappi and Asmat) combined reaches up to 33,52 km², where oil palm is one of the commodities that fits the topography there.⁵ The area of Merauke Regency is 45,071 km², consisting of 20 sub-districts and 179 villages. One of the Merauke districts, Ulilin which has 11 villages is where PT. BIA is located. Selil is one of the 11 villages in Ulilin sub-district and the first village that is willing to work together with PT BIA to lease its customary land for the exact purpose palm oil cultivation in the form of a cooperation agreement.

The goal of a MNC is to optimize global stockholder wealth, as reflected by stock prices or, in other words, to gain profits.⁶ It is, of course, the same as other MNCs, and this is also done by PT BIA, which, of course, seeks profits.

⁴ “Menghadapi Persaingan Pasar Global, PT BIA Lakukan Pertemuan Dengan Para Pihak”. PT. Bio Inti Agrindo (BIA). <https://www.ptbia.co.id/news/latest-highlights?start=5>.

⁵ “PAPUA SIAPKAN TIGA JUTA HEKTAR LAHAN UNTUK PERKEBUNAN SAWIT”. Pemerintah Provinsi Papua. <https://www.papua.go.id/view-detail-berita-67/papua-siapkan-tiga-juta-hektar-lahan-untuk-perkebunan-sawit.html>

⁶ Daniel, Angualia, Goals of a Multinational Corporation and the Role of a Financial Manager (July 31, 2010). Available at SSRN: <https://ssrn.com/abstract=1651469> or <http://dx.doi.org/10.2139/ssrn.1651469>

Nevertheless, in search of profit, businesses are faced with different kinds of problems that arise in the areas where the company operates. In the Ulilin sub-district, PT BIA presents various issues, such as the environment, customary rights, stakeholder participation, etc. Business practices can be influenced by the rising sense of responsibility for the quality of life, the environment and social stability and can enhance people's lives. Based on this, through current laws and regulations, there are demands on companies' position to provide corporate social responsibility (CSR), which is carried out by the company, to carry out corporate responsibility for the exact purpose of the area.⁷ CSR is mandatory for every company operating in Indonesia, especially companies engaged in Natural Resources management (SDA). This is regulated in UU no. 40/2007 regarding Perseroan Terbatas (UUPT).⁸

The role of PT. BIA through its CSR is undoubtedly needed by Papua, especially in the areas where they operate, which is in the Ulilin sub-district, Merauke where the quality of life is still left behind the reason for these circumstances the people still lack access to education, health, clean water, electricity, etc.⁹ PT BIA started operating in the Ulilin sub-district in 2011. They claim that they have carried out various social responsibilities towards the society there, such as health, education, economy, etc., to achieve several of the United

⁷ Disemadi, Hari S., and Paramita Prananingtyas. "Kebijakan Corporate Social Responsibility (CSR) Sebagai Strategi Hukum Dalam Pemberdayaan Masyarakat Di Indonesia." *Jurnal WAWASAN YURIDIKA* 4, no. 1 (March 25, 2020). <https://doi.org/DOI:10.25072/jwy.v4i1.328>.

⁸ Amrul Pohan, "TANGGUNG JAWAB SOSIAL DAN LINGKUNGAN PERSEROAN TERBATAS," *Jurnal Legalisasi Indonesia* 6, no. 2 (June 2009): pp. 79-86, <https://e-jurnal.peraturan.go.id/index.php/jli/article/download/321/206>, p. 80.

⁹ Badan Pusat Statistik Kabupaten Merauke. "Distrik Ulilin Dalam Angka 2020".BPS Kab. Merauke.

Nations Sustainable Development Goals. PT BIA acknowledges that it wants to achieve UN SDGs to uphold its principle of corporate citizenship.¹⁰ The Sustainable Development Goals (SDGs) are a global call to action to eradicate poverty, protect the environment, and improve the lives and opportunities of all people. In 2015, all UN Member States adopted the 17 Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development, which outlined a 15-year strategy to meet the goals.¹¹

This research is therefore aimed at seeing the degree to which PT BIA works through Corporate Social Responsibility (CSR) for the citizens of Selil Village, Merauke, Papua as one of the owners of customary land rights to achieve human empowerment, in line with the objectives of supporting the Sustainable Development Goals (SDGs) in Indonesia.

1.2 Research Question

1. What is the role of PT BIA's Corporate Social Responsibility (CSR) in encouraging human empowerment in Selil Village, Ulilin sub-district, Merauke, Papua?
2. What is the significance of PT BIA's Corporate Social Responsibility (CSR) program in supporting the Sustainable Development Goals (SDGs) in Indonesia?

¹⁰ "Health & Social Voluntary Service." PT. Bio Inti Agrindo (BIA). <https://www.ptbia.co.id/news/latest-highlights?start=9>

¹¹ "The Sustainable Development Agenda – United Nations Sustainable Development," United Nations (United Nations), accessed February 21, 2021, <https://www.un.org/sustainabledevelopment/development-agenda/>.

1.3 Research Objectives

The research objectives of this research are to describe the role of PT BIA's Corporate Social Responsibility in encouraging human empowerment in Selil Village, Merauke, Papua and to describe the significance of PT BIA's contribution in achieving Sustainable Development Goals in Selil Village, Merauke, Papua.

1.4 Significance of Research

The findings of this thesis would provide insight to international relations academics or scholars from any discipline on the role of a multinational corporation specifically PT BIA in Papua through Corporate Social Responsibility (CSR) for human development and supporting sustainable development goals (SDGs). It also emphasizes the importance of the palm oil sector in Indonesia and how this industry should be more concerned with society and the environment due to the influence it has.

1.5 Structure of Writing

The first chapter describes the introduction; the chapter provides an overview of the overall thesis, including an introduction to the MNC, PT BIA, and its CSR, which is the backdrop of the research, research question, objectives, and significance of the study itself.

The second chapter explains the theoretical framework; during this chapter, the international relations theories that revolve around the complex interdependence theory, modernization theory, and three concepts that include multinational corporations, corporate social responsibility, and sustainable

development are elaborated. This chapter addresses the peer-reviewed literature that serves as the study's foundation.

The third chapter describes the study's methodology. The chapter describes the research approach, method, and data collection apparatus used for this research. In addition, the chapter discusses data analysis techniques used in data collecting to address the research question.

The fourth chapter, which is the analysis, is the primary body of the thesis. This chapter examines the relevant elements and offers all the data acquired regarding the framework of Palm Oil Companies' CSR in Indonesia from the perspective of the palm oil industry. The CSR of PT BIA, a palm oil MNC in the Papua region, was then examined for its support of human empowerment and sustainable development goals. The information used in this section's analysis was acquired from numerous government publications as well as a first-hand interview with PT BIA public relations and the head village of Selil. The analysis performed in this chapter will be utilized to answer the thesis' research question.

The fifth chapter, the conclusion, presents the thesis' conclusion, in which the conclusion of the analysis completed in chapter IV would give the answer of the results of PT BIA' CSR efforts to Selil village as well as PT BIA contribution to SDGs in Indonesia.