

**THE ROLE OF CROSS BORDER COOPERATION (CBC) INDONESIA-  
MALAYSIA ON REGIONAL DEVELOPMENT  
IN WEST KALIMANTAN REGION**

**Case of Socio-economic Malaysia Indonesia (Sosek Malindo) Cooperation**

**By**

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## **Abstract**

Regional policies and development suggest that cities and regions have been increasingly affected by material and non material flows on global scale. Likewise to regional development in West Kalimantan, Indonesia region, it has been performing the development of region on global scale, by developing that prioritizes the development of border regions that have strategic value because has border regions directly on with neighboring country is Sarawak, Malaysia, by building cooperative relationships with the neighboring regions across interstate boundaries. The form of the cooperative relationship is the development of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that is a strategy for accelerate the growth of regional development in the context of globalization. The main objective of this study is to analyze the role of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional developments in West Kalimantan region. The rational foundations of CBC consist of economic, political, cultural and historical, and cooperation and competition. Besides, the other objective in this study was also to identify other aspects of CBC in West Kalimantan region that might be different from the existing CBC. This study used in-depth interview, participant observations and documents as main data collection. Results showed that application of rational foundations of Cross Border Cooperation (CBC) under Sosek Malindo cooperation have significantly contributed to the regional development of West Kalimantan region, particularly in border regions. This study also found that transportation, tourism, health, and forestry and environment are addition aspects in this cooperation.

*Keywords: Cross Border Cooperation (CBC), border region development and regional development*

## Abstrak

Dasar dan pembangunan daerah menunjukkan bahawa bandar-bandar dan daerah-daerah telah sudah semakin dipengaruhi oleh arus materi dan non materi pada global skala. Demikian pula untuk pembangunan daerah di Kalimantan Barat, wilayah Indonesia, telah melaksanakan pembangunan daerah pada skala global, dengan pengembangan yang memprioritaskan pembangunan daerah-daerah sempadan yang mempunyai nilai strategik kerana mempunyai daerah sempadan langsung dengan Negara jiran Sarawak, Malaysia, dengan membina hubungan kerjasama dengan daerah jiran melintasi batas-batas antar negara bahagian. Bentuk hubungan kerjasamanya ialah pengembangan Kerjasama Lintas Batas (KLB) seperti kerjasama Sosek Malindo yang merupakan strategi untuk mempercepatkan pertumbuhan pembangunan daerah dalam konteks globalisasi. Tujuan utama kajian ini ialah untuk menganalisis peranan Kerjasama Lintas Batas (KLB) seperti kerjasama Sosek Malindo yang melakukan yang kegiatannya didasarkan pada asas-asas rasional KLB terhadap pembangunan di wilayah Kalimantan Barat. Asas-asas rasional KLB terdiri daripada ekonomi, politik, budaya dan sejarah, dan kerjasama dan kompetisi. Selain itu, tujuan lain dalam kajian ini juga untuk mengenalpasti aspek-aspek lain dari KLB di wilayah Kalimantan Barat yang mungkin berbeza daripada KLB yang ada. Studi ini menggunakan wawancara mendalam, pemerhatian partisipan dan dokumen-dokumen sebagai pengumpulan data utama. Keputusan menunjukkan bahawa penerapan asas-asas rasional Kerjasama Lintas Batas (KLB) melalui kerjasama Sosek Malindo telah secara signifikan memberikan sumbangan untuk pembangunan daerah wilayah Kalimantan Barat, khususnya di kawasan sempadan. Studi ini juga mendapati bahawa pengangkutan, pelancongan, kesihatan, dan perhutanan dan persekitaran Selain aspek dalam kerjasama ini.

*Kata Kunci: Kerjasama Lintas Batas (KLB), pembangunan kawasan sempadan dan pembangunan daerah.*

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## **Chapter 1**

### **Introduction**

#### **1.1 Background**

Recent literature on regional policies and development suggests that cities and regions have been increasingly affected directly by material and non material flows on a global scale. Sub-national regions adjacent to national boundaries, known as border regions, are not exceptional. The conditions of the development of the border regions, which tend to be located on the periphery of a nation state and dependent on a relatively weak economic and political base, have been changing under the influence of ongoing dynamic changes in global flows along with global economic restructuring (Enokido, 2007).

Recently, a number of border regions have started to take advantage of their unique locations in order to improve development and to enhance their territorial competitiveness by building cooperative relationships with neighboring regions across interstate boundaries. The innovative approach to regional development planning is being pioneered in this part of the globe.

The approach that represents a new regional development effort is called Cross Border Cooperation (CBC), which adopts outward looking, transnational solutions to domestic concerns like depressed regions, inequitable distribution of growth, and urban core periphery relationship problems (Enokido, 2007). CBC refers to an institutionalized collaboration between authorities across national borders. The Convention of the Council of Europe (CoE) defines CBC as any actions or efforts designed to reinforce and foster neighborhood relations between

communities and authorities across borders. Authorities involved have freedom to develop and govern the region without instruction from the central government.

Researchers began to address CBC in the 1980s and their studies began to proliferate in Europe, North America and Asia in the 1990s (Enokido, 2007). In Asia, studies on CBC was brought to fore when China, through economic relations with neighboring countries where it attained high economic growth rates (Sobrepesa, 1994).

CBC underlying concepts crystallized when Singapore initiated cooperative ties with Johor, a southern state of Malaysia, and the islands of Riau in Indonesia to form the Singapore-Johor-Riau (SIJORI) Growth Triangle (Sobrepesa, 1994). Since then, Asian countries have increasingly tried to replicate regional cross-border cooperation, also known as the growth area or growth triangle approach.

The main objective of CBC is economic development, but other considerations such as; human resource development and environmental protection have also begun to be addressed (Enokido, 2007). This trend indicates the potential capacity of CBC for moving from a level of mere trade partnership building to facilitating the creation of a new geographic scale for improving economic, human, and environmental conditions.

Cross Border Cooperation (CBC) is a new strategy for regional development in the context of globalization (Enokido, 2007) and proliferation of CBC is identified by researchers as a manifestation of a new type of regionalism.

Aykac (1994) identifies the emergence of CB regions as trans-border regionalism and Scott (1998) refers it as cross border regionalism.

According to Keating (1997b), the old regionalism was largely contained within the nation state and the new regionalism transcends the nation states, as the old state region dynamic gives way to a complex set of relationships among regions, states, international regimes and the global market, although the latter does not only refer to CB regionalism. Keating (1997a) further suggests that the nature of the CBC is a re-territorialization of economic, political, and governmental activity. This territorial primacy is proposed by Friedmann and Weaver (1979). Indeed, many other scholars (for example, Cappellin 1993, Hansen 1981, Kratke 1999, Nijkamp 1993 and Wong-Gonzales 1998) suggest that both territorial and functional integration are critical to CBC. In other words, a rising number in the interaction of people, flows of goods and capital, and exchanges of knowledge, information and culture between border regions in the process of CBC can lead to the organization of a new scale of development. Therefore, CBC should be understood as a new form of regional development.

### ***Cross Border Cooperation in Asia***

Currently, regional CBC has been spread throughout Asia. Economic cooperation between Hong Kong, Taipei and Southern China has intensified in what is known as the Southern China Growth Triangle. Economic cooperation in the Democratic People's Republic of Korea, Jilin in China and Siberia in Russia is known as the Tumen Delta growth area. There is the Yellow Sea Economic Zone (the coast of Bohai in China, and western and north-eastern Kyushu and

Yamaguichi in Japan), and the North ASEAN Growth Triangle (northern Malaysia, northern Sumatra in Indonesia, and southern Thailand) (Sobrepena, 1994).

In the mainstream of growth area developments, the Indonesia is now actively involved in the promotions of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Growth Triangle economic cooperation of the Singapore, Johor and Indonesia (SIJORI), the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGE), and Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation.

As a manifestation of a new type of regionalism, CBC has proliferated in Europe and North America in the 1980s, and Asia in the 1990s (Enokido, 2007). In the development of CBC itself, the modern practices of rational foundations, such as economic, political, cultural and historical, and cooperation and competition reasons are applied more in Europe and North America states other, than those applied in Asia (Enokido, 2007). In developed countries like Europe and North America, CBC involved supranational institutions like EU and NAFTA, where its rearrangement is on national and international level.

However, in Asia, the development of CBC is quite passive and not as aggressive as the development in Europe. Despite the fact that some CBC has been established few decades ago, the progress of CBC is less apparent and its contribution to the economy is not that significant. Only in recent years, the globalization of production and market has forces countries in the region particularly Southeast Asian countries to strengthen their regional collaborations

to sustain their competitiveness. Asian countries now begin to feel the pressure to work closely with neighbors. AFTA is one of the manifestations of Southeast Asian countries to be actively involved with other neighboring countries in the region. The absence of supranational institutions like EU has compelled the national government to directly involve in the CBC efforts.

Indonesia is one of the countries in Southeast Asia that currently attempts to utilize the relationship with neighboring countries by cross border cooperation to encourage the development of region, particularly in border regions. Various efforts have been made regionally with neighbors like Singapore, Malaysia, Brunei and others. The involvement of Indonesian government to promote the cooperation is necessary for the success of this cooperation. Hence, this study endeavors to examine CBC in this cross border region and its contribution to the Indonesian regional development.

## **1.2 Research Problem**

Indonesia is situated in Southeastern Asia. At 1,904,569 Sq km, Indonesia is the biggest five state in the world which has borders in sea with 10 (ten) neighboring countries (maritime borders) and in land with 3 (three) neighboring countries (border areas/ regions) (Armed Forces of Indonesia 2007).

A clear and detail map of the position of Indonesia region along with neighboring countries are shown in Figure 1.1 below.



**Figure 1.1: A Map of Indonesia with Neighboring Countries**

The map in Figure 1.1 shows a map of Indonesia region with neighboring countries and its border regions. Indonesia is a country that has the border region among the countries long enough, that is along the 4800 km. The Indonesia border regions consist of continent borders which directly border on with Malaysia, Papua New Gini and Republik Demokratik Timor Leste (RDTL), and maritime borders which border on with 10 (ten) countries, are Malaysia, Singapore, Philippines, India, Thailand, Vietnam, Palau Republic, Australia, Timor Leste, and Papua New Gini.

The border regions are widely spread with various typologies from the hinterland to the little most outside islands. This condition gives a great

challenges that affect the lay out of control in securing border regions, especially in providing the financial and human resources.

The challenges that Indonesia faces in border regions have distinctive conditions and characteristics with other regions. Border regions were affected by various factors such as geographies, the available of natural and human resources, socio-economics, politics and cultural conditions and the prosperity level of neighbor state's people. One of the primary problems faced by all border regions in Indonesia is the poverty and lack of social basic structures and infrastructures (National Development Planning Agency, 2006).

The strategic location of border regions brings opportunity to any illegal activities such as illegal fishing, traditional illegal border crossers, illicit drug trafficking, human trafficking, arms smuggling and illegal logging, or security issues such as armed robbery against ship and sea piracy, maritime terrorism on border regions which conducted by local people or foreigners and the problem of states border lines that caused many disadvantages to Indonesia (Armed Forces of Indonesia, 2007).

In several border regions in Indonesia, there are issues of border lines with neighboring countries, which is still in process of bilateral discussions. Along these years, the efforts to handle border issues and problems are taken by holding bilateral cooperation with neighboring countries which have directly borders with Indonesia, also for maritime borders with neighboring countries. Through the comprehensive efforts from all state's elements and the good will from neighboring countries by cross border cooperation (CBC), in handling current

issues, CBC is anticipated to be a mechanism or platform in resolving the border issues.

Indonesia has large marine and land natural resources, but all natural resources are not uniformly distributed in all provinces in Indonesia, as well as human resource as the agent of development of the country. The implication is that provincial infrastructures and services are less developed, especially in isolated and remote areas.

The ignored case from national economic development policy of Indonesia since 1969 was widespread. This broad gap of national economic development among regions occurs specifically within the development of Eastern Indonesian region consisting Kalimantan Island, Sulawesi, Maluku, Papua, Bali and islands of Nusa Tenggara, which are relatively far left behind compared to the development of Western Indonesian region, such as Java and Sumatera Island. Development includes aspects of human resource, condition of natural resource, economic growth, and generalization of other infrastructures (National Development Planning Agency, 1980).

Another contributing factor to the gap of national economic development among regions is a border region which is generally very low in its growth. This is caused by past policies which tend to marginalize the border regions only to function as a security belt, especially the Kalimantan zone adjacent to East Malaysia. In general, economic contribution of the border regions is very low, that is less than 0.1% (one per mile) to the national economic growth (National

Development Planning Agency, 1980). Thus, the economic growth in this area was underdeveloped.

As mentioned by Kurniadi (2003, p.2) that the specific treatment to border regions in Indonesia were only in defense and security view where border region was deemed as a vulnerable area facing threat from foreign parties. Perceived threat comes from the military's view emphasis State security and territorial integrity as the objective rather than people's welfare. The security approach of border regions in Indonesia like West Kalimantan border region was by reason the criminal activities like smuggling, trafficking, and illegal logging often happen in this region (Aswandi, 2006).

Furthermore, the policy of the regional development in Indonesia was so far tends to be oriented as 'inward looking,' which suggests that, these border regions are not the main priority of state development. Therefore, border regions are assumed to be the non representing region of priority for development by the central government and provinces. Meanwhile, a remote area becomes progressively difficult to expand due to the fact that its location is too isolated and unreachable as a result of insufficient transportation services.

The remoteness from the centers of power and decision making, and its marginality in relation to its national core has brought geographical disadvantage to this region (Guo, 1996, p. 33-34). This view or statement that attention given to such area has been less than other regions or less developed than regions in Indonesia and with neighboring country.

### ***Economic Imbalance in Indonesia***

In an economic development of a country, an economic gap or imbalance represents an indivisible characteristic in geographical economic activity, while another characteristic is economic concentration, which is spatial in a state because industrialization proceeds selectively in geographical dimensions (Kuncoro, 2004). In regards to imbalance, Djojohadikusumo (1994) sees from the dimension of regional economy that the perception of imbalance represents an imbalance in the way interregional economics. In this condition, the problems are faced in a dilemma called technology dualism.

In the context of Indonesia representing the archipelago region, the dominant dilemma of technology dualism is uppermost caused by the asymmetry (imbalance) between location of resident and location of natural resource (Djojohadikusumo, 1994). According to Djojohadikusumo (1994), although most residents are centered in Java Island, there are more natural resources coming from other islands. The tendency of expanding the industry in Java is based on the role of labor, compared to states outside Java which are not based on human capital. As a matter of fact, to have an industry expansion, a location must have the solid character of human capital which utilizes modern technology.

Besides the existence of technology dualism, an approach of more development signalizes economic growth partaking to give contribution to imbalance creation, among sectors, individuals and also among regions especially imbalance between Eastern Indonesian region and Western Indonesian Region.

Also the development of border regions those are located in the Eastern Indonesia like Kalimantan Island.

In additional, the remoteness from the centres of power and decision making, and its marginality in relation to its national core has brought geographical disadvantages to this region in (Guo, 1996, p. 33-34). This statement can be understood both as the length of distance between the Eastern and Western Indonesia regions in regional development, and also from the view that the attention given to such area has been less than other regions. That is why West Kalimantan Province, particularly in border region, and other border regions in Indonesia, is much less developed than other regions in this country.

As mentioned, in Indonesia, the development of border regions is still relatively less attention, especially when government is centralized. These conditions cause the occurrence of limited facilities and infrastructure areas, the gap of social, economic, and technology with neighbouring countries, reserves of natural resources depletion, smuggling, and security issues.

However, this border region has a large potential as a gateway to global international market and gives great expectation in economy if the government seriously takes this issue into account. The contrasting condition is taking place in the neighbor country's region which progresses and expands rapidly with its pre-eminent sector being equal to pre-eminent sector of Indonesia's border region, which in turn exploits Indonesia's forest product to be exported with much more added value.

Kalimantan that is one of part of Indonesia is the biggest island among all islands in Indonesia and has abundant resources including timber, rubber, palm oil, etc. There are four provinces in Kalimantan; East Kalimantan (Samarinda), West Kalimantan (Pontianak), Central Kalimantan (Palangkaraya) and South Kalimantan (Banjarmasin) which share land borders with East Malaysia; Sarawak and Sabah. The province of West Kalimantan is adjacent directly on with the neighboring country, is East Malaysia's state of Sarawak. This is representing the strategic and the potential regions to develop.

As elaborated above, there are some issues pertaining to the poor coordination of special area development at provinces in the Indonesian regions. One of them is the province of West Kalimantan which has a strategic value as a border region between two countries. But recently, the plan of Indonesian government, emphasized has giving to reduce the large imbalances or disparities in economic development among provinces and regions in Indonesia. One of the plans is the plans of Integrated Economic Development Zone (Kawasan Pengembangan Ekonomi Terpadu, KAPET) in West Kalimantan province, by Presidential Decree (Keputusan Presiden, Keppres) of Indonesian Republic at Keppres RI No. 89 of Year 1996. Besides, in regard to the legal provision for the development of border region, refer to the Spatial Planning Act No. 24 Year 1992, the border region is one of regions whose spatial plan is prioritized. The rationalization for prioritizing this area is based on the strategic values of this area, considering political, economic, social, culture, living environment, security

and defense, and the priority of regional development in national scale (National Development Planning Agency, 2004).

Another provision related to the development of border region is the Presidential Regulation No. 7 Year 2005. The development of border region is specifically and explicitly mentioned as directed to develop border regions and change the policy direction of the development from inward-looking orientation into outward-looking orientation, so that such areas can give benefit as gates of economic and trade activities with neighboring countries. Besides using the security approach, the development of border region also need the means of prosperity approach (The National Medium Term Development Plan 2004-2009).

Those are examples of how the legal provisions in Indonesia from the highest level have mandated the government to pay attention to the management of border regions. The constitution implicitly obliges the government to maintain the sovereignty of the nation in its boundaries. This is the task of the national government to secure the national boundary and guarantee the maintenance of law and order in border regions.

It encompasses the border regions on land, sea, and air with neighboring countries. Thus, the border regions could be a jurisdiction of cross-area among provinces, districts, or administrative city territories. Furthermore, the border region is a strategic area. It nationally relates to the livelihood of many people, observed from the interests of politics, society, culture, environment, and security. Since it shares the border directly and geographically with immediate neighboring countries or other countries, the determination to make the spatial structure of

West Kalimantan-Sarawak border regions as a strategic area becomes the priority of the central government to implement its coordination. The spatial structure of West Kalimantan-Sarawak border region should be integrated into the concerned provinces and districts spatial planning.

Impact of economic crisis that occurred in Indonesia, which caused the worsened of economic performance throughout sectors of production in Indonesia in mid 1997 to the last of 2001, other than the impact on the national economy also impacted on the worsened of economic performance in areas of Indonesia, one of which is the province of West Kalimantan. This can be seen from the economic growth of West Kalimantan in 1988 was a minus 4.71%, much lower than the growth in 1997 which it was 7.53%. While the inflation rate in 1998 was still 78.85% higher than the national rate of inflation the amount of this is 66.89% (Statistics of West Kalimantan, 1998). The economic crisis is caused the worsened of economic performance in this province in many aspects, such as the problem of income distribution, poverty and employment opportunities.

As mentioned above, recently the plan of Indonesian government emphasized to reduce the large imbalances or disparities in economic development among provinces and regions in Indonesia and border regions. One of the economic development policies implemented by the provincial government of West Kalimantan is to improve the economic performance, such as overcoming the worsened of income distribution, poverty and employment, through the development of border regions in this province. Basic policy of a border region development is in West Kalimantan Regional Regulation No.1, 1995 which

established the border region as a particular area / strategic development priority, and the implementation of the that Regulation is set in the year 2000-2005, which is devoted to development of border regions in this Province. One of the strategies plan of West Kalimantan government to implement the regional development that prioritizes the development of border region in this province is regional development in the context of globalization, lead to the development based on globalization, by utilizing the cooperation with neighbouring countries.

Based on the success of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Growth Triangle economic cooperation of the Singapore, Johor and Indonesia (SIJORI), the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGE), the Indonesian government has been promoting the other cross border cooperation named as Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation to enhance growth of the regional development in Indonesia region.

The Sosek Malindo cooperation is an international relationship desirous of further improving and strengthening the existing relation and cooperation between the two countries, Indonesia and Malaysia. The Sosek Malindo cooperation is known for improving the facilities to be accorded to citizens of both countries living respectively within the Indonesia border regions of the Provinces of (West Kalimantan, East Kalimantan, Riau and Kepulauan Riau) and within the Malaysian border regions of the states of Sabah and Sarawak and along the coast of the states of Melaka, Johor, Selangor and Negeri Sembilan. The objective of Sosek Malindo is to increase the socio-economic prosperity and level of

livelihood in border regions societies both of sides between Indonesia and Malaysia.

Guo (1996) mentions that after the border related barriers are removed, border region can substantially benefit from the cross border trade and cooperation in term of goods, capital, technology, information, etc. In fact, the cross border activities between China and Hong Kong are well developed. The main land China is Hong Kong's largest trading partner. In the first half 2003, total trade with the main land amounted to HK \$ 702 billion (Fan, 2004). Therefore, the suggestions to develop the border region in order to increase the have urgent need.

Based on the view above, as the objective of Sosek Malindo cooperation is in accordance with the spatial plans and goals of the development of Indonesian government that prioritizing the development of border regions in areas of Indonesia, and as mentioned, the Indonesian government has been promoting the other cross border cooperation named as Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation to enhance growth of the regional development in Indonesia region. Besides, one of the strategies plans of West Kalimantan government to implementation of regional development in province that prioritizes the development of border region in this province is regional development in the context of globalization, through development with involving the neighbouring countries. Therefore, utilizing the cooperation with neighbouring countries is needed in order to support regional development in this area, and the cooperation in this province has formed is named Socio-economic Malaysia-

Indonesia (Sosek Malindo) cooperation. Based on this condition, this study attempts to analyze the impacts of activities of this cross border cooperation on regional development in West Kalimantan that has border directly on with Sarawak, Malaysia.

Based on the problems arise from the cross border region and economic imbalance in Indonesia as a consequent from the cross border impact, CBC is being perceived as an agent that would be able to handle and manage the border region problems and create benefits to the whole country. Nonetheless, in Asia generally and Indonesia specifically, little is understood about the CBC role and its impact to the country especially in resolving the border region problems. Most of the CBCs have been established few decades but their contribution to the country and border region development is less clear. Therefore, this study attempts to analyze the role of Cross Border Cooperation (CBC) like Sosek Malindo cooperation on regional development in the West Kalimantan region, base on the rationale foundations of CBC, are the economic, the political, the cultural and historical, and the cooperation and competition reasons. Besides, to identify the other aspects or the other rational foundations of CBC that conducted in activities of Sosek Malindo cooperation in West Kalimantan region, Indonesia that might be different from the existing CBC.

### **1.3 Research Objective**

The main objective of this study is to attempt to analyze the role of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC, such as economic, political, cultural and historical, and cooperation and competition on regional developments in West Kalimantan region.

Specifically, this study aims:

1. To measure the impacts of the economic activities of Sosek Malindo cooperation on regional development in West Kalimantan region.
2. To analysis the impacts of the political activities of Sosek Malindo cooperation on regional development in West Kalimantan region.
3. To determine the impacts of the cultural and historical activities of Sosek Malindo cooperation on regional development in West Kalimantan region.
4. To discover the impacts of the cooperation and competition activities of Sosek Malindo cooperation on regional development in West Kalimantan region.
5. To identify the other aspects of CBC in West Kalimantan region that might be different from the existing CBC.

#### **1.4 Research Questions**

This study attempts to answer the following questions:

1. To what extent the impacts of the economic activities of Sosek Malindo cooperation on regional development in West Kalimantan region?
2. How do the impacts of the political activities of Sosek Malindo cooperation on regional development in West Kalimantan region?
3. What are the impacts of the cultural and historical activities of Sosek Malindo cooperation on regional development in West Kalimantan region?
4. In what way the impacts of the cooperation and competition activities of Sosek Malindo cooperation on regional development in West Kalimantan region?
5. What are the other aspects of CBC in West Kalimantan region that might be different from the existing CBC?

## **1.5 Research Significance**

The research significance that is presented in this study, divided into two parts is conceptual contributions and practical contributions. The explanation of these two contributions as described below.

### **1.5.1 Conceptual Contributions**

#### **a. New Relationship (Rational Foundations of CBC and Regional Development)**

As mentioned, cross border cooperation (CBC) is being perceived as an agent that would be able to handle and manage the border region problems and create benefits to the whole country. Nonetheless, in Asia generally and Indonesia specifically, little is understood about the CBC role and its impact to the country especially in resolving the border region problems.

There are many studies on CBC (Enokido, 2007; Aykac, 1994; Clement et al., 1999; Scott, 1998; Wu, 1998; Perkmann, 2003; and Sobrepena, 1994) and regional development (Aswandi, 2006; Suratman, 2004; Habibullah and Affizzah, 2005; Maneepong and Wu, 2004; Fan, 2004; Evans, 2000; Hanson and Spilimbergo (1999); Portes and Rey, 1999; and Hughes and Holland, 1994) in a region, but there are limited studies on CBC that related with regional development in border region and also to handle and manage the border region problems and create benefits to the whole country. The most of the studies in Asia and especially in Indonesia had concentrated on the application of regional development concepts in region or border region without connecting that development with CBC and utilizing the CBC with neighbouring country.

Furthermore, there are no studies about the application of the rational foundations of CBC concepts on regional development in border region.

As mentioned earlier, that CBC represents the approach of a new regional development effort, which is adopts outward looking, transnational solutions to domestic concerns like depressed regions, inequitable distribution of growth, and urban core periphery relationship problems. Most of the CBCs have been established few decades but their contribution to the country and border region development is less clear. Therefore, this study attempts to analyze and will provide a detail the role of activities CBC that conducts the activities based on the rational foundations of CBC on regional development of region, particularly border region.

As mentioned above, this study investigates the relationship between rational foundations of CBC and regional development. The relationship meant in this study is the applications of rational foundations of CBC in activities Sosek Malindo cooperation on regional development. Analyzing this relationship would provide concepts from rational foundations of CBC such as economic, political, cultural and historical, and cooperation and competition that would contribute to regional development, is the regional development in West Kalimantan region, particularly border regions.

The relationship between the rational foundations of CBC and regional development, are based on the function of CBC as the strategy for regional development in the context of globalization (Enokido, 2007). Development

offered by CBC is important for the region ensuring contribution to its economic and social growth.

Further, this study not only attempts to find for support the conceptual foundations of CBC and regional development, but it has also attempts to analyze that regional development maybe improved through some dimensions of economic indicators or reasons such as economies of scale, externalities, and transaction costs. It also maybe improved through some dimensions of the others rational foundations of CBC are the dimensions of political, cultural and historical, and cooperation and competitions indicators.

#### **b. New Rational Foundations of CBC**

The reason for creating Cross Border Cooperation (CBC) is built in a variety of situations. Each CBC is built in different political and economic systems and cultural backgrounds in each region, thus the process and mechanisms of CBC vary and also the objectives of each CBC vary (Enokido, 2007). Besides, cross border developments are unlike other regional development schemes in that the importance of the border is paramount (Maneepong and Wu, 2004).

In many respects the border is the key reason why the developments emerged in the first place. The border is a significant barrier to the movement of people and goods (Clement et al., 1999). It maintains the differences in wages, land prices, and other disparities that may exist. The zones between Hong Kong and Shenzhen and that between Singapore and Johor are two prime examples of

the importance of the border in maintaining differences, which in turn promote cross border development (Wu, 1998a).

Therefore, this study also investigated to find new rational foundations of CBC, particularly in developing countries, by attempts to find out or identify other aspects of the rational foundations of CBC in activities of Sosek Malindo cooperation in West Kalimantan region, which might be different from the existing CBC in the world such as CBC in Europe, North America and then to be the new model or add the existing rationale foundations of CBC in Asia. Consequently, rationale foundations for using CBC as a regional development strategy can be justified and further enriched.

### **1.5.2 Practical Contributions**

This study aims to identify the role of rational foundations of CBC (consist of economic, political, cultural and historical, and cooperation and competition), is related to activities in Sosek Malindo Cooperation to regional development in West Kalimantan. The relationship is based on the conceptual foundations that mentions that CBC is a new strategy for regional development in the context of globalization, and in the development of CBC itself, the modern practices of rational foundations cover are economic, political, cultural and historical, and cooperation and competition reasons (Enokido, 2007).

As mentioned, the empirical evidences show that practices of CBC developed in Europe, North America and Asia (Enokido, 2007; Aykac, 1994; Clement et al., 1999; Scott, 1998; Wu, 1998; Perkmann, 2003; and Sobrepena, 1994). Therefore, this study contributed to the implementation of the rational

foundations of CBC to practices of regional development in region of country. In this study, the region is West Kalimantan Province in Indonesia region.

The respective governments have been responsible for most of the developments associated in practices of CBC as cooperation between Hong Kong and Shenzhen and between Singapore and Johor as mentioned above (Wu, 1998). Huge amounts of public funds have been invested in infrastructure and the purchase of land to facilitate cross border developments that are generally acknowledged as successful. Therefore, the practical contribution that meant in this study is the implementation of the rational foundations of CBC to practices of regional development in region of country, involves the government of the country. Thus, this study will contribute to policy to the policy makers in Indonesia regarding the regional development in country especially in West Kalimantan, Indonesia, and also contributes to the policy makers and government of neighboring, particularly Malaysia in the regional development of border regions.

### **1.6 Research Scope**

The research scope in this study is limited to certain aspects. Firstly, it will only cover a specific location, namely Indonesia's West Kalimantan region, particularly in border regions, by reason this region represents as the left behind or not develop region compare with other regions in Indonesia and it also has strategic value because has border regions directly on with neighboring country is Sarawak, Malaysia, which has been a priority area to be developed by Indonesian government. Addition, this region is including the region in Sosek Malindo

cooperation. Secondly, this study will attempt to identify the role of Cross Border Cooperation (CBC), is Sosek Malindo cooperation that is the object in this study, to regional development in the West Kalimantan region, base on the rationale foundations of CBC are the economic, the political, the cultural and historical, and the cooperation and competition reasons. Moreover, this study will also attempt to discover the other aspects or rationale foundations of CBC in West Kalimantan region, Indonesia that might be different from the existing CBC.

In addition, the growths of regional development in West Kalimantan that will be discussed are limited to the period of development between 2000 to 2005. The reason is the due to implementation of the regional development of border regions in West Kalimantan occurred during that period. However, several significant events which took place in 2007 will also be analyzed.

### **1.7 Research Organization**

Chapter 1 consists of background of the study that discusses about CBC in Asia, and then problem of the study that discusses about economic imbalance in Indonesia. Besides, chapter 1 consists of research objective, research questions, research significance that is presented in two parts, namely conceptual contributions and practical contributions. Further this chapter presents the research scope, and finally presents the research organization. Further, the next part of this study will presented the literature review of study. The literature review in this study will be divided into two parts of conceptual foundation of study are literature review I that will be presented in chapter 2 and literature review II that will be presented in chapter 3. Literature review I will review about

Cross Border Cooperation (CBC) literature and literature review II will review about regional development literature. The first part in literature review I will review about CBC literature and then continued about the earliest studies that relevant with Cross Border Cooperation (CBC) study. The section of CBC literature will cover the definition of CBC, nature of CBC, basic concepts of CBC, function of borders, and rational of CBC. As part of literature review I, this chapter also will begin about the parts of regional development literature. Further, this chapter will review about the previous studies or earliest studies that relevant with this part. Chapter 4 in this study explains the methodology used to achieve the research objectives. The results of the findings in this study are discussed in chapter 5. Further, in chapter 6 discuss the findings of the study and their implications, related with literatures which are the basis and support this study, in order to overview and achieve the research objectives. Finally, chapter 7 conclusion presents the summary of chapters, recommendations, and future research.

## **Chapter 2**

### **Literature Review I: Cross Border Cooperation (CBC)**

#### **2.1 Introduction**

Literature review in this study will be divided into two parts of conceptual foundation of study are literature review I and literature review II. Literature review I will review about Cross Border Cooperation (CBC) literature and literature review II will review about regional development literature. In addition, the previous studies or earliest studies that relevant with this study also will be presented to begin the literatures review in these parts.

The first part in literature review I will review about CBC literature and then continued reviews about the earliest studies that relevant with Cross Border Cooperation (CBC) study. The section of CBC literature will cover the definition of CBC, nature of CBC, basic concepts of CBC, function of borders, and rational of CBC. In general, the literature review of this part will be provided below.

#### **2.2 Review of Cross Border Cooperation (CBC)**

##### **2.2.1 Definition of Cross Border Cooperation**

As a first approximation, cross border cooperation (CBC) can be defined as a more or less institutionalized collaboration between contiguous sub national authorities across national borders. However, for practical and research purposes, this loose definition need to be operationalized. This must consider those factors which are empirically important for constituting the phenomenon and distinguish it from other phenomena. It should also be able to accommodate differences

among CBC initiatives, concerning their administrative set-up, the type of public authorities involved, and the sources/modes of finance (Hassink et al., 1995).

CBC can thus be defined according to the four following criteria: First, as their main protagonists are always public authorities, CBC must be located in the realm of public agency. Second, CBC refers to collaboration between sub-national authorities in different countries whereby these actors are normally not legal subjects according to international law. They are therefore not allowed to conclude international treaties with foreign authorities, and, consequently, CBC involves so called low politics. This is why CBC is often based on informal or quasi juridical arrangements among the participating authorities. Third, CBC is foremost concerned with practical problem-solving in a broad range of fields of everyday administrative life. Fourth, CBC involves a certain stabilization of cross-border contacts over time.

This definition of cross border cooperation is more specific than the definition proposed by an important international legal framework, the Outline Convention of the Council of Europe. The Convention defines trans-frontier cooperation as ... any concerted action designed to reinforce and foster neighborly relations between territorial communities and authorities within the jurisdiction of other Contracting parties and the conclusion of any agreement and arrangement necessary for this purpose.

Cross border cooperation is a cross border interaction between neighboring regions for the preservation, governance and development of their common living space, without the involvement of their central authorities' (Schmitt-Egner 1998:

63). This definition assumes that there is an a priori common living space while the evidence suggests that in many cases such common purposes are constructed by border communities in an ad hoc manner.

### **2.2.2 Nature of Cross Border Cooperation**

Cross border cooperation (CBC) is not new. Aykac (1994) suggests that formal cooperation has existed since the 18<sup>th</sup> century in Europe. However, as a modern regional development practice, CBC is new in that it involves foreign, national, and regional governments in addition to supranational institutions. The involvement of multilevel institutions beyond national boundaries makes CBC distinctive from traditional regional development, which was originally intended to solve regional discrepancies within national boundaries (Friedmann and Weaver 1979, Cited by Enokido 2007).

CBC has been strongly affected by the historical and political context of each border region and thus the objectives of each CBC vary. For example, European CBC in general aims for the establishment of a borderless Europe (Veggeland 1993) in which economic, political and spatial cohesion are sought, CBC in North America is characterized by its distinctive economic (or functional) interdependence, though more diverse CB issues tend to have been dealt with recently (Scott 1998). It should be noted that for border regions either in Europe and North America, there are a number of different objectives and they are also increasing. For example, cross border environmental issues are of growing concern.

The proliferation of CBC is identified by researchers as a manifestation of a new type of regionalism, for example, Aykac (1994) identifies the emergence of cross border regions as trans-border regionalism and Scott (1998) as cross border regionalism. According to Keating (1997b), the old regionalism was largely contained within the nation state and the new regionalism transcends the nation states, as the old state-region dynamic gives way to a complex set of relationships among regions, states, international regimes and the global market, although the latter does not only refer to cross border regionalism.

Keating (1997a) further suggests that the nature of the CBC is a re-territorialization of economic, political, and governmental activity. This territorial primacy is proposed by Friedmann and Weaver (1979). Indeed, many other scholars (for example, Cappellin 1993, Hansen 1981, Kratke 1999, Nijkamp 1993 and Wong-Gonzales 1998) suggest that both territorial and functional integration are critical to CBC.

In other words, increases in the interaction of people flows of goods and capital and exchanges of knowledge, information and culture between border regions in the process of CBC can lead to the organization of a new scale of development. Therefore, CBC should be understood as a new form of regional development.

### 2.2.3 Basic Concepts of Cross Border Cooperation

#### a. *Region in Cross Border*

CBC has been discussed by scholars of diverse disciplines. Indeed, there are numerous types of regions conceptualized, for example: natural, economic, historical, cultural, administrative, planning, ecological, currency, etc. What is common to them is the concept that a region can be defined by certain homogeneity. This is a traditional approach adopted in the study of the region.

Scale is another defining criterion. The literature shows that region lies somewhere between the largest territorial unit and smaller one, notably between the national and local levels (i.e. subnational region) as suggested by Glasson (1974), or even between the entire globe and the nation state. The above discussion suggests that the identification of a region is made through a process of including and excluding certain factors in order to encompass a specific territorial expansion according to viewers' perceptions or purposes.

On the contrary, Keating (1998: 79) suggests that the idea that the region is something intermediate is not necessarily applicable to every situation, pointing out that the term region has been applied to units of local government. He argues that it is reasonable to look at the region as a system of action that is not stable because different kind of regions have been defined and redefined.

An identical territory also often belongs to multiple types of regions. Keating's argument that the region is a dynamic system is useful for understanding the emergence of cross border region that is accompanied by changes in

economic, political and social interaction between members of neighboring border regions sharing the interstate boundaries.

The idea that the region is something intermediate is still useful as well. It is not a problem if the region in question happens to be conterminous with a jurisdiction of a local government as far as it can be perceived as a system of action and as a geographical unit without referring to the boundary of the local government when certain factors are featured.

*b. Border and Boundary*

The terms border and boundary are often used interchangeably without the meanings clarified in discussions of CBC. Definitions of the terms which are useful for the study of CBC are shown in Eskelin et al. (1999: 13), who develop an argument drawing upon Prescott (1987). According to Eskelin et al., boundary can be understood as a line of physical contact between states, and border as denoting the adjacent areas which line a boundary.

In this regard, that border is synonymous with borderland another term often used by scholars. Prescott (1987) states that borderland is a transition zone within which the boundary lies. This is can interpret border and borderland as a zone in which multidimensional impacts of the presence of a boundary such as disputes over national boundaries are mediated. This implies that there can be multiple borders (or borderlands) lining an identical boundary when different elements of impacts are taken into consideration. A border is also a dynamic system of action as region.

The study of cross border cooperation focuses on interaction of various factors and activities that develop between borders on both sides of a boundary. Thus, the term cross border cooperation is more appropriate than cross boundary cooperation because border regions, i.e. zonal units around the boundary, are the scope of the study.

**c. *Border Regions and Cross Border Regions***

Hansen (1977) articulates that border regions are sub-national areas whose economic and social lives are directly and significantly affected by proximity to an international boundary. However, the concept of proximity remains unclear. Its numerical standard is not presented by most researchers of CB regions. Exceptionally, Aykac (1994: 7) mentions that the transborder regions which extend anywhere between 15 and 25 kms from each side of the border are determined by several factors. This standard of proximity is not particularly meaningful because it is not likely that various flows and actions are confined to a zonal area 25 kms from the boundary. It should also be noted that this is a view that considers the border region as a static geographic unit and is likely to overlook the dynamic nature of the border region.

Guo (1996:12-13) quotes that the English word, ‘border’ (or ‘boundary’), which refers to a definition that delimits a political territory and life space, has wider meanings in political and economic geography than ‘frontier’, while the latter usually refers to a special case of border when it is used to divide the sovereign limits of adjacent independent states. The border manifests itself in three functions: a) legal function, where the border line exactly delimits the

territories subject to juridical standards and country's law; b) a control function, where every crossing of the border line is submitted to a state control; c) a fiscal control, where the control function is accompanied by a perception of custom right assuring the adaptation of the fiscal rights in force in the country. The manifestation into the three functions is related to the characteristic of the border region as both the starting point and the end of national sovereignty. The borderline cuts off two systems of political authorities. This region is where the exercise of sovereignty and judicature has its limit. Then, the government of each political region/country may manage the flow of goods using tariff and non tariff instruments and issue visa or emigration permits for people crossing the border (Guo, 1996).

The dynamic nature of the border regions is explored by Friedmann (1996). He examines frontierness as a condition that characterizes border regions and contends that border and frontier regions are often in a rough coincidence. According to Friedmann, frontiers can be categorized into either static or dynamic: static frontiers are identical with the political borders of a country and the regions immediately adjacent to them and dynamic frontiers are settlement frontiers and extractive frontiers.

The two types of frontiers represent the processes of opening up the frontiers by people with different purposes (the former represents the hunger for land of landless peasants who advance deeper into the forest instead of moving to cities and the latter the industrial interest of global capital in extracting natural resources reserved in frontiers). Friedmann's view is that the types of development

define the dynamic nature of border or frontier regions. On the contrary, Stea (1996) suggests that an absence of development represents the characteristic of frontier regions.

Finally, the meaning of cross border region needs to be examined. Aykac (1994) argues that it depends which criteria are used to define the term national region. He suggests that transborder (i.e. cross-border) cooperation structures come close to the definitions of a region as an association of municipalities (as in Portugal) or a region as in planning regions. This is a view that presents an interest in administrative units. He further insists that none of such factors as regional identity, a common history and a common language is primary for defining cross border regions.

Perkmann (1999) is more concerned about issues of geographical scale of a CB region in terms of the convenience for political actors to become involved in the formation of a CB region. He interprets region as a geographical unit organized by authorities but considers that the region is too big and thus not an appropriate unit of analysis of CBC. Rather, he focuses on local authorities (municipalities), which he considers much smaller than regional ones and which can, therefore, be more appropriate actors of CBC. It should be noted that Perkmann argues that the local authorities cannot build CBC without the strong involvement of non-local actors and emphasizes the importance of multilevel organizational networking that extends beyond localities.

Compared with Aykac's view, which is rather static, Perkmann refers to the dynamic nature of the CB region formed by multilevel and multidimensional

networks among public and private sectors, and local and non-local actors. His focus on local and non-local actors is to support the view that the region is a system of action. Find this is useful for understanding CBC in terms of networks and networking. However, the idea that the region is too large for CBC is questionable.

When does CBC generate a cross border region? The relevant literature reveals several connotations of CBR. The definition adopted by the Council of Europe, for instance, states that cross-border regions are characterized by homogenous features and functional interdependencies because otherwise there is no need for cross border cooperation (Council of Europe, CoE, 1972: 29); in other words, a trans-frontier region is a potential region, inherent in geography, history, ecology, ethnic groups, economic possibilities and so on, but disrupted by the sovereignty of the governments ruling on each side of the frontier' (Council Europe, CoE, 1995)10. Concepts such as natural economic spaces and natural economic territories (Scalapino, 1991) point into a similar direction, implicitly arguing for the existence of intermediate units of natural economic development cutting through state borders (Ohmae, 1995) .

Such characterizations can be traced back to the concept of functional regions (Schamp, 1995), i.e. territorial units characterized by a high density of internal interactions compared to the level of interactions outside. The functional region is an important conceptual tool in spatial planning as it provides empirically grounded criteria for policy interventions. Functional regions are areas grouped together according to the interactions between them (Berry, 1969). In

other words, they have empirical boundaries qua socio-economic systems which are indicated by certain quantitative indicators such as transport volumes and directions or telephone calls (Merritt, 1974).

The Council Europe refers to the region as a functional entity because early CBC policies were significantly informed by spatial planning theories and practices. Schmitt-Egner notes, a cross border region is not only an action space but also an action unit (Schmitt-Egner, 1998: 37). A similar action centred line is followed by Raich who, following Schulze, defines a cross border region as a territorial unit that has historical, socio-economic and cultural commonalities, as well as, at least tentatively, its own regional identity and autonomous (political and social) institutions and therefore claims an autonomous definition of its needs and interests which it is capable to articulate and defend (Raich, 1995: 25).

The point is that the regionness of a CBR cannot be taken for granted but has to be understood as the outcome of a process of social construction. Accordingly, a cross border region can be defined as a bounded territorial unit composed of the territories of authorities participating in a CBC initiative as defined above. This implies that a CBR is not only understood as a functional space, but as a socio-territorial unit equipped with a certain degree of strategic capacity on the basis of certain organizational arrangements.

In conclusion, it does not matter whether a CBR is built upon cultural or ethnic commonalities, a common historical background, existing functional interdependencies or a mere community of interests as it is precisely the process

of construction that matters. Only if commonalities are not assumed to underpin CBC initiatives can the contingent nature of CBRs be grasped.

#### **2.2.4 Functions of Borders**

##### *a. Openness and Closedness*

Major discussions about the functions of the border in the literature centre on the degrees of its closedness and openness. The norm underpinning the discussion is that openness is more profitable than closedness for the development of cross border regions (CBRs). The idea suggests that stronger border integration can counterbalance the negative impact of increased competition; the result of cooperation would be a plus-sum.

Martinez (1994) in his study of the dynamics of borderland interaction, presents four models of borderland interaction: alienated borderlands (border is functionally closed), co-existent borderlands (border remains slightly open), interdependent borderlands (economic and social complementarities prompt increased cross-border integration) and integrated borderlands (there is unrestricted movement of people and goods across the boundary). The models are differentiated by the degree of cross border contact, which can be assessed by cross border movement and the forces that produce it. According to Martinez, the main reason that causes the transformation is the level of national security.

Based on the notion of openness and stability, Ratti (1993) builds different models of borders and borderlands from an economic point of view. He proposes that borders fulfill two basic functions at the same time. On one hand, the borders function as a dividing line between different political institutional systems (he

identifies this as a traditional approach); on the other hand, borders act as a contact area between different societies. They generate different types of border effects. The former function has effects as the border as Barrier, i.e. the border is a source of a long series of discriminating effects, penalizing border regions. The latter is an open border where the functions of contact are predominant between a number of political and institutional systems. This is what Ratti considers as the model that should lead our prospective vision for border area development. This view, i.e. the border should be transformed on a spectrum from closedness to openness, is shared by Martinez. This seems to be a general tendency of existing borders but it should be noted that new borders which demonstrate aspects of political separateness have appeared in many parts of the world.

Ratti's model includes another type of border effects between border as barrier and open border: the effects of border as filter. It is similar to Martinez's interdependent borderlands. Border as filter, means that the border mediates discrimination between a number of political and economic systems. In other words, it facilitates segregated flows of labor, investment, goods and even crimes such as smuggling between regions divided by the boundary, taking advantage of the differences in two types of revenues available in each border, i.e. a rent of position determined by the effect of proximity (economic, social, and cultural) that might create specific comparative advantages, and a differential rent determined, for example, by salary or income differences between the zones divided by the border.

It is clear that both researchers support the principle of free market competition and do not seriously take into account various economic and social costs of opening up the borders and the resulting emergence of new winners and losers. What it is that becomes more open and more closed across the interstate boundary needs to be closely examined and monitored in the process of cross border Cooperation (CBC), where the main objective of CBC is economic development, but other considerations such as human resource development and environmental protection have also begun to be addressed. This trend indicates the potential capacity of CBC for moving from a level of mere trade partnership building to facilitating the creation of a new geographic scale for improving economic, human, and environmental conditions.

Indeed, identifying openness and closedness of the border becomes more difficult when the functions of the border are examined more closely. Clement et al. (1999: 268) present that border functions are exerted not only by a line but also by internal borders. According to Clement et al. (1999: 268), they are located away from the internationally recognized exterior boundary of the state not in the form of lines but in the form of check points (on the movement of people and goods). It should, however, be noted that the notion of internal borders suggests that as borders become more open, additional measures to check flows of people and goods could become necessary. It implies that open borders could impose additional costs on border regions.

### ***b. Complexity and Contradictions Functions of Border***

The difficulty in developing prototypical models of borders is discussed by Anderson and O'Dowd (1999). They do not look at borders in the spectrum from closed to open as according Martinez (1994). Rather, they point out different qualities and contradictory characteristics that co-exist on borders.

According to them:

*...borders appear inherently contradictory, problematical and multifaceted. They are at once gateways and barriers to the outside world, protective and imprisoning, areas of opportunity and/ or insecurity, zones of contact a/ or conflict, of cooperation and/ or competition, of ambivalent identities a/ or the aggressive assertion of difference. These apparent dichotomies may alternate with time and place, but more interestingly they can co-exist simultaneously in the same people, some of whom have to regularly deal not with one state but two (Anderson and O'Dowd, 1999).*

In addition, Anderson et al. suggest that varying degrees of the openness of borders can be found in relation to different types of sectors of flows, or networks. They state that borders may be highly porous for such things as capital flows but relatively impervious to others such as labor immigration. Thus their view challenges the idea that the borders are becoming increasingly more open. With regard to the forces affecting the stability of borders, Andersen et al. are concerned about the effects of more diverse forces such as economic, political and cultural forms of globalization. In addition, such transnational regimes as the EU, NAFTA and NATO also alter the stability of borders (Keating, 1997).

The above discussion shows that the development of CB interrelationships is conditioned by the dynamic nature of the borders, which degrees of openness and closeness vary for different sectors and actors.

### **2.2.5 Rationales for Cross Border Cooperation**

In the development of cross border cooperation (CBC) itself, the modern practices of rational foundations such as economic, political, cultural and historical, and cooperation and competition reasons are applied more in Europe and North America than those applied in Asia (Enokido, 2007). The rational foundations of this CBC will be variable in this study.

The rational foundations of CBC are described as below.

#### ***a. Economic Reasons***

Although goodwill cannot be ignored in its importance in the first stage of cross border cooperation (CBC) (Perkmann, 1999), economic opportunity seeking is often the primary reason for creating a cross border alliance (Cappellin, 1993). As shown previously, major economic actors usually support stronger freedom to cross borders, although less competitive industrial sectors such as agriculture in developed countries may not.

The backdrop against which cross border economic cooperation has been developed is, as Bramanti (1993) suggests, the shift of economic development strategies from a reliance on territorial concentration of developmental activities and resources to that of network based economies that seek local competitive advantages.

There are two opposing views that explain the development of economic networks between border regions. One insists that cooperation develops because border regions are disadvantaged economically (i.e. the border is an obstacle), a

traditional view; the other is because they are advantageous (i.e. the border functions as an attractor).

The former argues that, in general, border regions face significant difficulties in economic development in terms of market size, lack of technology and information, insufficient infrastructure investment, etc., and they are often not handled satisfactorily by states, which conventionally prescribed territorially concentrated industrial investment represented by the growth pole approach. In either case, complementarities are the key in order for border regional economic actors to build linkages.

It should, however, be noted that network based economic actors who look for complementary counterparts and are supported by the assistance of advanced communications technologies could go further outside their region. In other words, for them building a linkage with strong economic actors not in neighboring border regions but in some other regions which do not share the boundary could be more attractive.

Clement et al. (1999) discuss factors that affect economic actors' decisions to build cross border cooperative relationships. They present three basic concepts that explain CBC: economies of scale, externalities and transaction costs. According to Clement et al. (1999) economies of scale in cross border regions are supported by the creation of the physical infrastructure facilities (e.g. bridges, highways and port facilities).

Positive externalities are also likely to be brought about by the provision of those infrastructures, benefiting border regions on both sides, but negative

externalities such as air and water pollution might be generated on one side of the border and affect the other. Transaction costs are considered to be high in comparison with expected profits. These factors are interrelated with each other and the mode and degree of interrelation could vary in different places and is also not independent of other non economic factors. It is important to note that Clement et al. (1999) conclude that virtually anything that increases economic activity on one side of the border can result in some increased activity on the other through a variety of cross border flows that arise because of the many asymmetries and complementarities between the regions. Economic complementarities are one of factors that can contribute to the success of the BIMP-EAGA. The member nations can benefit from one another's strengths and potentials (Sobrepena, 1994).

Hansen (1977, 1981, and 1988) insists that border regions are economically advantageous. He contends that major economic theories explaining border regions (i.e. international trade theory, location theory, and the growth pole approach to spatial development) recognize them as disadvantaged and thus cannot explain a symbiotic relationship between both sides of the border.

Hansen's study is limited to the U.S.-Mexico border region, which is based on a unique history of dynamic labor migration and thus is not necessarily applicable to the explanation of other border regions. However, it poses an important question about the meaning of interdependence between border regions in the sphere of economic cooperation.

Hansen argues that the U.S. Mexico maquiladora (assembly plant zone), the major vehicle for the expansion of manufacturing in Mexico's borderlands, contributed positively to workers on both sides of the U.S.-Mexico boundary in that they became well off in the process of increasing cross border activities. The increase of employment opportunities and wage earnings are key factors that promote linkages between border regions.

He acknowledges that the maquiladora program was criticized for increasing the economic dependency of Mexico on the United States but insists that Americans and Mexicans live together in a symbiotic relationship around the border region. This view is similar to that by Clement et al. (1999) on the whole, i.e. growth of one side of the border brings about an increase of economic activities in the other.

CBC that is developed and maintained under a strong but uneven relationship may be the only realistic choice in some regions including the U.S.-Mexico border but the fundamental purpose of CBC should always be to lower the gap and increase complementary competitiveness that leads to the increase of the regional capacity of innovation in order to take advantageous position in the global economy.

Growth triangles, a model of CBC in Asia, are characterized by their distinct market driven CBC (Kakazu 1998). The nature of GTs is summarized by Kakazu as follows:

*The GT has been attracting attention particularly because of its market-driven, peripheral oriented, and private sector-led regional co-operation which differs from formal integration efforts such as the European Union (EU) and the North America Free Trade Agreement (NAFTA) (Kakazu 1998).*

According to Kakazu (1998), globalism which has induced foreign direct investment (FDI) and promoted exports in a competitive global market together with open regionalism (accelerated mainly by the end of Cold War and the progress in China's economic reform and open door policy), contributed to the emergence of GTs. Trade and investment play an important role in the development of CBC but other special factors are identified as critical, for example the existence of metropolitan centers in border regions and economic complementarities between participating areas. It is important to note that the latter should specifically be related to the promotion of export activities in GTs. For example, in the South China Growth Triangle, the PRC has abundant land and labor, while Hong Kong and Taiwan are well endowed with capital, technology, growth-supporting infrastructure and entrepreneurial skill (Thant and Tang, eds. 1996).

The uniqueness of GTs lies in that they have developed without such supranational institutions as the EU and NAFTA that set rules and processes of CBC; economic networks were developed under the framework of them. In addition, Kakazu acknowledges that strong political commitment is necessary in

order to ensure a functional institutional framework for cooperation among diverse actors. In other words, even with such economy led cooperation as GTs, a purely economic rationale cannot wholly secure CBC.

*b. Political Reasons*

The emergence of CBC in many parts of the world is affected by the reconstruction of borders caused by the shift from the dichotomic world of political power blocs towards less rigid multilateral, macro regional cooperative arrangements (Eskelin et al., 1999). As Eskelin et al. and others (e.g. Jiang 1997, Shin 1998) suggest, the decrease of international military tensions, particularly in Europe and Asia, has contributed to provide opportunities for countries in those areas to seek cooperative economic relationships with neighboring countries. It should, however, be noted that in different parts of the world new tensions are also being developed between nation states and ethnic territories which claim their own national sovereignty.

Thus, favorable conditions for CBC do not necessarily develop in every corner of the world. However, the end of the Cold War and subsequent economic liberalization trends in the world economy has provided a favorable political context for the development of CBC. The growth of international institutions that promote freer international trading such as the EU, NAFTA and ASEAN has also contributed to provide a political foundation for the states to be more positively involved in CBC with lower risks.

The initiators of CBC are often not national governments but local and regional governments, and/ or region based public and private sectors. In

particular, local and regional governments' diplomatic activities (called sub-national diplomacy, paradiplomacy, etc.) represent unconventional political actions for the promotion of CBC. The unique nature of sub-national diplomacy is that it is not directly involved in defense related security issues (Clement et al. 1999). About the initiators of CBC from private sectors, long before the establishment of the BIMP-EAGA, the private sector of the participating regions in Indonesia and the Philippines have been engaging in collaborative activities, and also the private sector participation is one of factors that can contribute to the success of the BIMP-EAGA (Sobrepena, 1994).

Hocking (1999) argues that the objective of sub-national government's diplomacy is to develop international linkages between sub-national regions and their own brand of strategic alliance aimed at strengthening their position in the global economy just as firms have engaged in the construction of strategic alliances for reasons of cost and competitiveness. This suggests that while inter sub-national regional relation building for economic development is a top priority of sub-national diplomacy it does not deal only with economic issues but with much wider regional issues such as environmental problems and crime that can only be solved by CBC. Scott (1999) suggests that sub-national diplomacy represents cross border regionalism and is a new form of governance with particular emphasis on a locative and redistributive policy. Sobrepena (1994) mentioned that parallel development policies are one of factors that can contribute to the success of the BIMP-EAGA.

Sub-national diplomacy, however, holds inherent limits because diplomatic actions by sub-national governments (non-central governments) are constitutionally regulated by national governments. Keating (1998) contends that sub-national diplomacy has not proved to be state transforming. Le Palombara (1998) also suggests that even as national governments decide to share some of their sovereignty with their internal regions, their own scope of power can actually grow and not decrease (quoted in Hocking, 1999: 19). Even so, national government's role and capacity for CBC are critical. One of the serious weaknesses might be its accountability.

In general, diplomatic issues are not major agendas in local politics and thus not featured in local elections, and where decisions are made and how local interests are discussed and represented might not be clear to constituencies. It is about democracy in CBC. Local politics are not necessarily more democratic than national politics. Rather, local politics tend to be affected more by growth-oriented regimes. If sub-national diplomacy circumvents local democratic discourse, its validity would be largely reduced.

While the new political arrangement at local levels within the nation state that facilitates CBC has been emerging, supranational institutions represent another new political arrangement beyond the nation state. Particularly in Europe and North America, they have played a critical role in building CBC. The EU and NAFTA have contributed to promote CBC by providing financing, a legal framework, and various services.

As Alger (1999) suggests, UN agencies are potential institutions for CBC as well. It is clear that the role of the supranational institutions is growing but not clears whether their existence is inevitable. More precisely, their financial contributions are relatively clear but ways in which they mediate relation building between border regions is not.

In addition to political arrangements for promoting CBC between local governments, national governments and supranational institutions are not very clear either. One reason might be because CBC is contingent upon specificities of each locality. Another might be due to its relatively short history of practice. Although extensive research is needed, it is understandable that conventional relationships between local and national governments have changed around issues of local autonomy when they are involved in CBC with supranational institutions. In addition to the involvement of supranational institutions, systemic political changes at a national level (e.g. decentralization and privatization) also affect CBC.

Differences in constitutional centre sub-national political relationship should also be taken into consideration. With regard to the implications of constitutional forms of national administration systems, Aykac (1994:46) suggests that federated states and their local governments have more competences in foreign relations than their counterparts in central states; an example of the former are German local authorities.

However, local centre political relationships are not static; rather they change dynamically depending on the context of administrative decentralization.

Increasing numbers and kinds of local actors involved in policy making and implementation also have brought changes in the political balance between centre and local.

Additional, Grundy-Warr and Perry (1998) and Ho (1999) both argue that lack of local management skills is a key obstacle to attracting economic activities and sustaining development growth of borderlands, especially in the case of SIJORI (Singapore, Johor, in the southernmost state in peninsular Malaysia, and the Riau Islands, in the cluster of Indonesian islands nearest to Singapore). It is essential that even though borderland development is initiated by the central government, local governments must develop their international ties and have some devolution of power from the central government. Indeed both local people and local government are recipients of negative and positive outcomes of borderland development. Local governments have to deal with the ongoing and immediate problems of the borderlands (Ho, 1999).

### *c. Cultural and Historical Reasons*

In the development of economic and political ties between regions on either or both sides of a boundary, cultural factors such as pre-modern trade partnerships and technology exchanges or common languages and religions can play significant roles because building cooperative economic and political relationships is difficult without high level mutual trust among the participants. In particular, the contribution of cultural and linguistic affinity as well as ethnicity to the formation of CBC is discussed by researchers.

For example, Hsing (1998) suggests that in the formation of cross-strait economic ties between Taiwanese investors and Chinese enterprises and local officials, a cultural-linguistic affinity and socio-historical connections have facilitated a smoother and faster process of cross border capital flows. It should, however, be noted, as Hsing also suggests, those cultural factors cannot develop a cooperative relationship as such; continuous negotiation and bargaining are needed and in that process culture itself can change.

Besides, Wu (1998b) and van Grunsven, Wong, and Kim (1996) identify closed kinship and clan as well as ethnic identity as one of the fundamental basis of establishing trust and business alliances leading to diaspora investment. Aykac (1994) argues that the influence of cultural factors on CBC building is critical in Europe, and Sobrepena (1994) also states that strong cultural affinities are one of factors that can contribute to the success of the BIMP-EAGA.

Cultural factors are associated with the historical exchange of people, goods, ideas, etc. between border regions and thus retrospective considerations tend to be raised. An important task for border regions involved in CBC is to take advantage of existing cultural ties between them and to nurture a new culture of cooperation.

#### *d. Cooperation and Competition Reasons*

One of the reasons to build CBC and as rational foundations of CBC is cooperation and competition reasons (Enokido, 2007). It is likely that tightening cooperative relationships with regional counterparts will increase the level of competition among them in various fields. It should be noted that competition

itself is not necessarily unproductive but when it happens between regions with considerable economic gaps, cooperative relations can become difficult to build.

Keating (1998) suggests that cooperation is most likely in areas such as infrastructure and environmental policy between neighboring regions but those regions tend to be competitors in matters of economic development. This is quite a simplified view; each region has to evaluate the potential of cooperation and competition through the analysis of stakeholders.

The causal relationship between cooperation and competition is an important topic in the practice of CBC. At a local economic planning agenda, Bramanti (1993) presents in his study of the Swiss-Northern Italy transborder region; the concept of a cooperative competition between neighboring border regions. This is based on the idea that development is a phenomenon founded on articulation and interdependence among different points in space.

Observing the advantage of cooperation in local economic development, Bramanti suggests that "it is necessary that between competition and cooperation an appropriate dialectic is developed, which from time to time allows growth opportunities for the local economy to be seized, or the necessary risk that each innovation or change bring about in economic development processes to be faced."

According to Bramanti, it is a new type of public-private partnership that can deal with cooperative competition. "What is partially new is the significance of a private-public partnership as a way adopted by private subjects in helping and supporting public actions" (Bramanti, 1993). It should be noted that his discussion

on public-private partnership indicates that the incentive of the formation of partnership between public and private actors lies in its potential for providing flexible and balanced solutions for administrative obsolescence and formal rigidities that can impair the economic competence of a border region. His idea represents one type of network but methods of checking the accountability of partners' actions remain unclear.

The development of GTs in Asia has lead to unique issues in co-operation and competition. According to Wu (1998), the success of economic development on the southern coastal border regions of China is dependent on complementarities between regions across the border. Thus, with this complementarities', a cooperative relationship has been developed. Inside the border, though, the gap of economic competitiveness between the coastal regions and other regions has grown and methods to narrow the gap have emerged as an important agenda item in Chinese national planning.

#### **2.2.6 Practices of Cross Border Cooperation**

Because each CBC is built in different political and economic systems and cultural backgrounds, the processes and mechanisms of CBC vary. The most common approach adopted by a researchers is to examine practices by supranational region, mainly the EU and NAFTA areas, and Southeast and Northeast Asia, although the latter are somewhat vague in their geographic definitions.

Most of the literatures on CBC centre on the study of cooperation structures of, or framework for, CBC, particularly in the context of the EU and

NAFTA. As Veen and Boot (1995) and Jiang (1997) suggest, the involvement of sub-national actors in CBC has not yet been studied extensively. It should be noted that Higgins and Savoie (1997) suggest that CBC itself represents the emergence of a new level of planning, which is conducted beyond national boundaries.

However, their focus is on international organizations including the UN, OECD, the Group of 7, etc. and as a result they term it global planning or transnational planning. Enokido (2007) argues that CBC needs planning as a central dynamic at regional levels to initiate and maintain momentum of networking but that regional actors need support in the form of finances, legal arrangements, technologies, information, etc. from national governments and supranational institutions. This type of planning should be called cross border planning and distinguished from global planning or transnational planning. The former concept is to look at CBC from within the border region and the latter two from outside.

#### *a. Cross Border Cooperation in Europe*

With regard to modern practices of CBC in Europe, Aykac (1994) states that the 1950s and 1960s were remarkable for pollution related cooperation and the emergence of technical trans-frontier commissions with well defined powers and with a specific mandate, and the 1970s saw the growth in cooperation in transfrontier regional planning and the proliferation of regional planning committees (Quoted in Enokido, 2007: 68).

As a formal cooperation scheme in a modern political and economic context, a cross border regional entity made up of both Dutch and German municipalities, the Dutch-German Euregio, which was established in 1965 and has its own local council and close ties to German and Dutch state agencies, has served as a model of CBC (Scott, 1999). Sodupe (1999) also notes that from the 1970s onwards the forging of cross border ties intensified, due to the increasing difficulties posed by economic recession. Today, CBC involves an increasingly wider range of issues.

In the EU, the most important regional policy instrument for CBC is the community initiative INTERREG (International Regions) launched in 1989, in particular INTERREG II A (1994-1999), which was guided by Commission of the European Communities and financed by the Structural Funds for the purpose of developing CBC and assisting areas on the Union's internal and external frontiers to overcome specific problems arising from their relative isolation within these respective national economies and the Union as a whole (European Commission, 1998). For the implementation of INTERREG II A, 59 programs were submitted (European Commission, 1998). INTERREG's fund is a major incentive for the members of the EU to participate in CBC even if the amount of the fund is not adequate (Cappellin 1993, Scott 1998, Cited by Enokido 2007).

Other political and economic arrangements are also critical for CBC in the EU. In particular, various treaties and agreements that regulate CBC under the framework of public laws, for example, the Germano-Dutch Convention (signed between the Federal Republic of Germany, the Land of Lower Saxony, the Land

of North-Rhine-Westphalia and the Kingdom of Netherlands in 1991) (Aykac, 1994) and the Cooperation Agreement of 1987 (between Kent, UK and Pas-de-Calais, France), are made in order to overcome serious (non financial) obstacles for cooperation. Those legal instruments contribute to provide a stable and supportive environment for the development of CBC.

Relations between local governments, national governments and supranational institution (i.e. the EU) also characterize European CBC. The INTERREG program supports a bottom-up method of implementation but this does not necessarily mean that local governments can decide independently ways in which they are involved in CBC. Rather, as exemplified in the case of the UK where eligibility for INTERREG funding was strongly dependent on support from the central government (Church and Reid, 1996), European CBC is not necessarily led by local governments. As Scott (1999) suggests, it is a combination of local initiatives and supportive measures implemented by national and EU institutions, resulting in a complex multilevel framework of formal institutions, political associations, lobbies and incentive programs. Thus local or regional governments as the main actors of CBC are necessarily involved in complex coordination tasks in the authorization and implementation of CB projects.

***b. Cross Border Cooperation in North America***

The development of the formal CBC in North America (Canada, the United State and Mexico) has the history of about 40 years, formal CBC in North America began in the Arizona-Sonora Region in 1959 (Wong-Gonzales, 1998). Compared with the ongoing institutionalization of national and supranational support for CBC in Europe, it is notable that there is no broad policy platform and central state government support for CBC in North America (Scott, 1999). Rather, provinces and states play a more important role than the national government (Higgins and Savoie, 1997).

As the EU has a decisive influence on European CBC, North American CBC has also been influenced by their supranational institutions, i.e. NAFTA and other international institutions, but their involvement in CBC is more limited than that in Europe (Scott, 1999). Wong-Gonzalez (1998), argues that processer of joint transborder actions similar to those in Europe are also developing in North America.

According to Wong-Gonzalez, the idea of exploring the possibility of drawing up more formal agreements of cooperation between the border regions of Mexico and the U.S., as well as between the latter and Canada had been suggested already since the beginning of the 1980s, based on the European experience.

*c. Cross Border Cooperation in Asia*

Growth Triangles (GTs) has emerged since the late 1980s; represent cross-border economic cooperation in Asia. Notable examples of GTs include the Singapore-Johor-Riau Growth Triangles (SIJORI), the Southern China Growth Triangles (Hong Kong-Taipei), China-southern China (mainly parts of Guangdong and Fujian provinces), the Tumen River Area Development Programme (parts of Jilin province in PRC, Siberia in Russia and the Democratic People's Republic of Korea), the Greater Mekong Sub-regional Cooperation, the Indonesia-Thailand Growth Triangles, and the Brunei Darussalam-Indonesia-Malaysia-Philippines East Asian Growth Area (Tang and Thant, eds., 1996). They have resulted from a complex interplay of key factors, including massive flows of foreign direct investment (FDI), export oriented development strategies, and spatial differences in factor development (Thant, 1998).

The processes and the degree of progress of their development vary. Although not comprehensive, a typology of border region development presented by Wu (1998) is useful to understand the variety and dynamics of cross-border development. Their emergence is not only accelerated by the expansion of open regionalism in Asia but also as a counter measure to the formation of trading block outside Asia, i.e. the EU and NAFTA.

A distinctive feature of GTs is in the form of the involvement of national governments. In Europe and North America, CBC is associated with institutional rearrangement on a national and international level but GTs usually involves only

portions of countries and thus national governments can lower political and economic risks if GTs is not successful.

In addition, when they are successful, benefits can be easily extended to other parts of the member countries of GTs (Tang and Thant, 1994). This does not mean that GTs is irrelevant to supranational institutionalization. Indeed, an important role of GTs in Asia is their contribution to the advancement of the ASEAN Free Trade Areas signed in 1992 (Kakazu 1992, Naseem 1996).

While evidence points to the economic success of GTs, negative impacts brought about by the growth of CB economic activities in GTs should not be ignored. In particular, CB environmental and security issues are increasing and special CB arrangements are needed to cope with them (Grundy-Warr and Rajah 1997; Nanthavong and Phanousith 1997; and Hearns 1997). Border regions and states facing those issues should expand the recognition of the role and potential of CBC as an economic development mechanism into an arena in which non economic issues can be addressed.

The establishment of a supranational institution that manages CBC, exemplified by the EU and NAFTA, might be effective to expand its role and potential. It is not certain, though, whether any supranational institution will be established in Asia in the near future; considering historical, economic and political contexts of Asian CBC, flexible coordination systems at various levels of governments might be more realistic and effective than the supranational types of institutions as suggested by Jiang (1997).

### 2.3 Studies on CBC

Study on the CBC has been done by researchers with the various aspects and a different scope. Among them are by Enokido (2007) that searching for partners across borders with propose a theoretical foundation for the development of border regions in general and in particular Okinawa, a maritime border region located in the south westernmost part of Japan, specifically those expected to increase regional competitiveness within the rising global context of the space of flows. Form a perspective of regional development, this study finds that it is fundamental to observe that networks provide a central mechanism and impetus for building CBC, and thus networking is an urgent task for region based actors who are involve in CBC.

The other is by Aykac (1994) that analyzed the trans-border cooperation structures in Western Europe within the context of European integration and decentralization towards regional and local governments. The results in his study found that none of such factors as regional identity, a common history and common language is primary for defining cross border regions. He suggests that trans-border cooperation structures come close to the definitions of a region as an association of municipalities (as in Portugal) or a region as in planning region.

Further, Clement et al. (1999) analyzed about development, environment, and security in asymmetrical border regions; European and North American Perspectives. The result of this study presents that border functions are exerted not only by a line but also by internal borders and they are located away from the

internationally recognized exterior boundary of the state not in the form of lines but in the form of check points (on the movement of people and goods).

Scott (1998) who studied about planning cooperation and trans-boundary regionalism, attempted to analyze implementing policies for European border regions in the German-Polish context. The results of this study indicated that, despite a certain degree of success, particularly in the area of environmental protection, German-Polish trans-boundary planning cooperation is being hampered by considerable lags between political agenda-setting, European Union structural programming, and post-socialist institutional transformation. Furthermore, though German-Polish cooperation institutions have been created largely from the 'top down', research indicates that trans-boundary regionalism must also develop local roots through a slow and gradual process of routinized interaction. The real test of German-Polish regionalism will thus be the development of new networks between public and private actors stabilizing the institutions now in place, but there nonetheless remain questions as to the intrinsic economic development potentials of trans-boundary cooperation within a context of European integration and expansion.

Wu (1998) studied about cross border development in Europe and Asia. Three topics are explored in his study including the characteristics of cross-border development, a comparison between Eastern European and Asian border regions, and the policy aspects of cross-border developments. This study draws its case studies from cross-border developments that have emerged in former socialist

regimes. While there are similarities, there are also significant differences in the primary determinants that have generated and sustained the developments.

Meanwhile, study by Perkmann (2003) that analyzed the emergence of Euro-regions and other cross border regions all over Western and Eastern Europe in public governance by addressing their context, dimensions and causal underpinnings. The results of this study are by linking cross border regions and in particular, Euro-regions, to institutional conditions in specific countries as well as the effects of European regional policy. It is argued that Euro-regions have flourished because of their increasingly relevant role as implementation units for European regional policy in a context of multi-level governance. This study indicates that the growing crosses borderization in Europe does not necessarily point to an increasing territorial fragmentation of nation state sovereignty. Rather, cross border regions is one amongst other forms of policy innovation triggered by the emergence of the EU as a supranational policy makers that has no proprietary implementation apparatus.

Finally, study about cross border cooperation in Asia was done by Sobrepena (1994) who researched about regional cross-border cooperation in Mindanao, Philippine. The results of this study are the Philippine's involvement in trans-border cooperation through the BIMP-EAGA has a number of positive implications. For country as a whole, it opens new markets and sources of raw materials that will accelerate the growth of the macro economy. For Mindanao, in particular, the BIMP-EAGA makes the island's potential tourist destinations more accessible to visitors from the ASEAN and makes it more attractive site for

investments in industry and tourism. Most of all, it has rapidly globalized the orientation of the Mindanao economy.

#### **2.4 Summary**

One of conceptual foundation of this study is Cross Border Cooperation (CBC) literature. CBC can be defined according to the four following criteria: First, as their main protagonists are always public authorities. Second, CBC refers to collaboration between sub-national authorities in different countries. Third, CBC is foremost concerned with practical problem-solving in a broad range of fields of everyday administrative life. Fourth, CBC involves a certain stabilization of cross-border contacts over time.

Cross border cooperation (CBC) is not new. Aykac (1994) suggests that formal cooperation has existed since the 18<sup>th</sup> century in Europe. However, as a modern regional development practice, CBC is new in that it involves foreign, national, and regional governments in addition to supranational institutions, which was originally intended to solve regional discrepancies within national boundaries (Friedmann and Weaver 1979). Meanwhile the researchers began to address CBC in the 1980s and their studies began to proliferate in Europe, North America and Asia in the 1990s (Enokido, 2007).

The basic concepts of CBC are region, border and boundary, and border region. The emergence of Cross Border Region (CBR) is accompanied by changes in economic, political and social interaction between members of neighboring border regions sharing the interstate boundaries. A CBR can be defined as a bounded territorial unit composed of the territories of authorities participating in a

CBC initiative. Thus, CBC initiatives can the contingent nature of CBR. Besides, major discussions about the functions of the border in the literature centre on the degrees of its closedness and openness. The norm underpinning the discussion is that openness is more profitable than closedness for the development of cross border regions (CBRs).

CBC is a new strategy for regional development in the context of globalization, and in the development of CBC itself the modern practices of rational foundations cover of economic, political, cultural and historical, and cooperation and competition reasons. Meanwhile, the main objective of CBC is economic development, but other considerations such as; human resource development and environmental protection have also begun to be addressed (Enokido, 2007). Besides, the proliferation of CBC is identified by researchers as a manifestation of new type of regionalism.

Study on the CBC has been done by researchers with the various aspects and a different scope. Among them are by Enokido (2007), Aykac (1994), Clement et al. (1999), Scott (1998), Wu (1998), Perkmann (2003), and Sobrepena (1994), and this study will adapt measurement the rational foundations of CBC that consists of economic, political, cultural and historical, and cooperation and competition reasons by study of Enokido (2007) to analyze the impacts of CBC activities between Indonesia-Malaysia on regional development in West Kalimantan region (Indonesia side). Further, for the regional development literature and previous studies that relevant and support to this study will be presented in literature review II, in the next chapter.

## **Chapter 3**

### **Literature Review II: Regional Development**

#### **3.1 Introduction**

The part of literature review II in this chapter will present about regional development literature. The regional development literature that will be reviewed will cover the concepts and theories of regional development and economic borders, and the last will review about the concepts and spatial plan of regional development in West Kalimantan.

As part of literature review I, this chapter also will begin about the parts of regional development literature. Further, this chapter will review about the previous studies or earliest studies that relevant with this part. The explanations of these parts will be presented below.

#### **3.2 Review of Regional Development and Economic Borders Concepts**

##### **3.2.1 Regional Development Concepts**

Regional development or regional planning can be broadly defined as public sector activities encompassing economic, social and physical elements to formulate and implement appropriate public policy in area covering more than one existing local jurisdiction (c.f. Hilhorst, 1971). Further, level of regional planning activities can then be divided into:

1. Supra-state;
2. State; and
3. Sub-state.

These levels represent a conceptualization of the region based on a known spatial entity, i.e., the state and allows for the creation of a management perspective for regional development. Due to this definition of a region being either superseding, conforming, or deferring to an established spatially defined authority, negotiation and compromise are often as much a part of planning or development as predefined goals and objectives.

In regional planning or development in transition, Lim (1985), for example, argues that because there is too much decentralization of power, there is a need for some kind of integration and that regional planning strategies reflect the people's claim to autonomy and national integration.

Regional development policy then is designed and operationalized through highly fragmented and multimodal structures of semi-independent groups and organizations in both the public and private sectors. This is usually achieved through a complex system of formal and informal delegation of responsibility and control and requires a quagmire of intergovernmental hybrids.

Regional planning or regional development thoughts (at the intra-national level) look at regions as purely economic areas to be developed and looked upon as virgin areas untouched by any civilization. People then are brought into the area. They seem to have overlooked the fact that many of these areas usually have vibrant communities with established cultures. The economic base of the area, primarily agriculture, represents not only economic activities but also cultural and communal activities.

Misra and Honjo (1981) defines development as increasing the attainment of one's own cultural values as opposed to the values of the Western World. He outlined seven major controversies underlying regional development thinking. These are:

1. Growth versus distribution;
2. Agricultural versus industrial development;
3. Urban versus rural development;
4. Capital versus labor intensive technologies;
5. Centralization versus decentralization;
6. Modern versus traditional; and
7. Socio-economic versus physical planning.

Misra and Honjo propose a model which seeks to integrate all of the key components in the debates. Their ideas of a model regional development for the developing countries consist of four components:

1. Economic growth;
2. Distributive justice;
3. Better environment; and
4. Better quality of life.

An integration of all these is possible only in a culture specific style of development. They also note that the earlier concepts of development had been characterized by economic ethnocentrism, politicization and irrationality in social terms. These types of development were culture-neutral. They were derived from Western experiences and transplanted in alien environments.

Another writer, Emmerij (1981) laments the mutilation of the basic needs concept and replaced by something which does not possess the characteristics and traits of the original idea. The thrust of the basic needs concept according to Emmerij was on redistribution of income and wealth and not on consumption transfers in order to achieve basic needs.

Emmerij argues that current criticisms about basic needs are uncalled for because neither does it mean a series of ad hoc projects for the poor, nor zero growth. And neither is it opposed to the modern sector, nor does it aim at perpetuating dependence on the rich countries (Emmerij, 1981). He further attacks the GNP approach towards development and advocates the basic needs strategy through community development rather than central planning.

Berry (1973) outlines four trends which represented different paradigms in planning approaches:

1. Ameliorative problem solving;
2. Trend modifying problem avoidance;
3. Speculative profit seeking; and
4. Normative goal orientation.

The clientele for planning has also been changing, from the general public (the basic function of public planning) to very specific special interest groups (with the idea of advocacy planning). Their areas of jurisdiction also have varied, from city to neighborhood and from the nation to the region.

For a long time, regional development, especially in the developing countries, has been seen merely as rural economic growth planning with the sole

purpose of increasing the income (and thus hopefully alleviating poverty) of the rural people. Concepts such as the market basket and the poverty line were introduced to better define the minimum acceptable income and the incidence of poverty.

The only vehicle used had been the agricultural sector because it was deemed to be the most appreciate target given such an environment. Regional development or planning then became almost synonymous with agricultural planning and for a time it was just that. With increasing growth (and productivity) in the economic activities of the urban areas, the rural agricultural areas, by comparison, had been lagging behind in development. Some areas had been lagging further than others and thus underlining the need to reduce regional disparities.

Thus regional development had to lay the ground rules in a catch-up game involving the poor regions, the urban and the more wealthy rural regions as well. The inequalities were looked upon as the result of various constraints against greater productivity (and income) and regional planning became the tool to remove these constraints. Improves accessibility, basic infrastructures, and appropriate technology were among the major elements chosen to pave the way for greater income for the region. Concentrating development efforts in the lagging regions were the spatial planning strategy to reduce regional disparities.

Further, regional development meant in this study is regional development in West Kalimantan region (Indonesia) which follows the spatial planning development of government, is to improve the economics performance of this

region that consist of; to overcome the problem of the poor distribution of income, poverty and employment opportunities by the development of border regions in this area/ this province, through utilizing cross border cooperation with neighbor country, is Malaysia, under the activities of Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation.

### **3.2.2 Economic Borders Concepts**

As mentioned, there are several problems which occur in Indonesian border regions, especially border region in West Kalimantan Province that adjacent directly on with Malaysia which develops their border region better than Indonesia. The condition of lag in border development has brought detriments for Indonesia (Aswandi, 2006).

To anticipate worse things and to maintain national integrity, the government should change the treatment and pay more attention toward the development of the border region. Here comes the time for improving economically competitive power of Indonesian border regions. For such purpose, Indonesian government should at least pay attention to the three aspects as mentioned by Guo (1996:38-44):

1. To explore the spatial economic distributions in border-regions under the condition that production factors (such as capital, labor force, natural resource, technology, information etc) are heterogeneously distributed and cannot freely flow across borders. This suggests that border regional economics should deal with (1) spatial divisions of production factors in border regions, (2) effectuation of cross border

trade and economic cooperation and (3) economic relations between border regions and their respective heartlands.

2. To reconstruct the spatial inter-relationship and regulate the policy instruments for border regions in an attempt to promote the socio-economic development by the appropriate approach of rational condition and management of border region while not necessarily changing the political structures and social composition. This implies the three aspects should be focused: (1) rational allocation of production factors and sustainable development, (2) possibilities and conditions of maximizing the economic outputs in border regions and (3) forms and reorganization of cross-border co-operation and economic integration.
3. To propose strategies and policies for the border-regional developments from both overall and local perspectives. Without the overall point of view, border-regional economics would not be assigned, but if border-regional economists do not care about the interest of each independent sub-region, this kind of border-regional economics would lose its foundation of existence and become barely a borderless economics. To implement this objective, three aspects should be appropriately co-ordinated between: (1) national preferences and border regional characteristics, (2) border regions and their respective sub-regions, and (3) sub-regions under the administration of their respective political regions.

As a new part of regional economics, economic borders is merging between economic geography and economics to study the process of development in border regions of two or more areas with the political system and economic policy that is different.

There are several reasons why study on economic borders is important.

1. A fact that most of the border region is located far from the center of economic activities, so the tendency arose to become the area behind.
2. The administrative obstacles in cross-traffic or flow of goods and people, so that the border region which essentially homogeneous becomes heterogeneous.
3. Regarding the trend of globalization at this time that encourages the economic development to be unlimited.

In recent years, there have extensive discussion on the future of Frontier Closed Area (like border region). Their opinions can be categorized as two different aspects; (1) maintain the Frontier Closed Area policy as usual in order to combat the cross-boundary crime and to protect the special natural and cultural heritage; (2) abolish the Frontier Closed Area policy or reduce its coverage in order to strengthen the cooperation by build up a cross-border industrial zone (Fan, 2004).

Despite the basic theory and methodology is an important factor in economic borders analyzes, but the interpretation must be done systematically with the involvement of environmental, social and political structure. There are

three important aspects to be considered in analyzing the economic border, are as follows.

1. Assumption that the border region is heterogeneous and the flow of goods and people will not be easy, so that economic borders must be able to identify the share by space the factors of production, and the possibility of cross border trade and economic cooperation.
2. The policy maker must not change the structure of political and economic of border region, but trying to make a rational allocation of production factors, maximizing the economic output in the border region and examining the formation of cross border cooperation and economic integration.
3. The policy strategy in developing the border region must consider on overall and local perspective because every side of regions have the advantages. Thus, necessary to be one between national preference and characteristic of border region, between border region and the sub region, and between the other sub region under political region.

The frontier region development policy directly affects on life, land value, and the income of community who lives in frontier region (Fan, 2004). Therefore, Fan suggests government should carry out more assessments to make certain the engineering, environment and financial feasibility of developing the FCA before getting a conclusion of development.

According to Guo (1996), there are some theoretical bases to be considered in analyzing the economic border, such as core periphery theory, economics of spatial scale, and economic borders model.

The theoretical bases of economic border in this section will presented below.

#### *a. Core Periphery Theory*

Many questions regarding economic development should be viewed in a regional core-periphery framework (Hughes and Holland, 1994). Core-periphery theory is based on the notion that as one region or state expands in economic prosperity; it must engulf regions nearby to ensure ongoing economic and political success. The area of high growth becomes known as the core, and the neighbouring area is the periphery. Cores and peripheries may be towns, cities, states, or nations.

This theory assumes that at a boundary will have two areas, namely periphery areas are based on natural resources (primary) and central/ core areas which produce the modern of goods and service (secondary/ tertiary). Periphery areas have a comparative advantage in natural resources on the core areas, as well as vice versa. Thus, when the core areas are developed, then the periphery will also be developed, so that in the long term core-periphery will be exhausted. It may occur due to an expanding market, the invention of new sources, improvement of transportation facilities and the appropriate policy area. But, when the core-periphery distance is too far there will no impacts of core development on periphery.

Hughes and Holland (1994) show that periphery will have positive effect from spread effect and will have negative effect from backwash effect. The spread effect includes investment, innovation and growth of core areas to periphery areas, while the backwash effect is the influences that are not conducive of core areas to periphery areas.

According to Maneepong and Wu (2004), the growth of trade and businesses in border towns (border regions) is expected to establish these towns as regional growth poles. Multiplier effects on nearby areas will also occur, such as job generation, higher wages and household income, better education, and more welfare assistance. Besides, due to locational advantages, border towns have also been regarded as new national social and economic bases for developing cooperation with neighboring country.

### ***1. Dealing with inequality***

Answers to the disparity between cores and peripheries are not simple but they do exist. Naturally these answers are most complex on the international level where these problems are the most difficult to deal with. Some speculation holds that free trade is the answer because it could allow for periphery countries to concentrate on producing goods for which they have an aptitude. Nonetheless, critics of this claim still maintain that it would make little difference because the established core countries would still dominate.

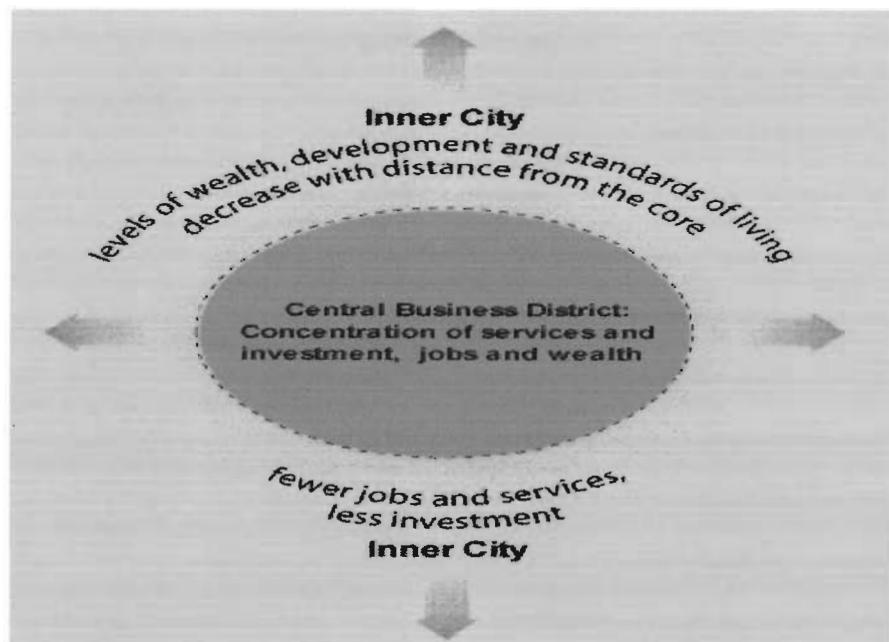
On the urban level, responding to the inequality between core areas and periphery areas is also difficult, but not impossible. The key is to bring back to life the vitality of struggling neighborhoods and reestablish them as compliments

to the city. It takes knowledgeable foresight by city officials as well as action through the entire community to accomplish this. Every situation is unique and requires a different course of action whether it is a radical change or only a slight nudge in the right direction.

Cores and peripheries are everywhere and on every level. Unmitigated growth and development in one area is going to have a counter affect in an adjacent area to some degree. This backlash effect causes an inequality between different areas and amongst the people who live in each area

## 2. *Core-Periphery Model*

The core-periphery model that presented in Figure 3.2 helps explain why some inner city areas enjoy considerable prosperity, whilst others display all the signs of urban deprivation and poverty.



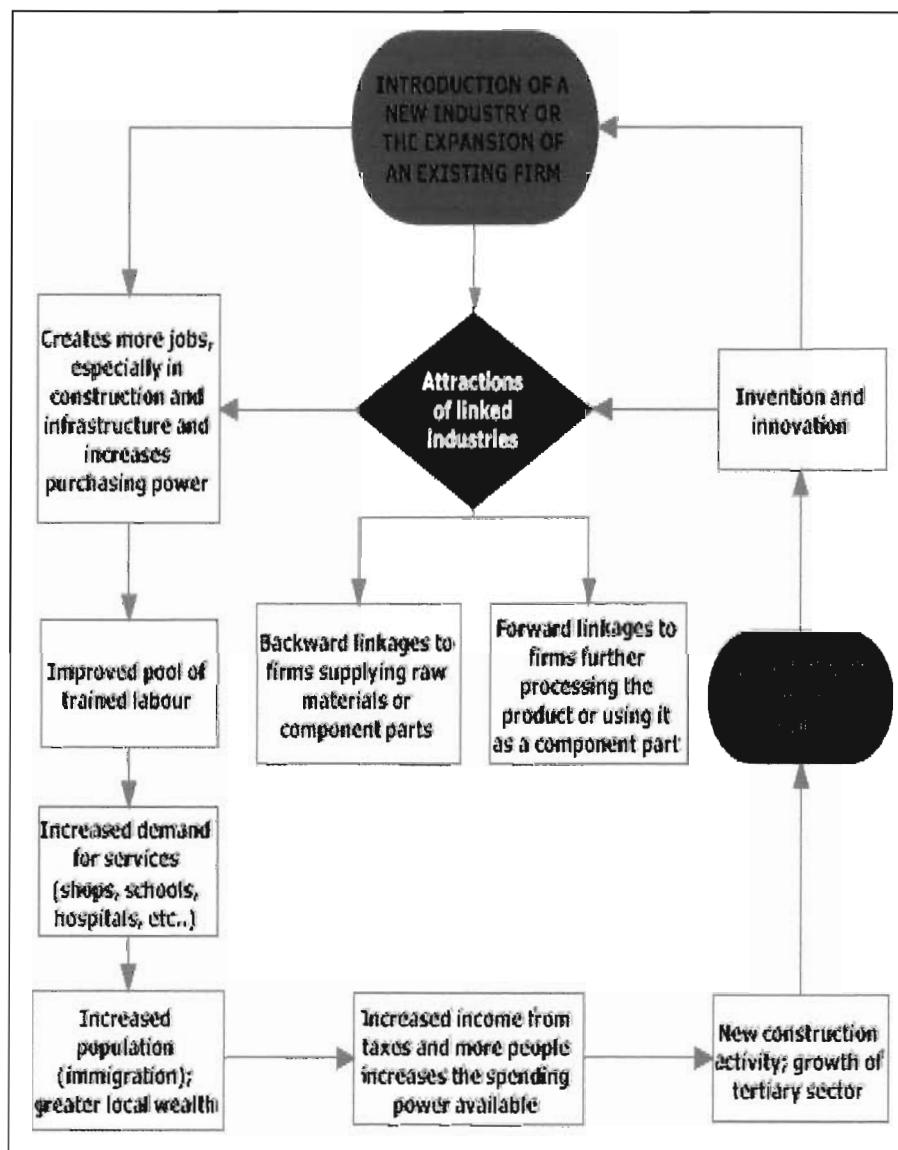
**Figure 3.2: Core-Periphery Model Spread Effects**

In Figure 3.2 shown that services, investment and jobs are concentrated in the core Central Business District (CBD), but accessible inner city areas may benefit from a trickle down of wealth from the core. For example, in some areas there may be a through-flow of office workers to the inner city seeking low-price lunchtime meals. The core also provides work for inner city residents.

Further, the introduction of a new industry or the expansion of an existing industry in an area also encourages growth in other industrial sectors. This is known as the multiplier effect which in its simplest form is how many times money spent circulates through a country's economy. Money invested in an industry helps to create jobs directly in the industry, but it also creates jobs indirectly elsewhere in the economy.

New industrial development, for example, requires construction workers who themselves require housing, and services such as schools and shops. An increased demand for food will benefit local farmers who may increase their spending on fertiliser. Workers employed directly in the new industry increase the local supply of skilled labour, attracting other companies who benefit from sharing this labour pool. Other companies who supply components or use the new industry's products are attracted to the area to benefit from reduced transport costs. Spin-off effects include new inventions or innovations that may lead to further industrial development and new linkages.

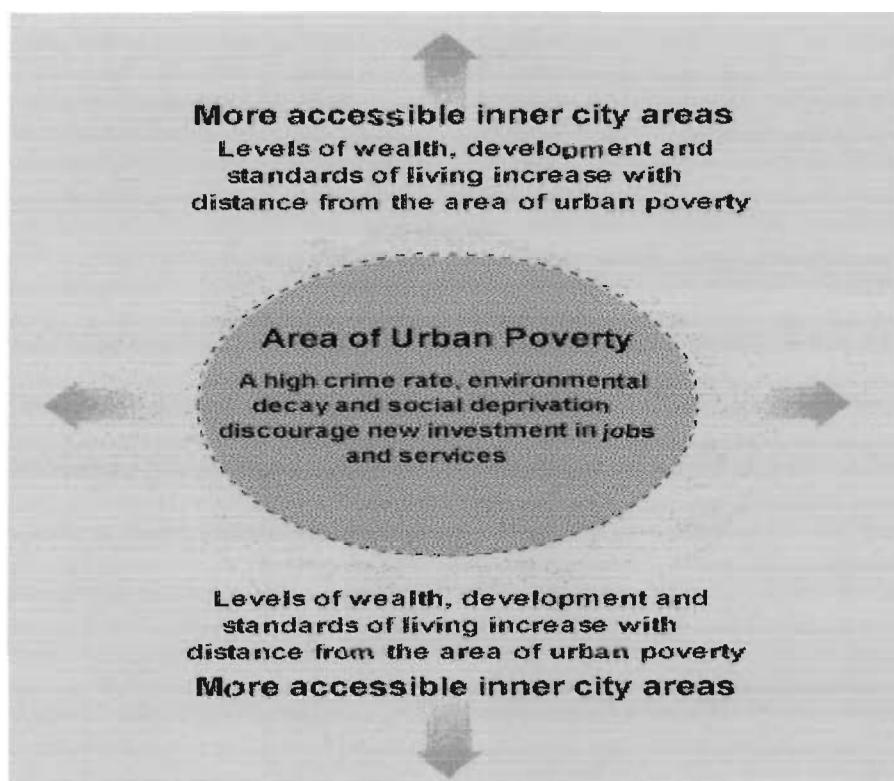
Through this multiplier effect, an area can be developed as a growth pole, as illustrated in the diagram below.



**Figure 3.3: A Diagram of Core-Periphery Model Spread Effects**

Less accessible inner city areas may experience a backwash effect, with the little investment that does occur in the inner city becoming concentrated

close to the CBD, widening the poverty-wealth gap. This is illustrated in the diagram below, a reversal of the core-periphery model.

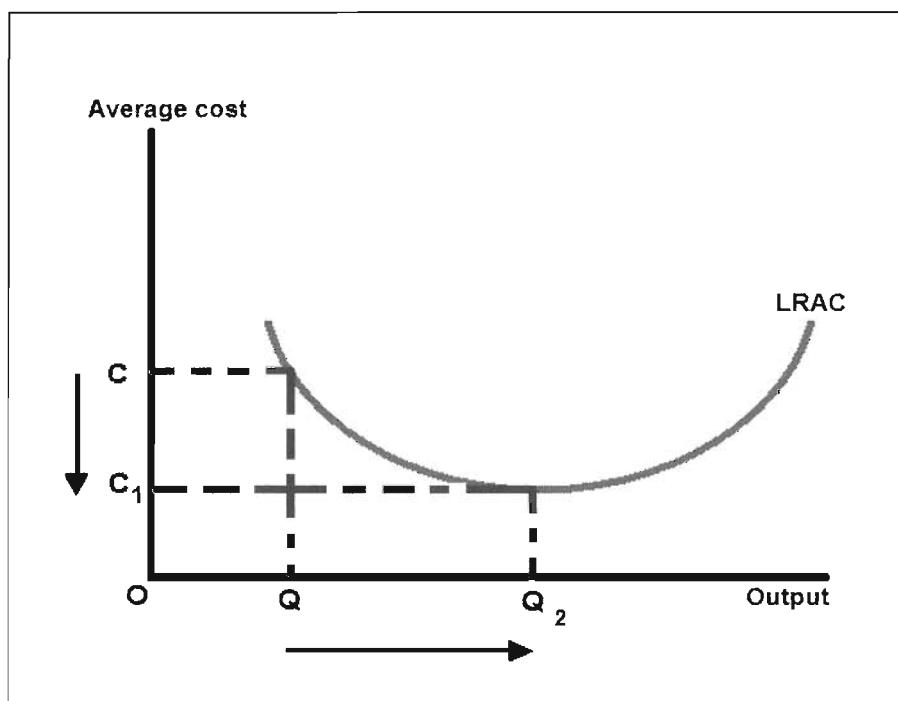


**Figure 3.4: A Diagram of Core-Periphery Model Reversal or Backwash**

**b. *Economies of Spatial Scale***

Economies of scale, in microeconomics, are the cost advantages that a business obtains due to expansion. They are factors that cause a producer's average cost per unit to fall as scale is increased. Economies of scale are a long run concept and refer to reductions in unit cost as the size of a facility, or scale, increases (Sullivan and Steven, 2003). Diseconomies of scale are the opposite.

Economies of scale may be utilized by any size firm expanding its scale of operation. The common ones are purchasing (bulk buying of materials through long-term contracts), managerial (increasing the specialization of managers), financial (obtaining lower-interest charges when borrowing from banks and having access to a greater range of financial instruments), and marketing (spreading the cost of advertising over a greater range of output in media markets). Each of these factors reduces the long run average costs (LRAC) of production by shifting the short-run average total cost (SRATC) curve down and to the right. The curve of these factors shows in Figure 3.5 below.



**Figure 3.5: A Curve of Economies of Scale**

Figure 3.5 above shows the increase in output from  $Q$  to  $Q_2$  causes a decrease in the average cost of each unit from  $C$  to  $C_1$ .

Economies of scale is a practical concept that is important for explaining real world phenomena such as patterns of international trade, the number of firms in a market, and how firms get "too big to fail". Economies of scale are related to and can easily be confused with the theoretical economic notion of returns to scale. Where economies of scale refer to a firm's costs, returns to scale describe the relationship between inputs and outputs in a long-run (all inputs variable) production function.

A production function has constant returns to scale if increasing all inputs by some proportion results in output increasing by that same proportion. Returns are decreasing if, say, doubling inputs results in less than double the output, and increasing if more than double the output. If a mathematical function is used to represent the production function, returns to scale are represented by the degree of homogeneity of the function. Production functions with constant returns to scale are first degree homogeneous; increasing returns to scale are represented by degrees of homogeneity greater than one, and decreasing returns to scale by degrees of homogeneity less than one.

The confusion between the practical concept of economies of scale and the theoretical notion of returns to scale arises from the fact that large fixed costs, such as occur from investment in a factory or from research and development are an important source of real world economies of scale. In conventional microeconomic theory there can be no increasing returns to scale when there are fixed costs, since this implies at least one input that cannot be increased.

A natural monopoly is often defined as a firm which enjoys economies of scale for all reasonable firm sizes; because it is always more efficient for one firm to expand than for new firms to be established, the natural monopoly has no competition. Because it has no competition, it is likely the monopoly has significant market power. Hence, some industries that have been claimed to be characterized by natural monopoly have been regulated or publicly-owned.

In the short run at least one factor of production is fixed. Therefore the SRAC curve as shows in Figure 3.5 will fall and then rise as diminishing returns sets in. In the long run however all factors of production vary and therefore the LRAC curve will fall and then rise according to economies and diseconomies of scale.

There are two typical ways to achieve economies of scale:

1. High fixed cost and constant marginal cost
2. Low or no fixed cost and declining marginal cost

Economies of scale refers to the decreased per unit cost as output increases. More clearly, the initial investment of capital is diffused (spread) over an increasing number of units of output, and therefore, the marginal cost of producing a good or service is less than the average total cost per unit (note that this is only in an industry that is experiencing economies of scale).

The exploitation of economies of scale helps explain why companies grow large in some industries. It is also a justification for free trade policies, since some economies of scale may require a larger market than is possible within a particular country. Economies of scale also play a role in a "natural monopoly." Typically,

because there are fixed costs of production, economies of scale are initially increasing, and as volume of production increases, eventually diminishing, which produces the standard U-shaped cost curve of economic theory. In some economic theory (e.g., "perfect competition") there is an assumption of constant returns to scale.

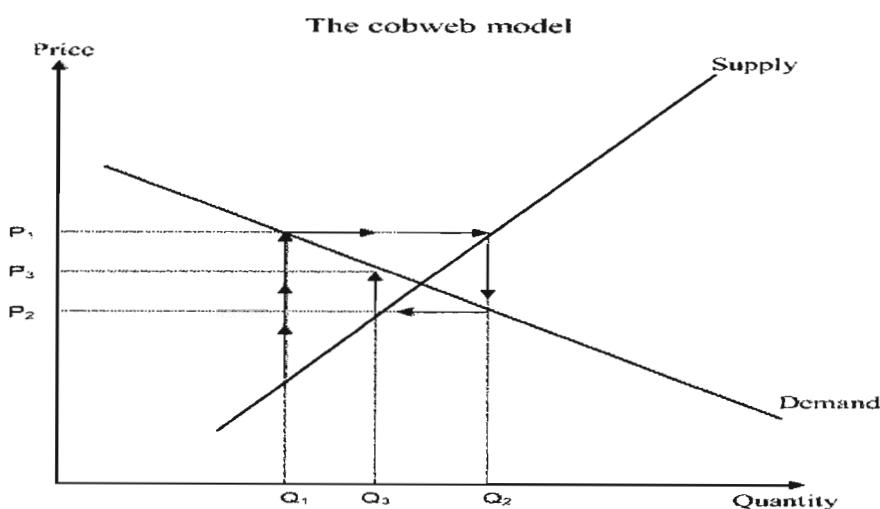
In relation to economic border, a number of facts show that the economy was opened border between some countries (especially small states) will create an increase in income caused by the increased scale of economy. This process occurs through an increase in productivity due to high utilization boast natural resources, research, development, network communications, facilities, transportation and other benefits. In theory, producing in a large of areas scale will increase productivity because of the economic agglomeration (extra return can be obtained by using the cooperation).

Opening the border could bring the implications of the changing concepts of economic borders to free economic borders (unlimited). The study Cecchini (1998) shows that the GDP of European countries increased by 4% due to the border was opened. The increase is comprised of 1.5% from free trade in financial services, 0.5% from transfer of control gate of check points and 2% from the increasing of competition, economic scale and the increasing of supply. Additional, there were indications that the growth of the state of Sabah is affected by the growth of Brunei Darussalam, Sarawak (Malaysia), and East Kalimantan (Indonesia). Furthermore, the growth of the state of Sabah also has an impact on the neighboring states, country and provinces (Habibullah and Affizzah, 2005).

### c. Economic Borders Model

To analyze how marketing behavior in border region can be done by modifying the Cobweb model. The cobweb model or cobweb theory is an economic model that explains why prices might be subject to periodic fluctuations in certain types of markets. It describes cyclical supply and demand in a market where the amount produced must be chosen before prices are observed. Producers' expectations about prices are assumed to be based on observations of previous prices. Nicholas Kaldor analyzed the model in 1934, coining the term 'cobweb theorem' (see Pashigian, 2008), citing previous analyses in German by Henry Schultz and U. Ricci.

The cobweb model is based on a time lag between supply and demand decisions. Agricultural markets are thought to be a situation where the cobweb model might apply, since there is a lag between planting and harvesting. The equilibrium price is at the intersection of the supply and demand curves.



**Figure 3.6: A Curve of Cobweb Model**

The cobweb model is illustrated by the diagram in the Figure 3.6.

Simplifying, the cobweb model can have two main types of outcomes:

1. If the slope of the supply curve is greater than the slope of the demand curve (in absolute value), then the fluctuations decrease in magnitude with each cycle, so a plot of the prices and quantities over time would look like an inward spiral, as shown in the diagram. This is called the stable or convergent case.
2. If the slope of the supply curve is less than the slope of the demand curve (in absolute value), then the fluctuations increase in magnitude with each cycle, so that prices and quantities spiral outwards. This is called the unstable or divergent case.

Two other possibilities are:

1. Fluctuations may also remain of constant magnitude, so a plot of the equilibrium would produce a simple rectangle, if the supply and demand curves have exactly the same slope.
2. If the supply curve is less steep than the demand curve near the point where the two curves cross, but more steep when we move sufficiently far away, then prices and quantities will spiral away from the equilibrium price but will not diverge indefinitely; instead, they may converge to a limit cycle.

In either of the first two scenarios, the combination of the spiral and the supply and demand curves often looks like a cobweb, hence the name of the theory.

However, this model has proven that in the long run there will be a balance of price in the market when the elasticity of demand is greater than the elasticity of supply. But, trade barriers, such as tariff and non tariff is usually found in the border regions resulted in the market equilibrium condition is not reached.

Study conducted by Evans (2000) found that while border effects may imply barriers, welfare costs, and a role for policy; distortions are probably not as substantial as initial border results suggested. This study shows that in fact the border effect is lower on the product that is less elastic. This supports that the level of (ability) in subsidies between local products and imported products is the main reason why the border is shown (restriction). Although the assumption of elasticity of the subsidy can be received, this result shows that the difference (distance) between the price of imported goods and domestic goods is much higher than the tariff set.

Further, this study also found that the goods that have a higher cost of information does not have any limiting effect is greater, which means that the cost information is not the main impact of border on the volume of trade. These findings support the preposition that the distortion of the border, government and policy, play an important role in increasing the impact of the border. Limiting of the border region will implicate on the size of the potential trade barriers, welfare costs and a role for policy.

Meanwhile, Hanson and Spilimbergo (1999) examine the correlation between the sectoral shock and regulations of border in USA region. The border regulation is a major policy tool of U.S. governments to prevent illegal

immigration. The purpose of this study is to find out whether the border regulation will be reduced over positive shock on the sectors that intensively using illegal labor. This is necessary as material in determining the attitude should be how the border policy is applied.

The main findings of this study show that the border regulations have correlation negatively with the changes of price of relative clothes product, fruits, vegetables and animal-cutting industry in the Western United States. This result supports the rule requesting a more lax border regulations when demand for illegal labor increase in industry in this region. This study also showed increased border regulation when labor market conditions all Americans in the States to be tight, which means support for steps to improve regulation when expectation of illegal immigration increase.

Along with the impact of the sectoral shock, will appear more soft regulations in specific sectors that many use illegal labor, but not when demand for labor increases as a whole. This thinking is consistent with the problem of free-rider in particular group (Olson, 1965), is to prevent the sectors benefiting because of lax rules outside the clothing industry and agriculture, which is trying to get the benefit from this situation (Hanson and Spilimbergo, 1999).

The border region has the potential to become a regional growth center. According to Evans (2000) there are at least two major strengths that can be donated by the border region to the growth of economic. First, with trade access, the border region is the gate entry to the flow of foreign exchange into the

country. Second, the rapid trading that occurred on the border region will encourage the growth of production in the country.

Studies Portes and Rey (1999) using panel data set on the border flow of capital in the two countries 14 years of 1989-1996 indicates that the geography of information can explain the exact form of international transaction. The flow of assets depending on the size of the market between the origin countries with the destination countries and is supported by the vary role of information technology will obtain the higher of trade transactions between countries.

In Indonesia, the development of border regions is still relatively less attention, especially when government is centralized. This caused the border regions to be left behind into areas of Indonesia. These conditions cause the limitations of facilities and infrastructure, the gaps of social, economic, and technology with neighboring countries, reserves of natural resources depletion, smuggling, and the threat of security (Suratman, 2008).

The limited facilities and infrastructure areas are a logical consequence of lack of attention to development of border regions. This limitation includes of limited facilities and transportation infrastructure, so that in some areas in the border region of Kalimantan, for example, to reach to some place in this region, does not have access from within the country and therefore must be through from neighbor country (Sarawak, Sabah, Malaysia) first.

As mentioned, by the time of the development of the region, the Indonesian government's commitment to build and prioritize development of the border regions. Maneepong and Wu (2004) state that cross border developments

are unlike other regional development schemes in that the importance of the border is paramount. In many respects the border is the key reason why developments emerged in the first place.

The border is significant barrier to the movement of people and goods. Therefore, this study will attempt to analyze the development activities in border regions in West Kalimantan, which directly adjacent on with neighbouring countries, Sarawak, Malaysia, that utilizing the cooperation with this neighbouring country. The cooperation between this countries that have border regions, have formed in social and economic fields, was named Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation. The form and the activities of this cooperation will be described in the next chapter of this study.

### **3.2.3 Regional Development Concept in West Kalimantan**

The development concept of West Kalimantan region refer to Vision of the Medium Term Development Program of West Kalimantan government 2005-2008, that is the realization of a harmonious West Kalimantan, get success or develop in business and orderly in government systems with three main pillars; West Kalimantan integrated, West Kalimantan incorporated and Kalimantan West network.

In developing to West Kalimantan region, the development concepts of the region that is conducted by local government are divided into four sub regions, namely regional development of interstate, regional development coastal region, regional development among provinces, and regional development of central region.

The explanations by detail about the development concepts of this region are as follows.

1. Regional development of inter-state is the regional development that is conducted by West Kalimantan government along the border regions of West Kalimantan with Sarawak.
2. Besides the development of inter-state, the development concepts of region by West Kalimantan government are regional development of the coastal region of West Kalimantan region which unfold Northerly to South.
3. The other development concept of region for development of West Kalimantan region by local government is regional development among provinces, is among the border regions of West Kalimantan with East Kalimantan and Central Kalimantan.
4. Further, the development concepts of region that is conducted by West Kalimantan region is regional development of center region in West Kalimantan, is Pontianak City.

Based on the legal provisions in Indonesia from the highest level have mandated the government to pay attention to the management of border regions as mentioned, thus the development concept of West Kalimantan is to prioritize development in border regions.

According to Maneepong and Wu (2004) that the growth of trade and businesses in border towns (border regions) is expected to establish these towns as regional growth poles. Multiplier effects on nearby areas will also occur, such as

job generation, higher wages and household income, better education, and more welfare assistance. Therefore, this study will attempts to analyze the impacts of implementation of concept regional development in this province, which conduct the regional development of inter-state along the border regions of West Kalimantan with Sarawak

The border regions in West Kalimantan are a strategic area. It shares the border directly and geographically with immediate neighboring countries or other countries is Sarawak, Malaysia. Therefore, recently the determination to make the spatial structure of West Kalimantan border regions as a strategic area becomes the priority of the central government to implement its coordination. As mentioned, one of spatial plans of Indonesian government to West Kalimantan region is plans of Integrated Economic Development Zone. The spatial structure of West Kalimantan border regions should be integrated into the concerned provinces' and districts' spatial planning.

Border regions have special function in which their territorial formulation is carried out by considering the realization of border country functions namely security and prosperity in which attention is paid to the reality of the area's developmental and environmental sustainable principles. The harmonization of security and prosperity functions in border region development is aimed for *firstly*, supporting the endurance of a community's socio-economic in West Kalimantan border regions. *Secondly*, increasing opportunity and economic competitiveness of border communities in West Kalimantan border regions, and *finally*, supporting border regions of control and security.

Therefore, in order to handle and manage the border regions in West Kalimantan region, the development strategies that are used by West Kalimantan's government, conducted through approach of security, prosperity and the environment as follows.

1. The development strategies firstly, which conducted by West Kalimantan region, through approach of security that represents an approach of development in order to maintain the integrity of the National unity through security of the territorial border regions and controlling security of any activities in border regions between West Kalimantan and Sarawak border regions. The form of border region security is the security of border regions on threats of crimes and any illegal activities in border regions between West Kalimantan and Sarawak.
2. Secondly the development strategies are conducted through approach of prosperity represents the approach to development focused on improving the welfare of the community in border regions, through the development of socio-economic activities. The development of border regions by Indonesian government have been promoted as mechanism for spatial plan through plans of Integrated Economic Development Zone (KAPET) and as stimuli for cross border cooperation with neighboring country, Sarawak, Malaysia, namely Socio-economic Malaysia-Indonesia (Sosek Malindo) Cooperation.

3. The other approach of the development strategies for West Kalimantan border regions by local government is environment approach, which represents the approach of development with environmental vision, in order to maintenance or solve the problems of the natural resources from the threats of damage to natural environment, such as the illegal exploitation of forestry resources, illegal logging, illegal mining, and any illegal damage activities on environment.

In accordance with the wishes of the Governor of West Kalimantan, in 2006 checkpoint border passage of Badau District (West Kalimantan border region)-Lubuk Antu (Sarawak border region) have been able to work and subsequently the checkpoint border passage of Aruk District (West Kalimantan border region)-Biawak (Sarawak border region) in the year 2007, where the standard procedure (Custom, Immigration, Quarantine and Security, CIQS) is established like in Entikong District that has border region with Tebedu, Sarawak border region.

Meanwhile for the exit/ entry Jagoi Babang District (West Kalimantan border region) at Bengkayang and Jasa District in Sintang Regency, can be agreed immediately in accordance with the plan of Indonesian central government; there are five checkpoints border passages in West Kalimantan border regions. With the increase member of checkpoints, it will accelerate the process of development in the border regions both of countries between Indonesia and Malaysia.

Besides the development strategies, in order to development of border regions, there are two development programs of border regions in West

Kalimantan region by local government, namely regional development in five entry points of Border Development Centre (BDC) and regional development of hinterland of BDC. The detail location for development programs in border regions of West Kalimantan is listed below.

1. Regional development in five entry points of Border Development Centre (BDC), which located on Aruk, Jagoi Babang, Entikong, Jasa, and Nanga Badau border regions, and the Districts line I: Sambas, Bengkayang Sanggau, Sintang District and Kapuas Hulu regency.
2. Regional development of hinterland of BDC, in location hinterland of Aruk, Jagoi Babang, Entikong, Jasa, and Nanga District that lies in West Kalimantan border regions, through the sectors development such as physical infrastructures (roads and bridges), water quality, plantation, tourisms, mining, education, health, trading, and transportation and telecommunications sector.

Further as additional, in order to support implementation of strategies and programs of border regions development in West Kalimantan region, there are some of the macro and micro policies development of border regions that used by West Kalimantan government.

The implementations of macro and micro strategies that are conducted through the policies of West Kalimantan government can be described as follows.

1. Macro strategies. The macro strategies from the policies that conducted by this local government, consists of accelerating development of border regions in West Kalimantan, and then priority

of prosperity and security approach in West Kalimantan border regions, the others is development of centers of growth as the area of Border Development Centre, and the last of policies macro strategies that conducted by West Kalimantan government is improving the economic sub-regional cooperation (like Sosek Malindo cooperation).

The steps of the macro strategies are explained as follows.

- a. Accelerating development of border regions is the policies that conducted by West Kalimantan government in border regions of this region that adjacent with Sarawak border regions, particularly the border regions that covering in Border Development Centre (BDC) regions, and the hinterland as the front of the State.
- b. The other policies from West Kalimantan government, through the strategy that prioritizes the prosperity and security approach in border regions in West Kalimantan, by the development strategies of security in border regions and utilization of commodities in West Kalimantan border regions.
- c. Besides, the policies of macro strategies that conducted by West Kalimantan is the development of the centers of growth, as the border regions that covers the region of Border Development Centre (BDC), five entry points are Aruk, Jagoi Babang, Entikong, Jasa, and Nanga Badau District, in various fields and the development of commodities around that border regions.

- d. Finally, the policies of macro strategies in West Kalimantan border region are improving the economic sub-regional cooperation (BIMP-EAGA and Sosek Malindo) in order to support and increase the development of border regions in this region.
2. Micro strategies. While the micro strategies that are the policies of West Kalimantan and conducted by this local government to development of border regions in this region, consist of preparation of the plan spatial of the border regions and development of multi-sector integrated in border regions in West Kalimantan.

The steps policies of micro strategies in West Kalimantan border regions are implemented as follows.

- a. Preparation of the plan spatial in border regions of West Kalimantan, accordance with the hierarchy of national, regional, province, regency, district, area and detail, that will be guide for all stake holders for implementation of their programs and activities.
- b. Development of multi-sector integrated, is meant the integration development of socio-cultural, exploiting of nationality economics, and integration development of infrastructure and capacity building areas.

The necessary strategic policies are the strategic policies of the central government in Jakarta, Capital City of Indonesia, in order to support the

implementation of border regions development in West Kalimantan region. The strategic policies from the central government to development of West Kalimantan border regions, generally is stipulating the guidance and auspices of the law, and the necessary supports from the central government to implementation of strategic policies of the border regions development in this border regions are the commitment of all departments and non department to the strategic policies, funding support, and development of infrastructure.

The forms of the strategic policies of central government to the development of border regions in West Kalimantan are described as follows.

1. Stipulating the guidance and auspices of the law, in the form of regulation of President to spatial of the border regions, forming of agency management of border regions, and acceleration of development and development of growth centers (the border regions in Border that include in area of Development Center, BDC).
2. Necessary support from the central government, which needed to support the strategic policies in order to the development of border regions in West Kalimantan are including:
  - a. The commitment of all departments or non-departments in order to overcome the problems (the multi-dimensional) and advancing into the area behind the forward area in the border regions of West Kalimantan.
  - b. Funding support from the central government to the local government in the forms of the budget revenue and expenditure of

state (Indonesia), grants, a policy bank, public sectors, local capital investment, foreign capital investment to development cost or to socio-economic development of border regions in West Kalimantan.

- c. Development of infrastructure facilities in border regions, especially the road network in the border regions to accelerate economic growth, social, and network security cross region with neighboring country, Malaysia.

The development of border region, thus relates to the efforts of place making. It is about how to deliver welfare (Healey, 1998) especially for people living in that area. Considering the change in many aspects of life, the old-fashioned way of managing border region should adjust with the changes. The increasing concern to environmental qualities and the development of region, for example, demands more opened process of policy making.

In relation to the changing paradigm of governance, the policy process for the development of border region should engage a wider range of concerns and interests. It needs the involvement of a wider range of actors, including those who come from beyond the government (Stoker 1998, cited by Aswandi 2007).

There are several actors who may hold stakes in the development of border region identified. By using the stakeholder grid of Freeman and Reed (1983), there are several actors can be identified generally. They are: the national government, the provincial government, the local government, hose of representatives (parliaments) in national, regional and local level, the armed

forces (TNI), Police, the existing institution of border management (GBC), community, plantation companies, timber companies, developers, community groups, environmentalist groups, foreign government and actors of economy in neighboring country (Aswandi, 2006).

As the major actor in the governance of border regional development, the local government ideally has the quality for mobilizing social capital in the region. Besides mobilizing capital embedded in the area, interweaving networks with actors coming from beyond the region can also be done by the local government. It can build a team for formulating the plan and carry out the implementation. Although there is no sufficient information about the relationship among actors in the planning process for border development, the culture of Indonesian governance may support the mobilization of institutional capital by placing the government institution as the central role of governance.

Due to these matters, spatial policy and strategy of West Kalimantan border regions development emerge to consider two factors are including of cooperative possibility in security and social economic sectors in border regions, and factor of politics and security in border regions of West Kalimantan cross border with Sarawak, Malaysia.

1. Cooperative possibility in security and socio-economic sectors in order to support each other's security of natural resources of the area and also to prevent crimes in the border regions between two countries, West Kalimantan, Indonesia and Sarawak, Malaysia.

2. Polities and security supports are the supports of spatial policy and strategy to development of West Kalimantan regions, in behalf of implementing certain points as the gate-way of country to cross the border region of neighboring country, and in the development of economic growth center.

The spatial policy and strategy of West Kalimantan border regions development, generally provide the principles of border region development according to area functional characteristics: to eradicate backwardness from surrounding areas by pursuing rapid development or to adjust the development of the regions that border a neighboring country; to secure the border regions from over exploitation of natural resources in the interest of both the local community and the neighboring country. The principle of the regional development has a function to motivate economic activities (cultivation) so it can be more optimally and selectively done.

Moreover, in its regional bearing, sub-regional cooperation like Sosek Malindo, stipulated under the Integrated Economic Development Zone (KAPET) in West Kalimantan, is relevant to be interconnected to its development in context of development cooperation of the sub-regional. In the case of KAPET's plan for regional development in West Kalimantan that prioritizes the development on the border regions that the concept of its operation requires for a design to promote competitiveness, compatibility and complementarily with Sarawak, Malaysia.

As explained above, West Kalimantan Provinces although classified as a priority area (in work region KAPET, Integrated Economic Development Zone)

for spatial planning development, particularly to border region development, it has been predicated as an area left behind or being backward i.e. underdeveloped. The implementation of the spatial planning development in West Kalimantan region is coordinated by the central government. It is relevant to consider in relation to the development in the context of the sub-regional cooperation like Sosek Malindo cooperation, which shares the same objective (the objective of similarity).

Besides, as mentioned by Maneepong and Wu (2004), due to locational advantages, border towns have also been regarded as new national social and economic bases for developing cooperation with neighboring country. Therefore, this study attempts to understand and analyze the problems in the process or mechanism of regional development of West Kalimantan by central and local government by utilizing cross border cooperation (CBC) with neighbor country, Malaysia (the regional development that focus on globalization), and aims to analyze the impacts of that cooperation through the activities of Sosek Malindo cooperation, on regional development in West Kalimantan region.

Further, as mentioned that the spatial planning of regional development in West Kalimantan region by Indonesian government is to improve the economic performance that focused on development of border regions in West Kalimantan region that covers in Border Development Centre (BDC). Therefore, it is necessary to involve the study of economic borders, to learn and apply the process of development in the border regions.

### **3.3 Studies on Regional Development**

As study on the CBC, study on regional development also has been doing by researchers with the various aspects and a different scope. Some earliest studies that have been done by researchers will be presented in this section. Among those studies are study by Aswandi (2006) with title is building institutional capacity in the planning process for the development of Trans-national border region between Indonesia-Malaysia in West Kalimantan Province. This research attempts to seek possibility of applying the concept of institutional capacity in the planning process for the development of a special region, in this case the trans-national border region between Indonesia and Malaysia in West Kalimantan Province. The result of this research is, by using simple methods for identifying the availability of institutional elements, the range of stakeholders, their stakes and influencing factors towards the application of the concept of governance and institutional capacity, a positive relevance seems to appear.

Further, study about regional development of border region in West Kalimantan, Indonesia, that was researched by Suratman (2004). This study shows that the development policy of border region in West Kalimantan by government could improve the economic performance in this area (West Kalimantan in generally and the border regions of this area in particular). He suggested to effective and to accelerate development in border regions is preferably in the region along the border regions is appointed as special area.

Habibullah and Affizzah (2005) researched about borders and economic growth in the case of Sabah, Malaysia and the neighbours. The purpose of the

study was to investigate empirically the question of whether the economic development of the State of Sabah has an impact on her neighbouring countries or *vice versa*, the growth of her neighbouring countries have causal effect on the growth of the State of Sabah. The result indicates that the growth of the State of Sabah was affected by the growth of Brunei Darussalam, Sarawak (Malaysia), and East Kalimantan (Indonesia). Furthermore, the growth of the State of Sabah also has an impact on the neighbouring State, Country and Provinces during the period on study.

The others, study by Maneepong and Wu (2004) researched about comparative borderland developments in Thailand. Thai government agencies designed a number projects at the Thai border zones with Laos and Malaysia. The result in this study is in spite of similar potential and government investments, these border zones have evolved quite differently. Nongkhai, bordering Laos, the selected government centre, has not fared well, while Sadao, bordering Malaysia, has flourished. The data from this research point to several key factors that have influenced the divergent paths. The point in this study is that implementation of cross border policy has significantly contributed to the Thai economy during and after the Asian financial crisis.

Fan (2004) by study about the future of Frontier Closed Area (FCA) in Shenzhen City, Hong Kong, by weighting the views of the future development on FCA of different medium, it found that developing ecotourism or maintaining the present situation is the best approach on the development on Frontier Closed

Area. He also suggests that the government should carry out more assessments on developing the FCA before getting a conclusion of development.

By Evans (2000) that researched about the economic significance of national border effects. To address the economic significance of national border effects, this study provides evidence on two fundamental questions: (1) Do large border effects arise because of high perceived-price wedges between foreign and domestic products, or because imports and domestic goods are very close substitutes?; and (2) If price wedges are important, do they reflect distortionary barriers to trade or do they arise from non-distortionary factors, such as differences in transactions costs or product characteristics? The result of this study is while border effects may imply barriers, welfare costs, and a role for policy; distortions are probably not as substantial as initial border results suggested.

By Hanson and Spilimbergo (1999) that examine the correlation between the sectoral shock and regulations of border in USA region. The result of this study show that the border regulations have correlation negatively with the changes of price of relative clothes product, fruits, vegetables and animal-cutting industry in the Western United States, where this result supports the rule requesting a more lax border regulations when demand for illegal labor increase in industry in this region. This study also showed increased border regulation when labor market conditions all Americans in the States to be tight, which means support for steps to improve regulation when expectation of illegal immigration increase.

Portes and Rey (1999) by study about the determinants of cross border equity flow were exploring a new panel data set on bilateral gross cross-border equity flows between 14 countries, 1989–1996. This study shows that a “gravity” model explains international transactions in financial assets at least as well as goods trade transactions. Gross transaction flows depend on market size in source and destination country as well as trading costs, in which both information and the transaction technology play a role. Distance proxies some information costs, and other variables explicitly represent information transmission, an information asymmetry between domestic and foreign investors, and the efficiency of transactions. The geography of information is the main determinant of the pattern of international transactions, while there is weak support in our data for the diversification motive, once we control for the informational friction. This study broadens the scope of our results by presenting some evidence linking the results on equity transactions to equity holdings.

Hughes and Holland (1994) by study about core-periphery economic linkage that attempts to analyze a measure of spread and possible backwash effects for the Washington economy. The result of this study is that economic growth in the periphery was felt more strongly in the core because periphery sectors with strong within region effects generally had strong impact in the core.

### 3.4 Summary

The other conceptual foundation of this study is regional development literature. Regional development can be broadly defined as public sector activities encompassing economic, social and physical elements to formulate and implement appropriate public policy in area covering more than one existing local jurisdiction (c.f. Hilhorst, 1971). Based on the legal provisions in Indonesia from the highest level have mandated the government to pay attention to the management of border regions, thus the development concept of West Kalimantan is to prioritize development in border regions. According to Guo (1996), there are some theoretical bases to be considered in analyzing the economic border, such as core periphery theory, economics of spatial scale, and economic borders model.

As study on the CBC, study on regional development also has been doing by researchers with the various aspects and a different scope. Some earliest studies that have been done by researchers are study by Aswandi (2006), Suratman (2004), Habibullah and Affizzah (2005), Maneepong and Wu (2004), Fan (2004), Evans (2000), Hanson and Spilimbergo (1999), Portes and Rey (1999), and Hughes and Holland (1994), and this study will adapt measurement the conceptual foundation for regional development by using the border region theory based on core periphery theory.

## **Chapter 4**

### **Methodology**

#### **4.1 Introduction**

The main objective of this study is to attempt to analyze the impacts of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional developments in West Kalimantan region. This chapter discusses the research methodology in achieving the objective.

This chapter is divided about research design, research strategy, selection of a qualitative approach, sampling and unit of analysis, instrument and data collection methods, technique of data analysis, and continued with presenting about research conceptual framework and operational definition of variables, and closed with summary.

#### **4.2 Research Design**

Different authors use different terms and in some cases have different opinions on research design and research strategies. Research design will be covered in the first section. The research design can be defined as “the framework or plan for a study that guides the collection and analysis of the data” (Churchill, 1992, p.108).

According to Malhotra (2002), there are two broad types of research designs which are exploratory design and conclusive design. The objective of exploratory research is to provide insights and understanding while the objective of

conclusive research is to test specific hypotheses and examine relationships.

There are two types of conclusive research designs, which are descriptive research and causal research. The major emphasis of descriptive research is on determining the frequency with which something occurs or the relationship between two variables (Churchill, 1992, p.108). Causal research refers to a design where the focus is on determining cause-and effect relationships (Churchill, 1992). Robson (1995) uses the term explanatory research which is slightly different. Explanatory research refers to research that seeks an explanation of situation or a problem.

In this case, this study is not causal as it is not testing any specific hypotheses because there is no accurate understanding of the problem. This research is not descriptive because it requires extensive previous knowledge of the situation to be researched or described, so that you know the appropriate aspects on which to gather information (Robson, 1995). This study could be considered exploratory. Thus, at this point it would appear that in terms of research design this study is exploratory work.

According to Robson (1995), there are three traditional research strategies which are experiment, survey and case study. Research can also be classified into three types which are exploratory, descriptive and explanatory. Case studies are appropriate for exploratory work, surveys are appropriate for descriptive studies and experiments are appropriate for explanatory studies. Based on the research design of this study, is exploratory and by following the idea by Robson (1995), thus this study has to choose case study to be research strategy.

This study is an exploratory study for the purpose of finding something interesting and descriptive in the area of cross border cooperation (CBC) to regional development in the region of the country, West Kalimantan, Indonesia, which utilizing cross border cooperation with neighboring country, Malaysia. This study is also a case study because this study is designed to be descriptive and explanatory research by using the case study approach. Therefore research method that will be used in this study is qualitative approach. The explanation about research strategy and approach research method will be presented in next section in this chapter.

### **4.3 Research Strategy**

Different authors have different ideas on what are the types of research strategies available. According to Yin (1994, pp. 4), there are five types of research strategies are experiments, surveys, archival analysis, histories and case studies, and the choice of a research strategy depends on three conditions which are:

1. The type of research question posed
2. The extent of control an investigator has over actual behavioral events
3. The degree of focus on contemporary as opposed to historical events

According to Yin (1994), there are two type of “what” questions. The first type of “what” questions is questions related to exploratory study. Yin (1994) believed that exploratory work can be used for any research strategies. The second type of “what” questions are basically used to measure “how many” and “how much”, and research questions in this study were stated and continued with

questions "what". Thus those questions can be considered exploratory work and using measure "how" shows that a case study is more appropriate. Thus, from Yin (1994)'s first condition on questions, it can be seen that this study should not be using a survey or archival analysis.

The second condition by Yin (1994) is the extent of control over behavioral events. Here it is obvious that experiments and case studies are similar in that they both deal with how and why research questions. However, they differ in that experiment requires control over behavior. In this case, if the study were to be on what regional development according to the rational foundation of cross border cooperation would lead to possible outcomes an experiment would be more suitable. However, since this case the study does not require control over the independent variable which is differences in rational foundation of cross border cooperation in activities of Sosek Malindo cooperation, a case study would be more appropriate.

The third condition is focus on contemporary events and not on historical events (Yin, 1994). According Yin (1994), the difference between histories and case studies is that histories focus only on historical events while case studies can examine both histories and contemporary events. History means there is no alive to provide information. This study must use documents and artifacts as evidence.

There are many similarities between a case study and a histories but their main difference is that case studies rely on multiple sources of evidence (Yin, 1994). Also case studies are more likely to use observation and interviewing which are usually not possible with histories. In this case, such information in this study

was more likely to obtain through interviews and the others through documents, pictures that have relation with regional development in West Kalimantan region.

There are also other reasons why this study has chosen a case study approach. Case study research is used to describe an entity that forms a single unit such as a person, an organization or an institution, and some research studies describe a series of cases (Hancock, 2002). In this study will describe an entity that forms an organization is Sosek Malindo cooperation in West Kalimantan.

Case study research ranges in complexity. According to Hancock (2002) the most simple is an illustrative description of a single event or occurrence. More complex is the analysis of a social situation over period of time. The most complex is the extended case study which traces events involving the same actors over a period of time enabling the analysis to reflect changes and adjustment.

Case study claims to offer a richness and depth of information not usually offered by other methods. By attempting to capture as many variables as possible, case studies can identify how a complex set of circumstances come together to produce a particular manifestation. It is a highly versatile research method and employs any and all methods of data collection from testing to interviewing.

Besides, other reason as according to Denscombe (1998), convenience can be a reason why people use case studies. However, the author argued that convenience should not be the main reason for a researcher to do so.

Furthermore, there are five components of a research design in a case study (Yin 1994):

1. A study's question
2. Its proposition, if any
3. Its units of analysis
4. The logic linking the data to the propositions and
5. The criteria for interpreting the findings.

The study's question and proposition has been covered earlier in the research question and the conceptual framework in the next section. The unit of analysis is related to sampling and will be covered under that section. The logic linking the data to the propositions and the criteria for interpreting the findings will presented in other chapter in this study.

Furthermore, a qualitative approach will use in this study. The reasons for use this approach will be represented after this section.

#### **4.4 Selection of a Qualitative Approach**

According to Marshall and Rossman (1998), the choice of using either a qualitative or quantitative method often influences the choice of a research strategy. They also argued that when a researcher is discussing about a research strategy, he must indicate why he has chosen a qualitative approach and to give his reasons for doing so.

As mentioned, the research strategy in this study is using case study, and will use a qualitative approach as research method. Before the researcher provides the reasons why a qualitative approach has been selected, there is a need to provide

a definition on quantitative methods and qualitative methods. According to Bryman and Bell (2003, p. 25), quantitative research can be construed as a research strategy that emphasizes quantification in the collection and analysis of data and that:

1. Entails a deductive approach to the relationship between theory and research in which the accent is placed on the testing of theories
2. Has incorporated the practices and norms of the natural scientific model and of positivism in particular; and
3. Embodies a view of social reality as an external, objective reality.

According to Bryman and Bell (2003, p.25), qualitative research can be defined as a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data and that:

1. Predominantly emphasizes and inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories;
2. Has rejected the practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world; and
3. Embodies a view of social reality as constantly shifting emergent property of individual's creation.

An important point to note is that qualitative research is related to the interpretive perspective which was the research paradigm the researcher have chosen for this research. According to Saratankos (1998), research methodology in

this case is whether a qualitative or quantitative approach is taken heavily dependent on the theoretical perspective.

Also according to Yin (1994), a case study can use multiple sources of evidences and these evidences can be either quantitative studies or qualitative studies. Hancock (2002) also mentions that case study research is one of those research approaches which can take a qualitative or quantitative stance. In this study, the qualitative approach to case study is described wherein the value of case study relates to the in depth analysis of a single or small number of units.

Qualitative research involves of data such as words (e.g., from interview), pictures (e.g., video), or objects (e.g., an artifact), while quantitative research involves analysis of numerical (Miles and Huberman, 1994: p.40), and the data will provided in this study is in the form of words and pictures, therefore the research method is qualitative research, because the data is not in the form of numbers and statistic as the quantitative research approach.

There are some reasons why this study uses the qualitative research. Firstly, the collection of the data has a qualitative characteristic, not a quantitative feature. Although the data uses numeric amount, it is only for the purpose of explanation, therefore, the numeric amount is not used to see or to find the significance of the correlation between two variables or more. Secondly, the qualitative method is usually used to explain or describe, and in order to build a hypothesis, the causes of the process would be meticulously understood. However, the most important aspect to be focused on in this study is its description or explanation (Cole, 1972: 163). Thus, in-depth interviews and

participant observations are the main technique used to collect the data in this study alongside with other documents.

The differences between qualitative and quantitative approaches mean that the choice of a qualitative approach would have influence on other areas of the research. It would have an effect on the data collection methods, the sampling and on operationalization. The effects on data-collection methods, sampling will be discussed in a later sections.

#### **4.5 Sampling**

Sampling is the process of choosing the units of the target population which are to be included in the study (Sarantakos 1998, p.139). Two areas of this research have an influence on the research procedures for this research. They are the use of a qualitative approach and the selection of a case study as a strategy.

According to Sarantakos (1998, p.155), qualitative sampling is directed

1. Not towards large numbers of respondents but rather towards typical cases
2. Not towards fixed samples but towards a sample that is flexible in size and type or subjects
3. Not towards statistical or random sampling but towards purposive sampling
4. Not towards mechanical sampling but towards theoretical sampling
5. Towards fewer global settings than quantitative sampling
6. Not towards choosing a sample before the study started but whiles the study is in progress

7. Not towards a strictly defined size but a sample whose number will be adjusted while the study is in operation
8. Not towards representativeness but rather towards suitability “

Eisenhardt (1989) shares the same view that for theory building from case studies, random sampling is not suitable or correct. Instead, case studies should also use theoretical sampling which is to choose cases which are likely to replicate or extend emergent theory (Eisenhardt, 1989, p.537). It was argued that because case studies will only study a limited number of cases, it would be best to select cases such as extreme situations and polar types (Eisenhardt, 1989, p, 537). According to the theory of sampling for qualitative research sampling can occur when the study is in progress.

Theoretical sampling can reduce the effects of extraneous variables and the likelihood of their occurrence (Eisenhardt, 1989). According to Yin (1994), the identification of extraneous variables is more relevant for explanatory research. The research questions in this study are exploratory research. It is in fact more exploratory in nature.

As mentioned earlier, a case study is very flexible and new cases can be added (Eisenhardt, 1989; Yin, 1994). Thus, a strict criterion for sampling for this research is not required or necessary. Unlike a quantitative approach, a qualitative approach gives this research the flexibility to make changes at a later stage.

The technique of sampling in a qualitative research according to Lincoln and Guba (1985: 200) is when researchers start by assuming that the context is critical. Hence, every context is handled or covered within the context itself.

Furthermore, qualitative research has a strong relation with contextual factors. Thus, the purpose of the sampling in this study is to collect the information as much as possible from any source and construction. Consequently, the purpose is not for the focus of differences expanded in generalization. The purpose is to provide details to the specialization of the unique ingredient context.

The second purpose of sampling is to obtain information that will determine the basic planning and theory. Therefore, this study uses a purposive sampling with the following characteristics:

1. The planning of sample that emerges:

The sample cannot be identified or concluded for the first time.

2. The choosing of sample by succession:

The purpose is to take many variations which can only be obtained if the sample unit had been chosen by the condition that the unit has already covered and analyzed before. Every subsequent unit is able to expand the information taken for the first time, so that it can be argued or identified in the event that a gap is found from the information. From where or from whom it starts does not matter, but when it has been done, it can be selected in the future depending on what the researcher needs. The sample technique “snow ball” is useful in case it multiplies in data.

3. The continuity adaptation from sample:

For the first time the usefulness of every sample can be similar. However, after considerable information has been collected and the

working hypothesis has expanded, it could show that the sample chosen is based on the focus of research.

**4. The selection is final if there is a repetition of sample:**

For this purposive sample the total sample is decided by considering how many information is needed. In order to expand information, if there is no usable information, the conclusion of sample can be executed (J., Moleong, Lexy, 2001: 165).

## **4.6 Instrument and Data Collection Methods**

### **4.6.1 Instrument**

Before elaborating the instrument or tools that are used for data collecting, this study attempts to explain the data that will be obtained. Instrument that used in this study is a set of question contains a list of questions which based on the variables of the study and the results of the findings of this study will be used to answer the questions of the study.

As mentioned, the main objective of this study is to attempt to analyze the impacts of Cross Border Cooperation (CBC) like Sosek Malindo on regional socio-economic development in West Kalimantan. Specifically, the objective of this study is to identify the impacts of rational foundations of Cross Border Cooperation (CBC) such as economic, political, cultural and historical, and cooperation and competition that applied under Sosek Malindo cooperation, on regional development in West Kalimantan Region.

Thus, the variables in this study are Cross Border Cooperation (CBC) that consists on some indicators, such as the economic, the political, the cultural and

historical, and the cooperation and competition indicators. Besides, other variable is Cross Border Cooperation in West Kalimantan that be used as the object in this study, is cooperation of Socio-economic between Malaysia and Indonesia is namely Sosek Malindo cooperation.

#### **4.6.2 Data Collection Methods**

The most popular method of data collection in cross-cultural research was questionnaires followed by interviews (Thomas 2002). According to Yin (1994), there are six sources of evidence available for case studies:

1. Documentation
2. Archival Records
3. Interviews
4. Direct Observations
5. Participant Observations
6. Physical Artifacts

To collect the data as elaborated above, this study uses three techniques of data collecting; In-depth interview, participant observation, and document.

##### **a. In-depth Interview**

This is the main technique that uses data collecting because the majority of the data is qualitative. According to Cole (1972: 161), in-depth interview is one technique of data collecting that is mostly used in qualitative research whereby the data is not changed numerically or quantitatively. An instrument used to collect information from people who complete the instrument themselves (Bourque and

Fielder, 1995, p.2), and as mentioned, instrument that used in this study is a set of question contains a list of questions which based on the variables of the study.

The data findings in this study obtained from the responses time or the answers respondents that conducted through in-depth interviews with the working team of Sosek Malindo cooperation for West Kalimantan side (primary data). In this study, the researcher will conduct an in-depth interview with informants that as respondents, from Sosek Malindo cooperation (chiefs, working team and staff committee of Sosek Malindo cooperation from West Kalimantan and Sarawak side), in order to collect information or to obtain the data findings (primary data) to complete the instrument themselves and to answer the research questions in this study.

#### **b. Participant Observation**

This technique is used to collect secondary data. The researcher will observe the condition or location of border regions in both of West Kalimantan and Sarawak regions, which is the focus of potential development by this cooperation. This technique is necessary if a researcher does not know well the respondents' condition or social phenomena (Cole, 1972: 163); and the most important thing is that a researcher is an instrument in qualitative research (Sugiyono, 2005: 59).

### **c. Documents**

As participant observation, this technique is also used to collect secondary data. The data from these documents is important to describe the demographical condition and the socio-economic condition of people living in West Kalimantan and Sarawak region. The data will be obtained from the collection of documents, records, books and working papers or annual reports of cooperation from the Sosek Malindo working team, and also from government agencies and other agencies that concerned.

### **4.7 Technique of Data Analysis**

Since this study is going to use open ended interviews as one of the data collection methods and case studies as the strategy, the literature on research methodology for these two areas will be used in this section. There would be some overlap between qualitative interviews and case studies since they are closely related.

According to Sarantakos (1998), there are five steps involved in the analysis of qualitative interviews. Step 1 is transcription which involves the transfer of information from the original format into paper. An example would be from video to paper. Step 2 is checking and editing which basically means checking the transcripts to prepare it for analysis. Step 3 is analysis and interpretation. Step 4 is generalization where the findings are generalized. This is done by identifying similarities and differences in the data. Step 5 is verification which involves checking the transcript again for validity of interpretations.

Denscombe (1997) suggested similar steps for the analysis of qualitative data. Step 1 is coding and categorizing the data. Step 2 is reflections on the early coding and categories. Step 3 is identification of themes and relationships. Step 4 is return to the field to check out emerging explanations. Step 5 is to develop a set of generalizations. Step 6 is to use the new generalizations to improve any relevant existing theories. Coding means the separation of the data into units for analysis and the categorization of units. This process is guided by things like existing theories and intuition.

According to Yin (1994), a researcher should determine how he is going to analyze his evidence before he begins his data collection process. He argues that there is a need to first determine the general strategy to be used for the analysis. After the researcher has chosen the general strategy he can then use four dominant modes of analysis for the analysis of their evidence.

The first strategy is relying on theoretical propositions. Under this strategy the researcher uses literature review and research questions to determine the objectives and design of the case study. In addition, the proposition would have determined the data collection methods and the means by which the data should be analyzed. The second strategy is developing a case description which as the name suggests a descriptive framework for a case study. It is used in the absence of theoretical propositions (Yin, 1994). It is obvious that the strategy for analysis would be a general strategy. This is because the researcher has identified a gap in the current literature which would be used for the research questions. In addition, the data collection methods and research strategies were all derived from the

research questions and research objectives.

Eisenhardt (1989) suggests the following steps for analysis. The first is within case analysis which means that the researcher must gain in depth knowledge of a case. Only then can the researcher be able to identify unique patterns in each case. The second step is to look for cross-case patterns which are similar to the idea of pattern matching suggested by Yin (1994). The third step is shaping hypotheses where the researcher tries to replicate data across cases and to identify reasons for the relationship. Lastly, Eisenhardt (1989) suggests a comparison of the emergent theory obtained from the findings with the existing literature. This refers to both conflicting literature and similar literature. This would increase the validity and generalize ability of the theory.

Further, for research analyzes, this study tries to analyze the role of CBC like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional development in West Kalimantan region. The analyze work consists of two parts:

**1. Investigating the System of Planning for Border Region Development and the Description of Sosek Malindo cooperation in West Kalimantan**

This part discusses policies and concept of border region development in West Kalimantan. By using descriptive analysis, this part will firstly started by providing existing condition of West Kalimantan border regions including physical and geographic condition, natural resources, socio-economic, and infrastructure condition. Afterwards, the systems used and the existing system of border regional development in West Kalimantan is

presented, also the description of Sosek Malindo Cooperation. This includes principles of border development, models as considerations in existing policy of border development and forms of border development exist in this Province. Some cases of border regional development in other countries also contribute to enrichment of the understanding of the relation between the activities of CBC and the regional development of border region.

## **2. Assessing the Impacts of CBC on Regional Development in West Kalimantan**

In this part, the impacts of CBC like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional development in West Kalimantan region, in the locus of the research are investigated based on conceptual framework. Basically, this step tries to answer the research questions of the study, including to identify the other aspects of CBC in West Kalimantan region that might be different from the existing CBC.

### **4.8 Research Conceptual Framework**

In this section, a conceptual framework is provided for this study. According to Sarantakos (1998), a conceptual framework explains either graphically or in a narrative forms the main things to be studied- the key factors, constructs or variables and the presumed relationship among them. Conceptual framework is also called research designs and they are only used for qualitative research (Sarantakos, 1998, p. 105-106),

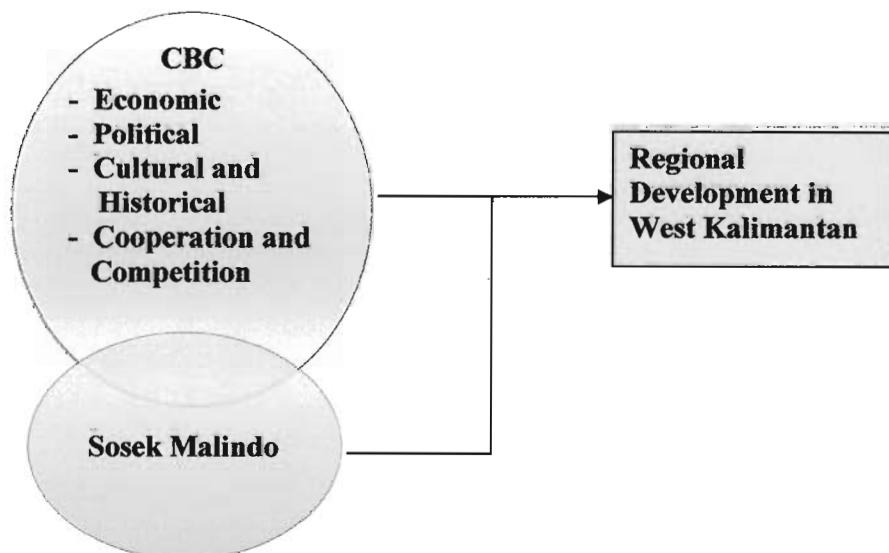
According to Sarantakos (1998, p.106), a framework constrains the following elements:

1. It explains the main dimensions of the study (e.g. key factors, variables).
2. It describes the presumed relationship between factors and variables.
3. It specifies who and what is to be studied as well as events, settings, processes, theoretical constructs considered in the study.
4. It also specifies outcomes of the study.
5. It guides the researcher through the research process, at the same time being receptive to change, by focusing and refocusing data collection and analysis.
6. It coordinates research activities by the members of a research team.

From the literature review, identified that there are variables in the conceptual framework in this study are

1. Cross Border Cooperation (CBC) variable
2. Sosek Malindo cooperation variable
3. Regional development in West Kalimantan

Based on these variable and objectives in this study, then the conceptual framework of this study is built in as Figure 4.7.



**Figure 4.7: Conceptual Framework of the Study**

Figure 4.7 shows the conceptual framework of the study. Flow chart in Figure 4.7 shows that the impacts of rational foundations of CBC (consist of economic, political, cultural and historical, and cooperation and competition), is related to activities in Sosek Malindo Cooperation on regional development in West Kalimantan. The relationship is based on the resource-based view that mentions that CBC is a new strategy for regional development in the context of globalization, and in the development of CBC itself, the modern practices of rational foundations cover are economic, political, cultural and historical, and cooperation and competition reasons (Enokido, 2007).

Furthermore, beside shows the impact of rational foundations of CBC on regional development in West Kalimantan, the conceptual framework in Figure

4.7 shows that this study attempts to find out the other aspects or the other rational foundations of CBC in activities of Sosek Malindo cooperation in West Kalimantan region that might be different from the existing CBC, that also have impact on regional development in West Kalimantan.

#### **4.9 Operationalization of Variables**

According to Sarantakos (1998, p.130), "Operationalization is the process of converting concepts into their empirical measurements, or of quantifying variables for the purpose of measuring their occurrence, strength and frequency." It is used for the conversion of abstract concepts into synonymous empirical referents. It involves three characteristics which are 1) selection of indicators, 2) quantification of indicators and 3) quantification of the variable. Operationalization is a requirement for the quantitative researcher (Sarantakos, 1998).

However, operationalization is not applicable to qualitative researchers. It is considered to be a useless instrument due to its number of weaknesses with regards to qualitative research. Bryman and Bell (2003) shares a similar view on this matter. Operationalization was found in the chapters related to quantitative research but no mention of it was made in the chapters related to qualitative research. It is important to note that there are some difference between quantitative research and qualitative research that are related to operationalization.

It was argued that qualitative data are often hard and reliable. The data is clear because of the accuracy offered by their measurement. Qualitative data is considered to be rich and deep due to the researcher's long term involvement in the research (Bryman and Bell, 2003). One difference is that while quantitative

research is more particularistic and concentrates on elements and variables, qualitative research is more holistic and focuses on the whole unit. Another difference is quantitative research employs high levels of measurement while qualitative research employs low levels of measurement (Sarantakos 1998).

Despite operationalization is not applicable to qualitative researchers as mentioned above, but operational definition that will be explained in this section only to facilitate the understanding and direction in analyzing and explaining the data findings.

As mentioned, the main objective of this study is to attempt to analyze the impacts of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional developments in West Kalimantan region. Specifically, the objectives of this study are to identify the impacts of every rational foundations of CBC that consist of the economic, the political, the cultural and historical, and the cooperation and competition under activities of Sosek Malindo cooperation on regional development in West Kalimantan Region.

Thus, the variables in this study consist of Cross Border Cooperation (CBC), Sosek Malindo cooperation and regional development variable. The operational definition every variable in this study will be explained and listed below.

#### 4.9.1 Cross Border Cooperation (CBC) Variable

Cross Border Cooperation (CBC) that meant in this study is the rational foundations of CBC that applied in activities of Sosek Malindo cooperation. There are some of rationale foundations of CBC that will be used as indicators of this variable. The indicators consist of economic, political, cultural and historical, and cooperation and competition that will be analyzed in this study.

The operational definition of indicators of CBC variable that is meant in this study is described as follows.

##### a. Economic Indicators

Economic indicators meant that CBC is developed in order to increase economic activities in both of countries are Indonesia and Malaysia region. Based on the scope of study, this study covers the location only West Kalimantan side in Sosek Malindo cooperation case, thus the operational definition of economic indicators that meant in this study are the economic activities of Sosek Malindo cooperation that conducted to regional development in West Kalimantan region, particularly in border regions that adjacent directly on with Sarawak, Malaysia.

Further, the economic indicators in this study are divided on dimensions that consist of the economies of scale, externalities, and transaction costs. The operational definition of these dimensions is described as follows.

###### *1. The economies of scale,*

The economies of scale are supported by the creation of the physical infrastructure facilities, such as bridges, highways and port facilities that are part

of the activities that conducted by Sosek Malindo cooperation for economically advantageous to regional development in West Kalimantan region.

## **2. *Externalities*,**

The externalities of economic indicators in this study consist of two part of externalities are positives externalities and negative externalities.

- *Positives externalities* are likely to be brought by the provision of those infrastructures, benefiting border regions on both sides of West Kalimantan and Sarawak.
- *Negative externalities* such as air and water pollution might be generated on one side of the borders and affecting the other.

The externalities dimensions that are meant in this study is the positive and negative of externalities that give impacts on regional development in West Kalimantan region.

## **3. *Transaction costs***

Transaction costs that are meant in this study is economical activities on either side of the border, through a variety of cross border flows that arise due to many asymmetries and complementarities between West Kalimantan and Sarawak region that give impacts on regional development in West Kalimantan side.

### **b. Political Indicators**

The political indicators of the cooperation are to provide a political equilibrium for both of sides of the border regions between West Kalimantan and Sarawak. In this case, a political equilibrium is provided for West Kalimantan side by Sosek Malindo cooperation.

Thus, the operational definition of political indicators that are meant in this study is that the political foundation of cross border cooperation (CBC) under Sosek Malindo cooperation is formed in order to provide a political equilibrium in West Kalimantan side, cross border with Sarawak region.

Further, the political indicators in this study are divided on dimensions of political that will be analyzed in this study. The dimensions of political that meant in this study are as following.

### ***1. Security***

The dimension of security that meant in this study is that political that is provided in Sosek Malindo cooperation, related with security in border regions of West Kalimantan that adjacent with Sarawak, Malaysia.

### ***2. Solve environmental problems***

This dimension meant that the political is provided in Sosek Malindo cooperation, in order to effort to solve environmental problems that may occur within border regions of West Kalimantan and Sarawak.

### ***3. Defense national sovereignty***

This dimension meant that political is provided in Sosek Malindo cooperation, in order to defense national sovereignty on West Kalimantan side that has border regions with Sarawak.

### **c. Cultural and Historical Indicators**

Beside economic and political indicators, the development of cooperation on both sides of West Kalimantan and Sarawak regions (Indonesia and Malaysia), as well as cultural and historical factors play significant roles, because a building cooperative economic and relationships is difficult without high levels of mutual trust among the participants.

Thus, the cultural and historical indicators that meant in this study are that cooperation built and developed, based on cultural and historical foundations, in order to regional development in West Kalimantan region, particularly the regional development in border regions of West Kalimantan.

Further, the cultural and historical indicators in this study are divided on some of dimensions that will be analyzed in this study. The dimensions of the cultural and historical indicators are as following.

1. *Pre-modern trade partnerships and technology exchanges* between West Kalimantan and Sarawak region.
2. *Common languages and religions* between West Kalimantan and Sarawak region.
3. *The cultural and socio-historical connections* between West Kalimantan and Sarawak region.

The dimensions above that are include in indicator of cultural and historical, that are meant in this study is the activities of this indicators under Sosek Malindo cooperation that give impacts on regional development in West

Kalimantan region. Then, these indicators will be analyzed base on the dimensions that mentioned above.

#### **d. Cooperation and Competition Indicators**

Cooperation between regions will increase the level of competition among them in various fields. Those regions tend to be competitors in matters of economic development. Thus, each region has to evaluate the potential of cooperation and competition through the analysis of stakeholder (Keating, 1998). This is based on the idea that development is a phenomenon founded on articulation and interdependence among different points in space (Bramanti, 1993).

Observing the advantage of cooperation in local economic development, it is necessary that between competition and cooperation an appropriate dialectic is developed, which from time to time allows growth opportunities for the local economy to be seized, or the necessary risk that each innovation or change bring about in economic development processes to be faced.

Thus, the cooperation and competition indicators that meant in this study are the cooperation and competition activities that conducted under Sosek Malindo cooperation to regional development in West Kalimantan side, particularly to regional development of border regions in West Kalimantan.

Further, this indicator provides the dimensions of cooperation and competition indicators that will be analyzed in this study as follows.

1. The deal between public-private partnership with cooperative competition in the local area/ region or in the both of sides of West Kalimantan and Sarawak region in supporting to economic development.
2. Supporting for economic competence of border regions by central or local government both of West Kalimantan and Sarawak regions.
3. The complementarities between West Kalimantan and Sarawak region across the border in developing this cooperative relationship.

#### **4.9.2 Sosek Malindo Cooperation Variable**

As mentioned, Sosek Malindo cooperation is an international relationship eager to further improve and strengthen the existing relation and cooperation between the two countries, Indonesia and Malaysia, on a reciprocal basis, by improving the facilities to be accorded to citizens of both countries living respectively within the Indonesia border areas of the Provinces of (West Kalimantan, East Kalimantan, Riau and Kepulauan Riau) and within the Malaysian border regions of the states of Sabah and Sarawak and along the coast of the states of Melaka, Johor, Selangor and Negeri Sembilan.

The objective of Sosek Malindo is to increase the socio-economic prosperity and level of livelihood in border regions societies both of sides between Indonesia and Malaysia. As mentioned, this study will cover only for West

Kalimantan side, Indonesia which has border regions directly on with Sarawak, Malaysia.

Thus, based on the objective of Sosek Malindo cooperation is increase the socio-economic prosperity and quality of life in border regions of societies of both of sides. Besides, also based on scope of the study for location of this study that cover only for West Kalimantan side, so the Sosek Malindo cooperation variable that meant in this study is the activities of this cooperation in increase the socio-economic prosperity and quality of life border societies in West Kalimantan region that adjacent directly on with Sarawak region, particularly the societies in border regions of West Kalimantan.

Further, the operational definition of Sosek Malindo cooperation variable in this study is divided in two dimensions. The dimensions of this variable consist of developing of social development and developing of economic development. The operational definition of these dimensions is explained as below.

1. Developing of social development by Sosek Malindo cooperation to increase the social prosperity and quality of life of societies or communities in West Kalimantan side.
2. Developing of economic development by Sosek Malindo cooperation to increase the economic prosperity and quality of life of societies or communities in West Kalimantan side.

#### **4.9.3 Regional Development Variable**

Regional development meant in this study is regional development in West Kalimantan region, which follows the spatial planning development in West Kalimantan region that is coordinated by central government (by Presidential Decree, Indonesian Republic No.89, 1996). The spatial planning development is the plans of Integrated Economic Development Zone to West Kalimantan region, which prioritizes the development on the border regions, are the regional development in the five entry points of the border regions in West Kalimantan Districts, namely Border Development Centre (BDC), through the development of physical infrastructure facilities, in order to facility the socio-economic activities communities in border regions for improving their welfare, and to facility on the movement of people and goods of West Kalimantan border regions cross to neighbouring country.

Besides, as mentioned one of the economic development policies implemented by the provincial government of West Kalimantan is to improve the economic performance, such as overcoming the worsened of income distribution, poverty and employment, through the development of border regions in this province.

Basic policy of a border region development is in West Kalimantan **Regional Regulation No.1, 1995** which established the border region as a particular area / strategic development priority, and the implementation of the that Regulation is set in the year 2000-2005, which is devoted to development of border regions in this Province.

One of the strategies plan of West Kalimantan government to implementation of regional development in this province that prioritizes the development of border region in this province is regional development in the context of globalization, lead to the development based on globalization, by utilizing the cooperation with neighbouring countries.

Thus regional development of West Kalimantan that meant in this study is regional development to improve the economic performance, such as overcoming the worsened of income distribution, poverty and employment that prioritizes the development of border region in this province, through development of physical infrastructure facilities in Border Development Centre (BDC), is regional development in the context of globalization, through development with involving the neighbouring countries, is utilizing the cooperation with neighbouring countries that has formed is named Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation.

#### **4.10 Summary**

This study attempt to analyze the impacts of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional developments in West Kalimantan region. To achieve this objective, the qualitative approach was applied and data was collected through in-depth interview, participant observation, and document. Then, since this study is going to use qualitative interviews as one of the data collection methods and case studies as the strategy, the literature on research methodology for these two areas will be used in this section.

The steps involved in technique of data analysis of this study are following the steps of authors that have elaborated in this section. Lastly, research conceptual framework is presented in this chapter to explain either graphically or in a narrative forms the main things to be studied- the key factors, constructs or variables and the presumed relationship among them, and also presented operational definition of variables to facilitate the understanding and direction in analyzing and explaining the data findings.

## **Chapter 5**

### **Results**

#### **5.1 Introduction**

In this chapter, the answers to the research questions will be presented. The results of the data findings will be used in order to answer the research questions of the study. Besides, there are some parts will be described in this chapter. The general part describes the general description of research object, which will be divided into two parts are about the general description of Sosek Malindo cooperation and the general description of West Kalimantan region. Furthermore, this chapter will provide the results of the data findings of study in order to answer the research questions in this study.

The description of the results of the data findings in this study was obtained from the responses time or the answers respondents that conducted by in-depth interviews with the working team of Sosek Malindo for West Kalimantan side (primary data). The others (secondary data) were obtained from the collection of documents, records, books and working papers or annual reports of cooperation from the Sosek Malindo working team, and also from government agencies, such as statistic agency of Indonesia and West Kalimantan, National Development Planning Agency of Indonesia and Regional Development Planning Agency of West Kalimantan, and other Indonesian government agencies that concerned.

Form of in-depth interview was conducted by directly asking respondents or interview. The questions for interview are based on the set of question. It was

sent via email to Bappeda (Regional Development Planning Agency), which is an office of Sosek Malindo, secretariat of the local level of West Kalimantan region. The questions also was sent to Sarawak side, but after researcher arrived to Kuching, Sarawak in order to do interview, same like have done in Pontianak, West Kalimantan, last minute they canceled it and did not agree to give any data with the reason that the data is sensitive. Although before that the appointment for interview has been agreed by dividing the date and time to meet at The Security Council of Sarawak State (Majlis Keselamatan Negri Sarawak) in Kuching. This office is a Sosek Malindo, secretariat of the local level of Sarawak region. Consequently, researcher has re-confirmed with working team of Sosek Malindo West Kalimantan side at Pontianak, whether the data collected from West Kalimantan sources is different from Sarawak sources. According to them, the data is similar and no different. The results of references in working paper or annual report that it has agreed and established between West Kalimantan and Sarawak sides are same. Thus, the data that has been collected from West Kalimantan was sufficient.

Furthermore, the results of the data findings that were collected from the secondary data consist of the statistics data of main indicators of economic performance, such as Gross Domestic Product (GDP), poverty level, and employment condition in West Kalimantan and the data of regional development activities of Sosek Malindo cooperation with Indonesian government.

The explanation of the data findings in this chapter, will be described completely as followings

## **5.2 General Description of Sosek Malindo Cooperation**

### **5.2.1 Background**

Indonesia and Malaysia are neighbors and have a land border in Kalimantan Island, and sea boundaries in the Strait of Malacca, and in the territorial of Pulau Sipadan and Ligitan Island. As a country that has border region (maritime and land), both countries have same aspirations and perceptions about the threats that arise in the border regions. Achieving stability, security on the border regions is a shared aspiration. Therefore, in the effort to realize the desire achieving stability of security in the border regions, then these countries have formed cooperation in various fields.

As for the security cooperation in the border regions, it has started since 1967 by signing of the agreement on the security settings in the border regions, and it was modified and enhanced in 1972. Then in 1984, it was revised again, adjusted to the era condition development. In the initial this cooperation to quell the threat of communist, then expanded to include all types of threats ideology, political, economic, social, and culture.

In the past time, the security countermeasures to be done in this cooperation by military and police operations with the pattern of the security approach, but now it is done with the pattern of prosperity approach without disregard factors of security in order to support the socio-economic in the border regions.

The General Border Committee Malaysia-Indonesia (GBC Malindo) was formed based on the security agreement with the border regions between Indonesia and Malaysia, that was signed on April 6, 1972 in Kuala Lumpur, Malaysia by General Panggabean from Indonesia government side and Tun Dr. Ismail Al Haj bin Dato' Abdul Rahman from Malaysia government side. This committee is a forum country in order to discuss about problem of military operations and actions to quell the threat of communist in border regions.

In handling and managing Sosek Malindo cooperation, the General Chairman of the General Border Committee (GBC) Malaysia - Indonesia has formed a new team work in the GBC Malindo environment, namely working team of Socio-economic.

The idea to conduct the socio-economic cooperation in the border regions of Malaysia – Indonesia is first time triggered by Dato' Musa Hitam, the Deputy Prime Minister of Malaysia as chairman of the General Border Committee (GBC) Malaysia on the conference to XII GBC, which was carried out in Kuala Lumpur on November 14, 1983. It was submitted when opening conference to XII GBC.

Further, it was answered positively by commander of Armed Forces of the Republic of Indonesia (ABRI), as the chairman of the GBC Indonesia. After the conference, hence the Staff Planning Committee SPC Malindo, as coordinator planning of activities of GBC was assigning some functionary to blaze the way tired effort of cooperation development of socio-economic.

At conference to carry out XVII SPC in Kuala Lumpur on September 28, 1984, the working team has submitted a report about the importance of to form a

special committee in charge of in the field of cooperation development of socio-economic in border regions between Malaysia and Indonesia. After checking the working paper and submitted the proposal, hence this conference was accepting and approving the suggestion submitted by the working team and further submitted it at the conference to XIII GBC Malindo to get authentication.

Pursuant to chairman report of SPC Malindo, hence chairman of GBC Malindo in conference to carried out XIII in Yogyakarta, Indonesia on December 3, 1984 has given instruction to SPC to form a joint committee commissioned to plan and coordinated development of socio-economic between empire of Malaysia and government of Indonesia, related to safety of border regions both of states.

### **5.2.2 Vision and Mission**

Cooperation in the implementation of Sosek Malindo cooperation is to be more effective then set with the mission and vision between Indonesia and Malaysia. The vision is "reaching harmonious and sustainable socio-economic development for the benefit of the adjacent both of side of Indonesia and Malaysia country, particularly in the border regions of both countries, through Sosek Malindo cooperation."

In operationalizing the vision of Sosek Malindo cooperation, some of the activities that are conducted by Sosek Malindo cooperation, include realizing the opportunities of socio-economic and conducive cultural situation; increasing the fair economic cooperation that mutually beneficial to both of regions between

Indonesia and Malaysia; and finally improving the socio and cultural cooperation both of these regions.

In general, the operational of the vision of Sosek Malindo cooperation is described as follows.

1. Realizing the opportunities of socio-economic and realizing conducive cultural situation for the welfare of the community' life in border regions.
2. Increasing the fair economic cooperation and mutually beneficial to both of regions, Indonesia and Malaysia by continue to give priority to maintenance of nature environmental.
3. Improving the socio and cultural cooperation in the effort to increase the quality and to develop of human resources in border regions of Indonesia and Malaysia.

Besides, in order to realize the vision and mission of Sosek Malindo cooperation, there are several strategies to be conducted. The strategies are listed below.

1. Conducting the bureaucratic of system and licensing procedure management for the implementation of socio-economic development projects between Indonesia and Malaysia, under activities of Sosek Malindo cooperation, where order controllable and structured.
2. Giving the capacity of law, protection and law enforcement for development projects of socio-economic in both of sides, in order to secure from the law.

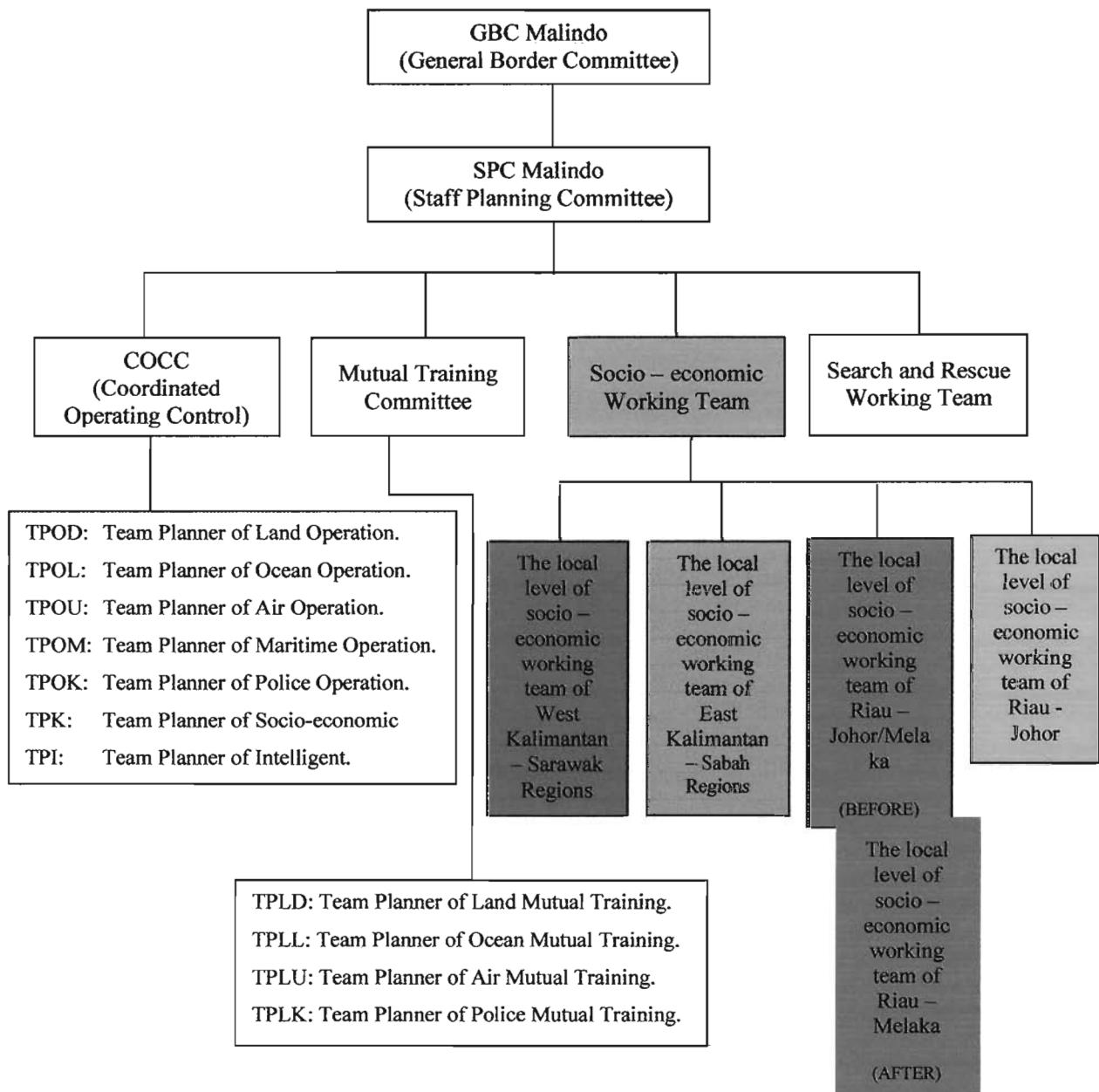
3. The harmonization of legislation between Malaysia Indonesia that related to the activities of socio-economic and socio-cultural in both countries for successful and benefiting of the joint projects under this cooperation.
4. Excavation of economic potential and investment both of sides on the basis of mutual benefit and fair, under support of this cooperation on the natural and human resources, and managing and control it in benefit activities.
5. Improving the quality and empowerment of human resources through cooperation or joint in education, health, science and technology and culture, that represents positive effects and increasing the socio-economic and level of life both of sides.
6. Improving the quality of the environment through cooperation programs and repair damage control over the negative impact of development. These activities in order to manage and maintenance of natural resources and environmental live both of sides.

### **5.2.3 Structure of Organization**

The working team of Sosek Malindo cooperation for Indonesia side consists of two levels of central and local levels. The level center reside in staff of territorial the Armed Forces of Indonesia (TNI ster), with a chairman of assistant of territorial TNI Kasum (Aster Kasum TNI). Meanwhile working team of Sosek Malindo cooperation on local level of West Kalimantan region is resides in the Regional Development Planning Agency by a chairman is the chairman of the Regional Development Planning Agency West Kalimantan Province.

Pursuant to the organization structure, the working team of Sosek Malindo cooperation is to represent the central level staff in charge of to the GBC through the SPC. The position of the working team of Sosek Malindo of the local level is as the working team assistants of Sosek Malindo cooperation of the central level, by the main duty to examine the detailed socio-economic cooperation among the regions or countries and monitoring the implementation of appropriate instructions from the working team of the central level. For the fluency of in essence duty, the working team of Sosek Malindo of the local level was forming the technical working team (technical team).

The detail of organization structure of Sosek Malindo cooperation is shown in Figure 5.8 below.



**Figure 5.8: Organization structure of Sosek Malindo cooperation**

**Description:**

- TPOD: Tim Perancang Operasi Darat
- TPOL: Tim Perancang Operasi Laut
- TPOU: Tim Perancang Operasi Udara
- TPOM: Tim Perancang Operasi Maritim
- TPOK: Tim Perancang Operasi Kepolisian
- TPK: Tim Perancang Komlek
- TPI: Tim Perancang Inteligen
- TPLD: Tim Perancang Latihan Darat
- TPLL: Tim Perancang Latihan Laut
- TPLU: Tim Perancang Latihan Udara
- TPLK: Tim Perancang Latihan Kepolisian

**5.2.4 The Duties and the Responsibilities**

There are some duties and responsibilities of the working team of Sosek Malindo cooperation, in order to implementation the activities of organization. The duties and the responsibilities are divided on the centre and local level. The Duties of the Working Team of Sosek Malindo cooperation for the centre level are formulating, preparing of policy and plan of development cooperation, policy and steps of General Border Committee (GBC) in structure of cooperation, coordinating and collaborating the sector of departments in cooperation, and then collecting, evaluating, concluding and suggesting of things in implementation of cooperation, and further exploring and analyzing the problems that faced between Indonesia and Malaysia region.

Manifestations of the working team duties for the central level are described as follows.

- a. Formulating, preparing of policy and plan of development cooperation in the field socio-economic cooperation or activities of socio-economic between Indonesia and Malaysia.

- b. Formulating, prepare preparing suggestion of policy and steps which need to be taken by chairman of General Border Committee (GBC) in order to cooperation development of Socio-economic between Indonesia and Malaysia.
- c. To coordinate and collaborate among sector of departments in structure organization of Sosek Malindo cooperation, in order to maintain fluency of development of border regions both of countries.
- d. Collecting, evaluating, concluding and suggesting the things in all activities in organization that related to the cooperation implementation of the socio-economic development of border regions between Malaysia and Indonesia.
- e. Finally, the duties of central level working team of Sosek Malindo cooperation are exploring and analyzing the problems that faced in both of regions that able to be solved through this cooperation.

Further, the responsibilities of the working team of Sosek Malindo cooperation also divided on central and local level. As the organization centre level, the working team of the centre level has authority to conduct meetings as according to schedule agreed on both parties and regularly report the activities to the General Border Committee (GBC) Malaysia-Indonesia conference through the Staff Planning Committee (SPC) Malaysia- Indonesia, and this represent of the working team responsibilities for central level in the structure organization of Sosek Malindo cooperation.

For the local working team has responsibility with the chairman of working team centre level, to concern to implementation of Socio-economic development in both of sides of Indonesia and Malaysia region.

### **5.2.5 The Mechanism Execution of Sosek Malindo Conferences**

The conferences of Sosek Malindo cooperation is conducted once in one year. It is conducted in rotation. As has been described in the organizational structure of Sosek Malindo cooperation, the mechanism of conference is consist of meeting of the technical team, joint meeting of the secretariat, conference of Sosek Malindo cooperation for local level, and then conference of Sosek Malindo cooperation for central level, finally conference of staff planning committee.

Below is described the implementation of the conferences mechanism in Sosek Malindo cooperation.

1. The conferences of the technical team meeting are conducted in accordance with the purposes of Sosek Malindo cooperation and conducted at least once a year. The results of these meetings then submitted to the secretariat of Sosek Malindo cooperation local level.
2. Joint meeting of the secretariat of Sosek Malindo is conducted to equate working paper, which has been prepared by the secretariat based on reports from the meeting of the technical team. The meeting of secretariat conducted at least once a year.
3. The results from joint meeting of the secretariat is represent joint the book of working paper, which will be discussed in the conference's annual of Sosek Malindo local level and represent the notes and

summary of conference of Sosek Malindo local level. The notes and the book of working paper reported to secretariat of Sosek Malindo central level. Basically, the conferences of Sosek Malindo local level also discuss the results of the technical team formula.

4. The conference of Sosek Malindo central level to discuss the results of the conference from each of Sosek Malindo local level, which it collected by the secretariat of Sosek Malindo central level. The results of conference of Sosek Malindo central level then submitted to the secretariat staff planning committee (SPC) Malaysia-Indonesia.
5. The conference of staff planning committee to discuss the results of conference of Sosek Malindo central level, TPOD, TPOK, TPOU, TPOL and COCC - COCC other results are further elaborated in the form of working paper and then presented in the conference of staff planning committee (SPC) Malaysia-Indonesia.

### **5.3 Sosek Malindo Cooperation in West Kalimantan Region**

#### **5.3.1 Background**

Based on the decision of the General Border Committee (GBC) chairman of the joint Malaysia-Indonesia and to perform the join socio-economic development in border regions, hence formed join between Indonesia and Malaysia socio-economic development committee. It is named Malaysia-Indonesia (Malindo) socio-economic working team. The side of Indonesia is named the working team of Sosek Malindo cooperation of Indonesia that resides in Jakarta (working team central level) by the chairman of Aster Kasum the

Armed Forces of Indonesia (TNI). And for Malaysia side is named Security Committee (jawatan kuasa keselamatan, JKK) Sosek Malindo cooperation of Malaysia, resides at Kuala Lumpur. For the local level of working team like West Kalimantan region, it is formed the working team of Sosek Malindo cooperation of West Kalimantan region that took a place at Pontianak, by a chairman is the chairman of regional development planning agency West Kalimantan province, and for working team of Sosek Malindo cooperation of local level of Sarawak is at Kuching.

Establishment of the working team of Sosek Malindo cooperation is based on the Decree of commander of armed forces Republic of Indonesia as the chairman of the GBC Indonesia No. Skep/278/V/1985. For the working team local level of Sosek Malindo cooperation of West Kalimantan is formed by Governor's Decree of West Kalimantan No. 408/ 1985 on December 21, 1985.

This decree was altered and completed for the first time by Governor's Decree of West Kalimantan No. 146/ 1988 on May 24, 1988, and then completed by Governor's Decree of West Kalimantan No. 4 / 1999 on January 11, 1999.

### **5.3.2 Duties and Responsibilities**

The duties and responsibilities of the working team of Sosek Malindo for local level consists of determining the programs of socio-economic, and formulating the matters related to the implementation of socio-economic, further implementing the exchange of information with neighboring country (Malaysia - Sarawak), and finally takes charge of to submit report to governor of West Kalimantan and working team of Sosek Malindo cooperation centre level.

The duties and responsibilities are described as follows.

1. Determining the programs of socio-economic by the following criteria that the programs of Sosek Malindo cooperation that will bring balanced development in border regions and bring benefit or advantage, and also join business between West Kalimantan and Sarawak region.
2. Formulating the matters related to the implementation of socio-economic development in border regions between West Kalimantan and Sarawak regions, through socio-economic activities on both of sides.
3. Implementing the exchange of information with neighboring country (Malaysia - Sarawak) by join projects to socio-economic development both of sides between West Kalimantan and Sarawak region.
4. Takes charge of to submit report to governor of West Kalimantan and working team of Sosek Malindo centre level on the implementation of socio-economic development of Indonesia and Malaysia region.

In particular the duties and responsibilities of the technical team of Sosek Malindo for West Kalimantan level are divided on the fields of the development region, that namely as the technical working team. The technical working team for West Kalimantan or called as technical working team of local level consists on the technical working team of economic, transportation, culture and tourism, health, environment, construction, prevention of smuggling, and the technical working team of social.

Detail for these duties and responsibilities in every field of the development region in West Kalimantan are listed below.

1. The duties and responsibilities of the technical working team of economics are conduct comprehensive research, analysis and survey on economic cooperation and further formulated and poured these results in the form of the report.
2. For the field of transportation of technical working team, the duties and responsibilities are conduct comprehensive research, analysis and survey and on the implementation of the procedures and requirements for cross-boundary through gate cross border region and further formulated and poured these results in the form of the report.
3. For the technical working team of culture and tourism have duties and responsibilities to conduct comprehensive research, analysis and survey on culture and tourism cooperation and further formulated and poured these results in the form of the report.
4. For field of the health, the technical working team has duties and responsibilities in conducting comprehensive research, analysis and survey on health cooperation and further formulated and poured these results in the form of the report.
5. The duties and responsibilities of technical working team of environment are conduct comprehensive research, analysis and survey on environment cooperation and further formulated and poured these results in the form of the report.

6. The duties and responsibilities of technical working team of construction are conduct comprehensive research, analysis and survey on construction cooperation and further formulated and poured these results in the form of the report.
7. Also for the technical working team of prevention of smuggling have duties and responsibilities to conduct comprehensive research, analysis and survey on quarantine cooperation and further formulated and poured these results in the form of the report.
8. And for the last, the technical working team of social have duties and responsibilities to conduct comprehensive research, analysis and survey on social cooperation in border areas and further formulated and poured in the form of the report.

#### **5.4 General Description of West Kalimantan**

##### **5.4.1 Background**

During the new order government, economic development strategy in Indonesia is emphasized or focused on the economic growth rates, economic stability, and the equity of income distribution. In the decade of 1970s and 1980s, even until the mid-1990s Indonesia has created a high economic growth and relatively stable. During this period, the growth economic of Indonesia is measured by Gross Domestic Product (GDP), recorded growth average 11.26% per year (Statistics of Indonesia, 1995). But, in recent years, the condition of the Indonesia economic growth was indicated that the performance is low. The

decreasing of economic performance of Indonesia is a result of the various crises that occurred since mid-1997.

Since mid 1997, the Rupiah exchange rate against the U.S. Dollar weakened sharply with the condition and continues until the end of 2001. Weakening of rupiah exchange rate, followed by a high rate of inflation has caused the economic crisis throughout the production sector in Indonesia. The impact of crisis on economic of Indonesia can be seen from the economic growth of Indonesia in 1998 that a contraction of 13.68% and income per capita has exceeded the original 1,000 U.S. Dollar decline very sharply into the bottom of the 500 U.S. Dollar (Statistics of Indonesia, 1992). The economic performance of Indonesia that is increasingly worsened further affect all aspects of community life, especially on social issues the community, issues such as income distribution, poverty and the problems of employment opportunities (unemployment occurred).

The economic crisis that occurred during this moment, in addition to affect the national economy would also affect the economic condition in the regions of Indonesia, is one of them is the Province of West Kalimantan. The crisis is causing decline in the economic performance of West Kalimantan, which in some aspects, the impact of the crisis more severe compared the impact on the national level. This can be seen from the economic growth of West Kalimantan in 1988 was a minus 4.71%, much lower than the growth in 1997 which it was 7.53%. While the inflation rate in 1998 was still 78.85% higher than the national rate of inflation the amount of this is 66.89% (Statistics of West Kalimantan, 1998).

Indication of worsened of economic performance of West Kalimantan after the crisis can be seen on the problem of income distribution, poverty and employment opportunities. In this province, the income distribution worsened, where the income gap between who are high-income and low-income are very wide. This is seen from the large difference between the average income for those working in the formal sector and those in the informal sector. The average income that they are in the formal sector was 110% higher than average income that they are in the informal sector (Statistics of West Kalimantan, 1998). While most (75.5%) the number of workers in the province of West Kalimantan is in the informal sector.

On the other hand, the economic crisis has caused the increasing number of poor people in the province of West Kalimantan. In 1999, poverty in this province is 26.2%, compared to an increase far in 1996 (before the crisis) that only about 18.7% (Statistics of West Kalimantan, 2000). In macro-economic perspective, the increase of poverty is a picture of a decrease in household income, a result their purchasing power will decrease.

Impact of next multiplier of this absorption is the reduced power output of the market sector economy. As a result, producers will reduce production, which in turn will also reduce the factors of production with sack employees. The micro-policy can reduce the burden on producers, but the burden of a macro economy as a whole, because the increase in unemployment. This occurred in the province of West Kalimantan. The economic crisis has increased unemployment in this province, from 3.2% in 1996 (before the crisis) to 4.7% in 1999 (after the crisis).

Therefore, one of the economic development policies that implemented by the provincial government of West Kalimantan is to improve the economic performance, such as overcoming the worsened of income distribution, poverty and employment, through the development of border regions in this province. Thus, estimated the economic impact by direct and multiplier of the policy will be felt or will impact in all areas of the province.

As mentioned, basic policy of a border region development is in West Kalimantan Regional Regulation No.1, 1995 which established the border region as a particular area / strategic development priority, and the implementation of the Regulation is set in the year of 2000-2005, which is devoted to development of border regions in this Province.

Also as mentioned, one of the strategies of border region development in West Kalimantan by the government of this province is a development global conception (regional development in the context of globalisation), is to activities of the border region development with the involvement of neighbouring countries, Sarawak, Malaysia, that has border region directly on with this province and has a socio-economic cooperation before (Sosek Malindo cooperation). Therefore, this study attempts to analyze the development activities of this region which is utilizing that cooperation or to identify the impacts of the cooperation with the development activities in this region to regional development.

#### 5.4.2 Description of West Kalimantan and the Border Regions

The terrestrial boundary between Indonesia and Malaysia is limited to the island of Borneo, separating the Indonesia regions of West Kalimantan and East Kalimantan from the Malaysian states of Sarawak and Sabah. The boundary, which measures approximately 1,107 miles in length, was delimited by Anglo-Dutch agreements negotiated during the pre-independence period. Borneo is the third largest island in the world and is located at the centre of maritime Southeast Asia. The remainder of Indonesia and Malaysia are separated by the water bodies of the Strait of Malacca, including the Strait of Singapore, and the South China Sea (International Boundary Study, 1965).

The map of terrestrial boundary between Kalimantan, Indonesia and East Malaysia that limited to the island of Borneo are shown in Figure 5.9 below.



**Figure 5.9: A map of Borneo Island**

The map in Figure 5.9 above shows that the position of West Kalimantan region in Borneo Island, Indonesia region, adjacent directly on with Sarawak, East Malaysia. The other border region is East Kalimantan, Indonesia Region, has border region with Sabah, East Malaysia.

As mentioned, the location of this study is covering the location of West Kalimantan which has been involving in a Cross Border Cooperation (CBC) between Indonesia and Malaysia. The form of the Cross Border Cooperation (CBC) is Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation. Thus, the Sosek Malindo cooperation represent the study object in this study and West Kalimantan that has border regions with Sarawak, Malaysia, is the study location in this study.

West Kalimantan Province is located between the line  $2^0.08'$  North Latitude and  $3^0.05$  South Latitude and between  $108^0.30$  and  $114^0.10$  East Longitude. In West side adjacent on the Natuna Sea and the Karimata Strait, East side adjacent on Middle and East Kalimantan, North side adjacent on Sarawak along the 857 km, and South side adjacent on the Java Sea. The total area of it is comprised of  $146,760 \text{ km}^2$  and consists of swamps and lowland covered by wild forest. The height averages of it about 50 – 200 m from the top of sea. The North is a region dense sylvan mountain longitudinal direction from West to East with an average altitude of 1500 – 2000 m from the surface of the sea.

As mentioned above, West Kalimantan has region directly border on with Sarawak, Malaysia. The border regions covers on five regencies are Sambas, Bengkayang, Sanggau, Sintang and Kapuas Hulu with twenty four sub-regencies

(Districts). Among fifteen Districts that is adjacent directly on East Malaysia, Sarawak (Line I), and nine Districts are not (Line II).

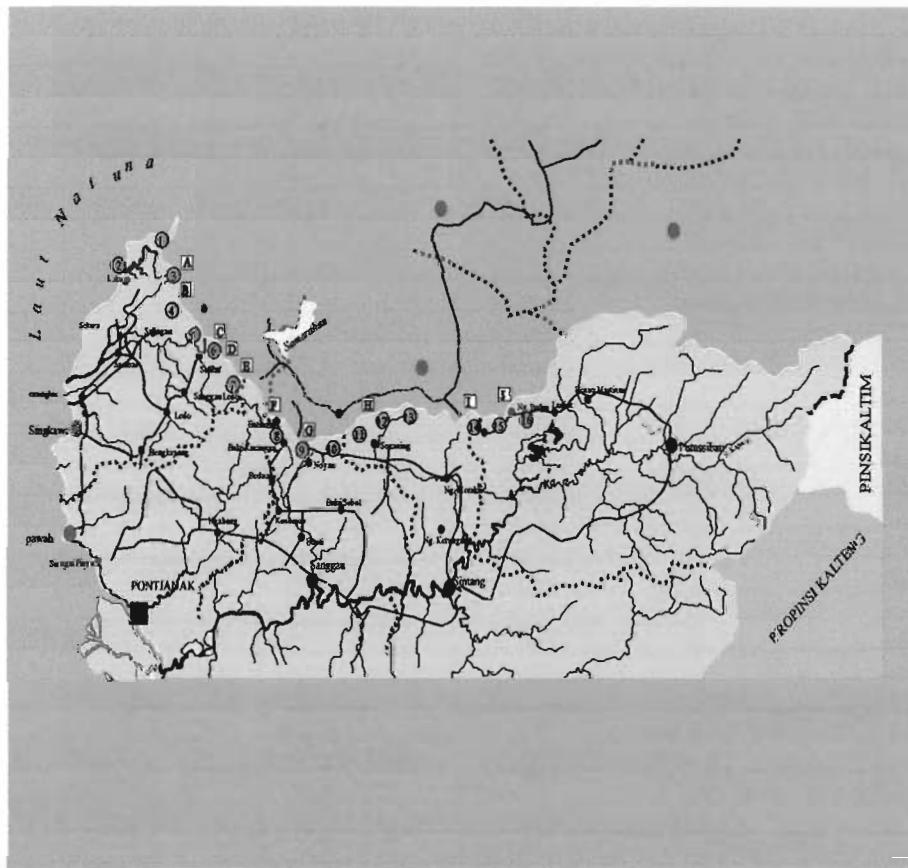
These divisions are based on the terms of location, condition and orientation life of its society. The detail of location of border regions in West Kalimantan region, are covering as are following.

1. Sambas Regency, consists of four Districts are covering of Paloh, Bay Keramat, Sejangkung dan Sajingan Besar District.
2. Bengkayang Regency, consists of two Districts are Seluas and Jagoi Babang District.
3. Sanggau Regency, consists of two Districts are namely Sekayam and Entikong District.
4. Sintang Regency is consisting of two Districts, are Ketunggau Hulu and Ketunggau Tengah District.
5. Kapuas Hulu Regency, consists of five Districts are covering of Empanang, Badau, Batang Lumar, Embaloh Hulu and Puring Kencana district.

Furthermore, the nine of Districts in West Kalimantan region are not adjacent directly on with Sarawak region, named Line II, are including as follows.

1. Bengkayang Regency, consists of the three Districts are covering of Ledo, Sanggau Ledo, and Bengkayang District.
2. Sanggau Regency is consisting of the five Districts, are Beduai, Bonti, Noyan, Jangkang and Kembayan District, and
3. Sintang Regency which only one of District is Ketunggau Hilir District.

Below in figure 5.10 is shown a map and list of checkpoints cross border regions that access to the border regions between West Kalimantan and Sarawak which based on the agreement between the Republic of Indonesia and the Malaysian government On January 12, 2006 in Bukit Tinggi, Padang, Indonesia.



The list of checkpoints:

1. Temajuk – Sematan	9. Segumon – Bunann Gega
2. Liku – Sematan	10. Bantan – Bunann Gega
3. Sajingan – Biawak	11. Jasa – Kerangas Gayau
4. Aruk – Biawak	12. Nanga Bayan – Kerangas Gayau
5. Siding – Stass	13. Semarah – Kerangas Gayau
6. Siding – Kumbang	14. Merakai Panjang – Batu Lintang
7. Jagoi Babang – Serikin	15. Langau – Batu Lintang
8. Entikong – Tebedu	16. Nangga Badau – Lubuk Antu

**Figure 5.10: A map and list of checkpoints cross border regions between West Kalimantan and Sarawak region**

The map in Figure 5.10 shows the position of regions in West Kalimantan that has border regions directly on with East Malaysia, in Sarawak border regions. By alphabet was represented for West Kalimantan border regions and for Sarawak border regions was represented with numbers. The exactly positions of border regions between these regions that has checkpoint is listed above.

The checkpoints location in West Kalimantan border regions are covering of Temajuk, Liku, Sajingan, Aruk, Siding, Jagoi Babang, Entikong, Segumon, Bantan, Jasa, Nanga Bayan, Semarah, Merakai Panjang, Langau and Nangga Badau District. For Sarawak, the checkpoints are covering the border region of Sematan, Biawak, Stass, Kumbang, Serikin, Tebedu, Bunann Gega, Kerangas Gayau, Batu Lintang, and Lubuk Antu.

As mentioned, the border region of West Kalimantan has a strategic role as a security belt, gateway and the reflection of the national image, but the role as security belt has brought disadvantages to the development of the area due to the emphasis on security approach used by the national government. The military approach used by the Indonesian government caused the restriction towards socio-economic activities so that there were only guarding posts of military personnel in such area. Malaysia, however, has taken a different approach in treating its border region. Malaysia has applied the prosperity belt which put emphasis on socio-economic development.

As described, there are some problems faced in West Kalimantan border regions in various fields. One of the problems is related on level of life prosperity of people or society that live in these border regions.

Below is the picture of the condition of socio-economic community in West Kalimantan border region.



**Figure 5.11: The Condition of Socio-economic Communities in West Kalimantan Border Region.**

The pictures above show the condition of socio-economic community in West Kalimantan border region, where in general the prosperity of life of Sarawak community that lives in border regions better than West Kalimantan community. This condition is based on the fact that average income the society or community between West Kalimantan and Sarawak border regions are different, US \$700: US \$4,000 (Regional Development Planning Agency, 2007).

Besides, the education condition of border community in West Kalimantan is still relatively poor compared with people in the other regions. Besides limitation of education facilities, the awareness of people towards the importance of education remains low. People prefer working in their farmlands instead of

studying in school. Consequently, this condition intensified by the easiness of access to radio and TV broadcast from neighbouring country and also by daily interaction, has caused the orientation of people there more towards Malaysia than Indonesia (National Development Planning Agency, 2003. p18, cited in Aswandi, 2006).

In health sector, healthy life attitude among community in border regions is still low. This may be related to the education level and awareness of the importance of health. The lack of health infrastructure and facility also contributes to this condition. Nevertheless, the recent condition is far better than in 1980s when most people went to Sarawak in order to get health services. Today, the number of people visiting Sarawak for accessing health services has been decreased since the improvement in health services through the establishment of many community's health centres (Puskesmas) in each Kecamatan (sub-district) (Aswandi, 2006).

There are several pillars or sign board to signify the border demarcation between Indonesia and Malaysia. The border pillars are determined based on tractate between both parties. However, such pillars are in a bad condition and being moved by certain parties. Consequently, Indonesia has lost approximately 200 hectares of forest area. This occurs in several places in Bengkayang, Sintang and Kapuas Hulu Regencies (Aswandi, 2006). This condition needs a serious attention from related parties.

The others, as mentioned before, that the criminal activities which often occur in the border regions are illegal logging, smuggling, illegal worker, human

trafficking, etc. It is difficult for both Indonesian and Malaysian government to handle and anticipate these problems due to limitations of their capacity to do so in a very large area despite cooperation of apparatus of both countries.

Until now, Indonesian government uses the security approach in the management of border region. This is caused by the recent laws and other legal framework related to trans-national border policy of Indonesia. Unfortunately, the security approach has been inadequately accompanied by prosperity approach, which has been applied in the Malaysian side. That's why many productive activities are much more developed in Malaysian border region.

The provision of infrastructure facilities such as transportation and communication facilities in border regions in West Kalimantan region are very poor. In this case, Indonesia lags very far behind Malaysia. Management which emphasises on security aspect instead of prosperity may be the cause of the lack of infrastructure provision in border region (Aswandi, 2006).

The infrastructure provision does not only affect economic growth but also eases the continuity of security activities. Hence, in that region, early warning system was established there. Most locations in West Kalimantan border regions can be reached by land transportation. However, roadways provisions are inadequate to do so. Most roadways are in very bad condition. In general, postal and telephone services as well as television and radio broadcast can reach the border region. Yet, in the case of cellular phone mostly still uses the service from Malaysian provider (Aswandi, 2006).

As mentioned, the location of this study will cover to West Kalimantan, Indonesia region, which directly border on with Sarawak, East Malaysia, where has "unique character" and has strategic position because as a regional which adjacent in land with neighbor country is Sarawak. More than that, contiguity and relation socially and the culture society in this countries intensively make this region require to get attention, support and the large priority to development compared to another region which is not adjacent directly with neighboring state.

Also mentioned, that the activities of development in West Kalimantan were prioritized to development of border regions by utilizing CBC as Sosek Malindo cooperation, this will impact on the improvement of the economic performance in this province. The detail, to the next section of this part will be described regional development activities in this Province in order to solve some problems that mentioned above and the impacts of implementation of those regional development activities.

### **5.5 The Impacts of Regional Development Activities in West Kalimantan**

The impacts of regional development activities in West Kalimantan that meant in this study are the impacts of regional development, which is focused or devoted to development of border regions in this Province, in the context of generalization by utilizing cooperation with neighboring country is Sarawak, Malaysia, which has border region directly on this country, through cross border cooperation (CBC) that has formed, namely Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation, as mentioned.

The results of the data findings that collected in this study will be used to describe the impacts of regional development activities that will answer the research questions in this study, where the description of the results of the data findings in this study obtained from the responses time or the answers from respondents that conducted through in-depth interview as mentioned in chapter of methodology.

Further, as mentioned, the implementation of the government regulation of West Kalimantan in border regions development of West Kalimantan is set in the year of 2000-2005. Thus, to find out the impacts of development activities on regional development in this province, it could be seen from the data of the activities of regional development that extracted from the period of 2000-2005 as this is the period of implementation of the government regulation to border regional development. However, some of the data is not available. The data in this study will be presented the data that are available only. Responses for the research questions in this study will be described as followings.

- 1. Responses and the data findings on the impacts of the economic activities of Sosek Malindo cooperation on regional development in West Kalimantan region.***

To answer the first research question of this study, this section will represent the results of the data findings that obtained from in-depth interview and the documents relating. The data findings consist of the data from the economic activities of Sosek Malindo cooperation and statistics data as additional to show the situation changes in West Kalimantan, impacts from the economic activities in this Province.

As mentioned, the economic indicators or activities that meant in this study are the economic programs of Sosek Malindo cooperation that conducted to regional development in West Kalimantan region, particularly in border regions that adjacent directly on with Sarawak, Malaysia. Further, the economic indicators in this study are divided on dimensions that consist of the economies of scale, externalities, and transaction costs.

**a. Economies of Scale**

The economies of scale are supported by the creation of the physical infrastructure facilities, such as bridges, highways and port facilities that are part of the programs in the Sosek Malindo cooperation for economically advantageous in West Kalimantan. As described, there are some of the problems faced in West Kalimantan border regions. One of the problems is the lack of physical infrastructure of road or highway, transportation, electricity, water quality, telecommunication, and education and health facilities.

The following will be presented the picture of research findings, which shows the condition of physical infrastructure facilities is the road in West Kalimantan border region to cross to neighbouring country Sarawak, Malaysia. The picture is shown in figure 5.12.



**Figure 5.12: The Picture of the Road in West Kalimantan Border Region**

The picture in figure 5.12 above shows physical infrastructure facilities of road or highway in border region of West Kalimantan to cross to neighbouring country, Sarawak (Malaysia). The location of highway in the picture is located on the way of Entikong, West Kalimantan border region to cross border of Tebedu, Sarawak border region.

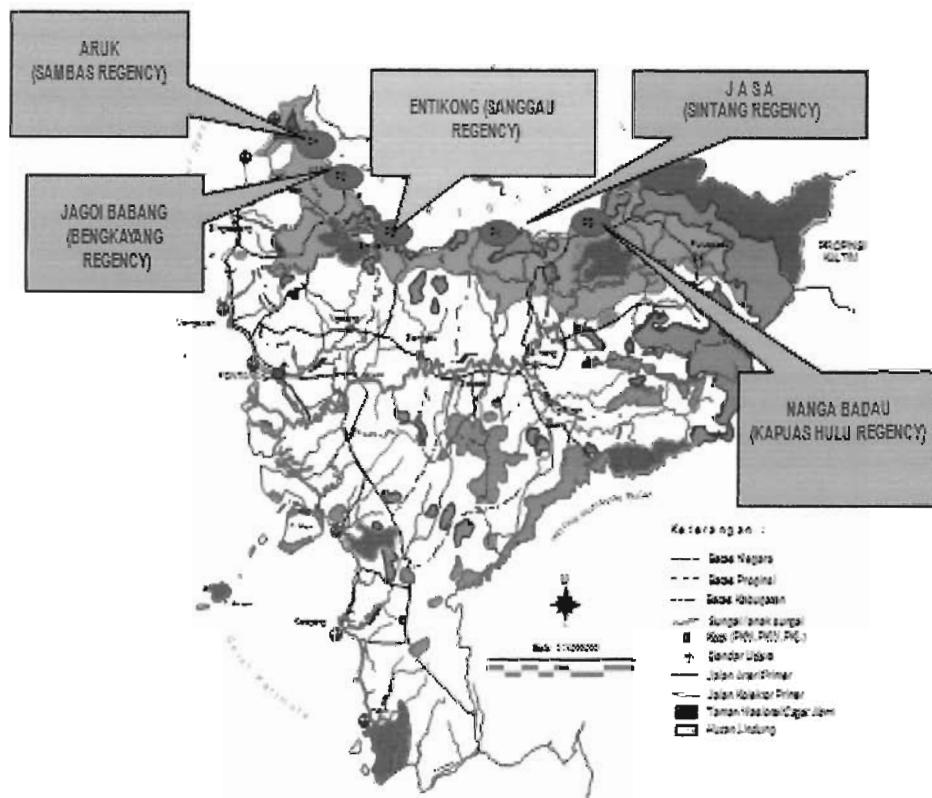
Through the Sosek Malindo cooperation activities that has objective is to increase the economic growth or the economic development of its members, the problems of the lack of physical infrastructure facilities in West Kalimantan, particularly in border regions will be solvable or can be solved.

Through in-depth interview, observation and analysis of data, it was found that majority of the creation of the physical infrastructure facilities in West Kalimantan region, particularly in the border regions of West Kalimantan, built and developed via or under activities of Sosek Malindo cooperation together with the government of West Kalimantan Province.

The creation of the physical infrastructure facilities or the developments of the economies of scale in West Kalimantan region, particularly in the border regions of West Kalimantan, under economic programs or activities of Sosek Malindo cooperation and government of West Kalimantan Province are listed and described below.

a. The activities of physical infrastructure facilities development in the five entry points of the border regions in West Kalimantan Districts, namely Border Development Centre (BDC). These activities are conducted in order to accelerate the development of West Kalimantan border regions to reduce the gap with the neighbouring country, Sarawak border regions of Malaysia.

Below in figure 5.13 is shown the map of location of the five entry points of Border Development Centre (BDC) in West Kalimantan Districts.



**Figure 5.13: A Map of Border Development Centre**

The map in Figure 5.13 is shown, the five entry points of Border Development Center (BDC) in West Kalimantan Districts that covers of Aruk, Sambas Regency, Jagoi Babang, Bengkayang Regency, Entikong, Sanggau Regency, Jasa, Sintang Regency, and Nanga Badau, Kapuas Hulu Regency.

Entering the BDC developed with the growth centres of commodities to be developed in accordance with the potential of each regions of BDC in West Kalimantan Districts. The potential commodities of Border Development Centre (BDC) in West Kalimantan Districts are listed as follows.

1. Aruk, Sambas Regency with potential commodities, such as wood products, the plantation products as pepper, chocolate, coffee.
2. Jagoi Babang, Bengkayang Regency with potential commodities, such as forest products industry, trade and services, forestry and agriculture.
3. Entikong, Sanggau Regency with potential growth of trade and services, industry and dry ports, central services and training migrant workers, and housing for migrant workers.
4. Jasa, Sintang Regency with potential growth of power plant that uses coal, forestry industry, and
5. Nanga Badau, Kapuas Hulu Regency with potential commodities of tourism industry, river fish processing industry and breeding birds.

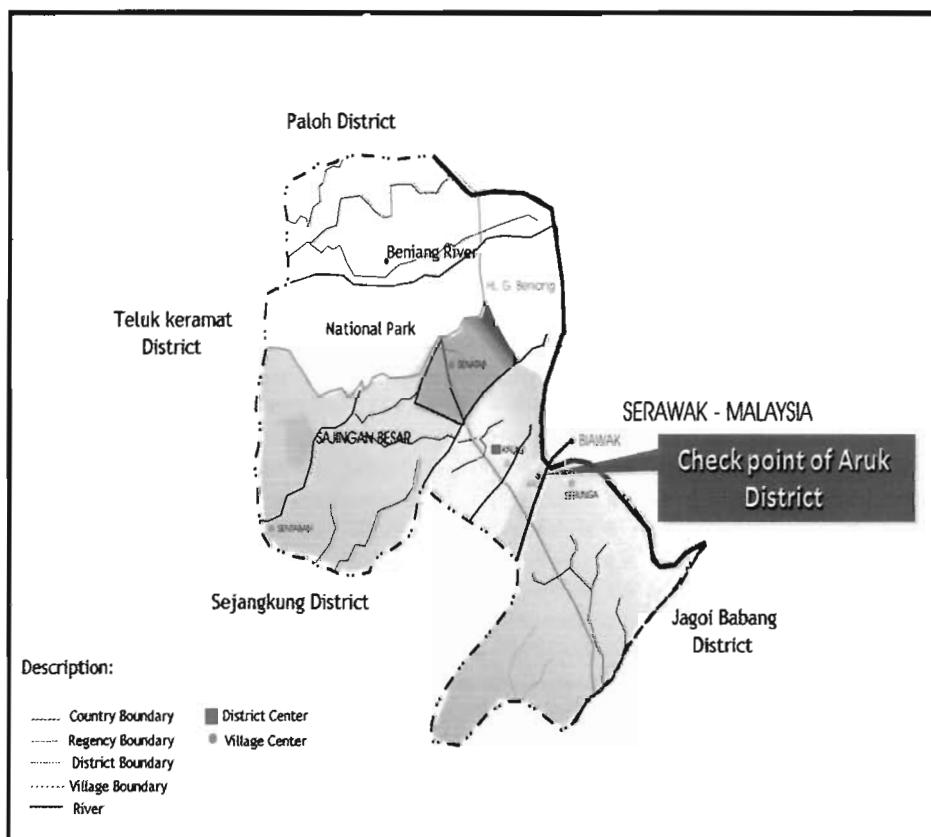
The developments in BDC areas are development of checkpoint and Custom-Insurance-Quarantine-Security (CIQS), highways in order to support economic development and development of the growth centres of commodities in the five entry points as mentioned above.

Below is the elaboration on the developments in every Districts of BDC in West Kalimantan Province.

### ***1. Border Development Centre of Aruk, Sambas Regency***

Below is the description of Border Development Centre, includes a map, a region perspective picture, the Custom-Insurance-Quarantine-Security (CIQS) development pictures, and existing of road condition of Aruk District, Sambas Regency. The developments of BDC of Aruk, Sambas Regency are provided as follows.

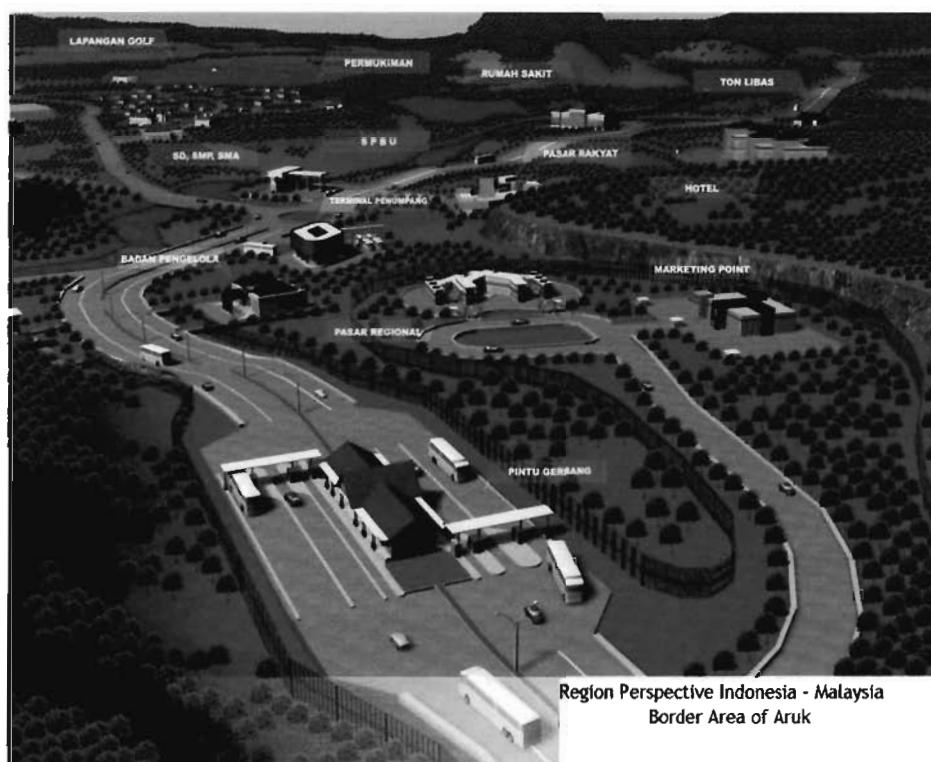
#### *- A map of BDC of Aruk District, Sambas Regency*



**Figure 5.14: A Map of Aruk District, Sambas Regency**

A map in Figure 5.14 is a map of Aruk District in West Kalimantan border region. Aruk District has border region with Biawak, the border region of Sarawak, Malaysia. As shown in the map, there are many districts that covered by Sambas Regency but only Aruk District selected be area of Border Development Centre. It caused the border region of Aruk adjacent directly on with Biawak, Sarawak border region and this border region develop more than other Districts in Sambas Regency, and also it has potential commodities. The map also show the checkpoint of Aruk District, where this has been in developing to be CIQS.

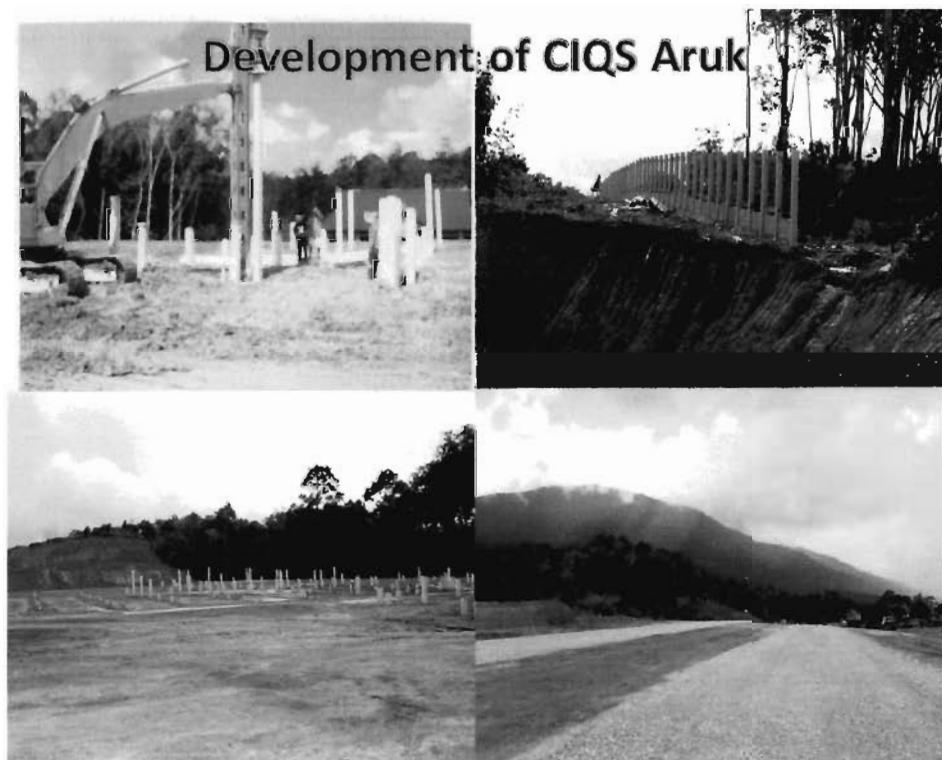
- *A picture of perspective region of Aruk Districts, Sambas Regency*



**Figure 5.15: A Picture of Perspective Region of Aruk Border Region**

A picture of perspective region of Aruk Border Region in Figure 5.15 is the site plan of perspective region of border development centre (BDC) of Aruk District. The site plans of Aruk BDC are covering the development of physical infrastructure facilities such as CIQS, highway, hospital, schools, petroleum station, and other physical infrastructure facilities.

- *A picture of CIQS development of Aruk Districts, Sambas Regency*



**Figure 5.16: The Pictures of CIQS Development of Aruk District, Sambas Regency**

The pictures in Figure 5.16 describe of development of custom, insurance, quarantine, and security (CIQS) in border region of Aruk District. This development is conducted by Sosek Malindo cooperation activities, together with the local government of West Kalimantan.

- *The pictures of existing of road condition in Aruk border region*



**Figure 517: The Pictures of Existing of Road Condition in Aruk Border Region**

The pictures in Figure 5.17 describe the existing of road condition around the border regions of Aruk and Biawak, Sarawak border region. Picture 1 in Figure 5.17 describes the road condition of border region, the way of Biawak, Sarawak border region to Aruk District and picture 2 is same like picture 1 also describes the road condition of border region, the way of Biawak, Sarawak border region to Aruk District. Further, picture 3 describes the road condition of border region, the way of Biawak to Aruk border region, where the position of it 5 Km before 0 Km checkpoint of border region.

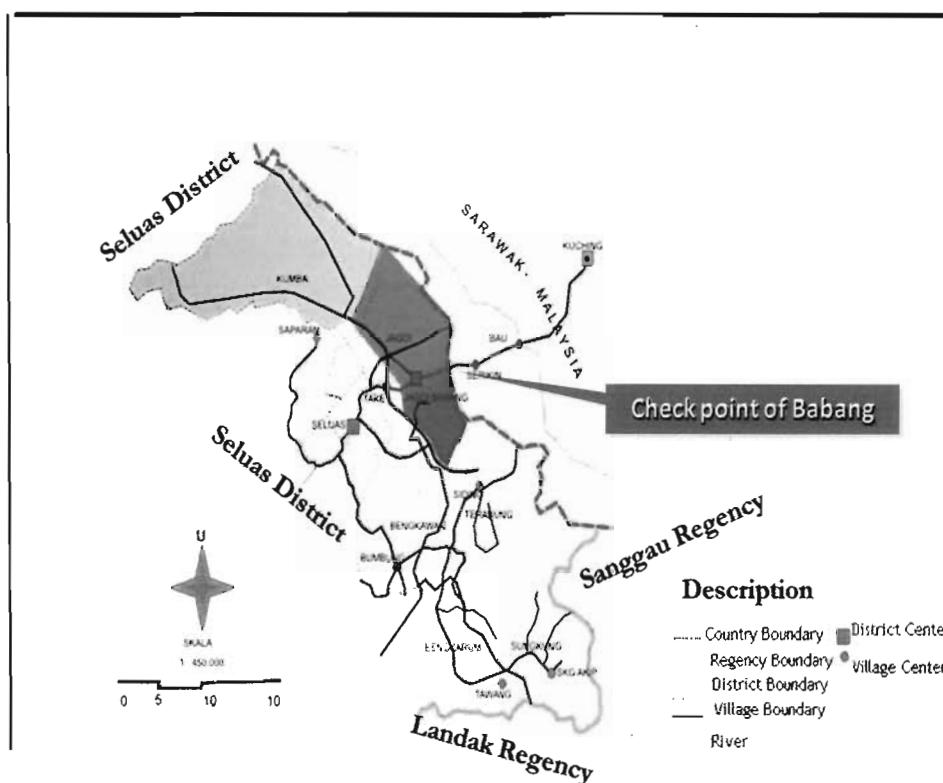
Finally, picture 4 describes the road condition of border region, the way to Sajingan, Sarawak border region from cross border region of Aruk.

## 2. *Border Development Centre of Jagoi Babang, Bengkayang Regency*

Below is the description of BDC that covers such as a map, a security post of cross border picture, and the line of the border region pictures of Jagoi Babang District, Bengkayang Regency that has border region directly on with Serikin border region of Sarawak, Malaysia.

The developments of CBC of Jagoi Babang District or border region are described as followings.

- *A map of BDC of Jagoi Babang District, Bengkayang Regency*



**Figure 5.18: A Map of Jagoi Babang District, Bengkayang Regency**

Figure 5.18 shows a map of Jagoi Babang District, Bengkayang Regency the border region of West Kalimantan. As Aruk District, Jagoi Babang also one of the five districts or five entry points that covered or selected as area of border development centre (BDC) and developed in BDC programs.

This area also has potential commodities and adjacent directly on with Serikin, border region of Sarawak. Besides, a map above also describes the checkpoint of Jagoi Babang, Bengkayang Regency.

- *A picture of security post of cross border region in Jagoi Babang District, Bengkayang Regency*



**Figure 5.19: A Picture of Security Post of Cross Border Region in Jagoi Babang District**

The picture in Figure 5.19 is a picture of the existing of security post of cross border region in Jagoi Babang District, Bengkayang Regency. This post is under control of Defence and Security Department Republic of Indonesia. The existing of this post is in order to control the security situation around the border region between Jagoi Babang, West Kalimantan and Serikin, Sarawak.

- *The pictures of the line and the boundary marker of border region between Jagoi Babang, West Kalimantan and Serikin, Sarawak.*



**Figure 5.20: The Pictures of the Line and the Boundary Marker of Border Region between Jagoi Babang and Serikin**

The pictures in Figure 5.20 above describe the boundary marker or sign border region 0 Km of Serikin, Sarawak and Jagoi Babang, West

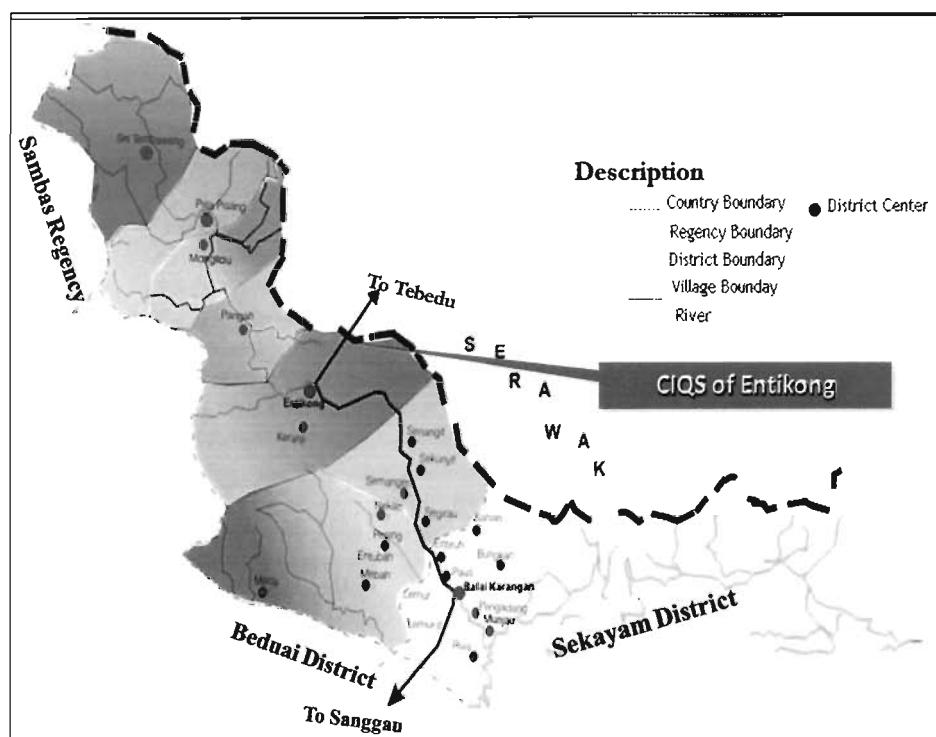
Kalimantan border region. The other picture describes the border line 0 Km between these border regions.

### 3. *Border Development Centre of Entikong, Sanggau Regency*

The description of Border Development Centre (BDC) of Entikong, Sanggau Regency the border region in West Kalimantan Province will be presented below. The description consists of a map, a site plan picture, the existing of CIQS pictures, and the master plan of traditional market development pictures of Entikong District, Sanggau Regency.

The descriptions of BDC of Entikong, Sanggau Regency developments are listed as follows.

- *A map of BDC of Entikong District, Sanggau Regency*

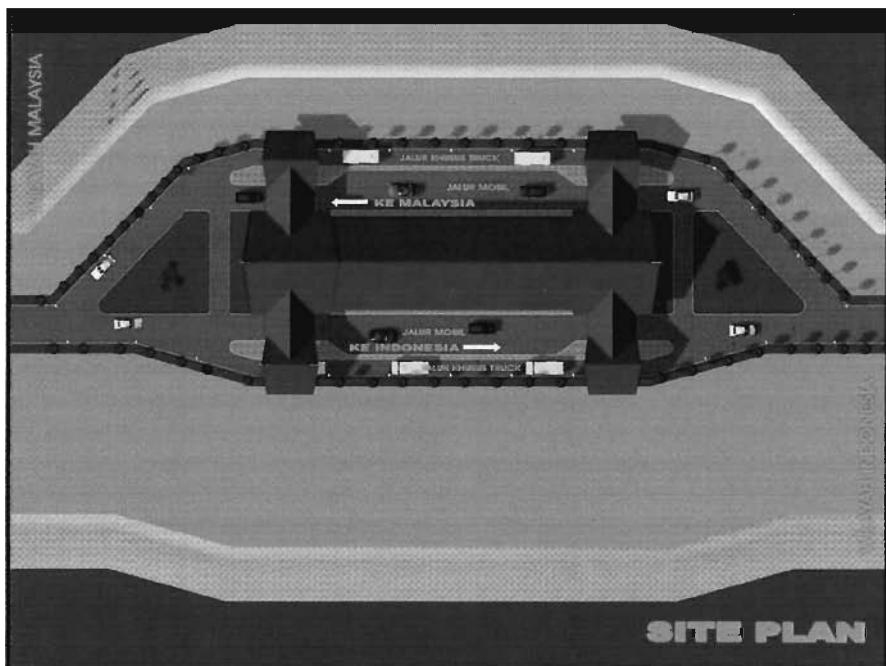


**Figure 5.21: A Map of Entikong District, Sanggau Regency.**

A map in Figure 5.21 shows a location of Entikong District, Sanggau Regency in West Kalimantan border region that has border region with Tebedu, Sarawak border region. The Entikong District is also the one of area that covered in the five entry points as area of border development centre (BDC).

As mentioned, the border region of Entikong also has potential commodities, which developed in accordance developing programs of BDC. Further, a map above also shows the Custom-Insurance-Quarantine-Security (CIQS) in border region of Entikong, cross border with CIQS of Tebedu, Sarawak border region.

- *A picture of site plan of reallocation of Entikong CIQS*

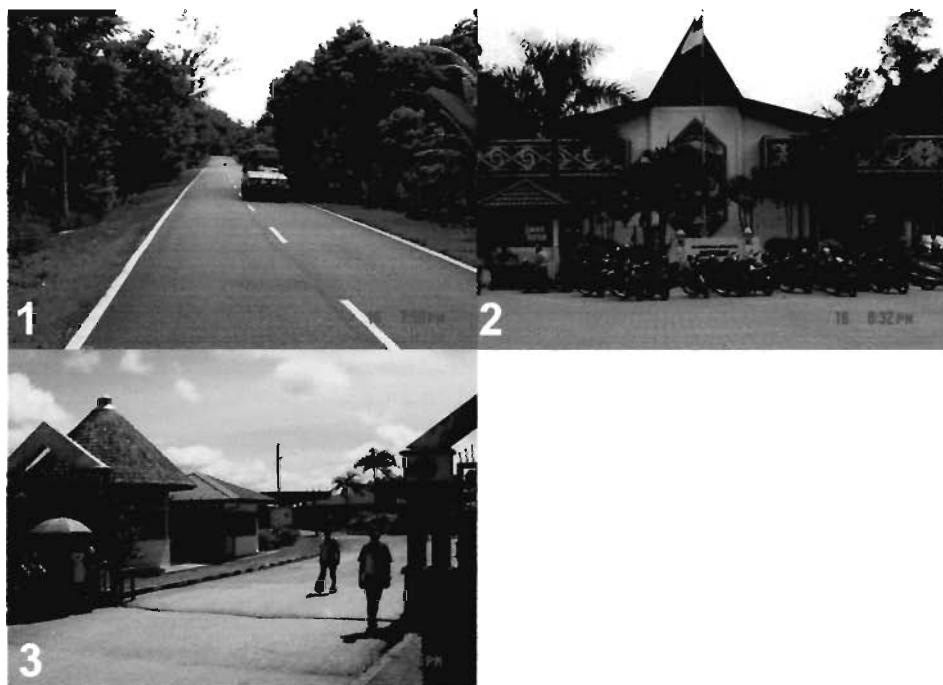


**Figure 5.22: A picture of Site Plan of Reallocation of Entikong CIQS**

A picture that is shown in Figure 5.22 is the site plan for reallocation of Custom-Insurance-Quarantine-Security (CIQS) of Entikong in border region that adjacent with Tebedu, Sarawak. The reallocation will take place to 500 Meter.

Through in-depth interview and observation to this border region, was found that the border region of Entikong is expand more than other border regions in the five entry points that developed as region of BDC programs. The CIQS in Entikong border region has been done and completed in conduct the function as a checkpoint in the border region, compared with the other border regions that just have function as a checkpoint or gate, to cross the way to neighbouring country as Sarawak, Malaysia.

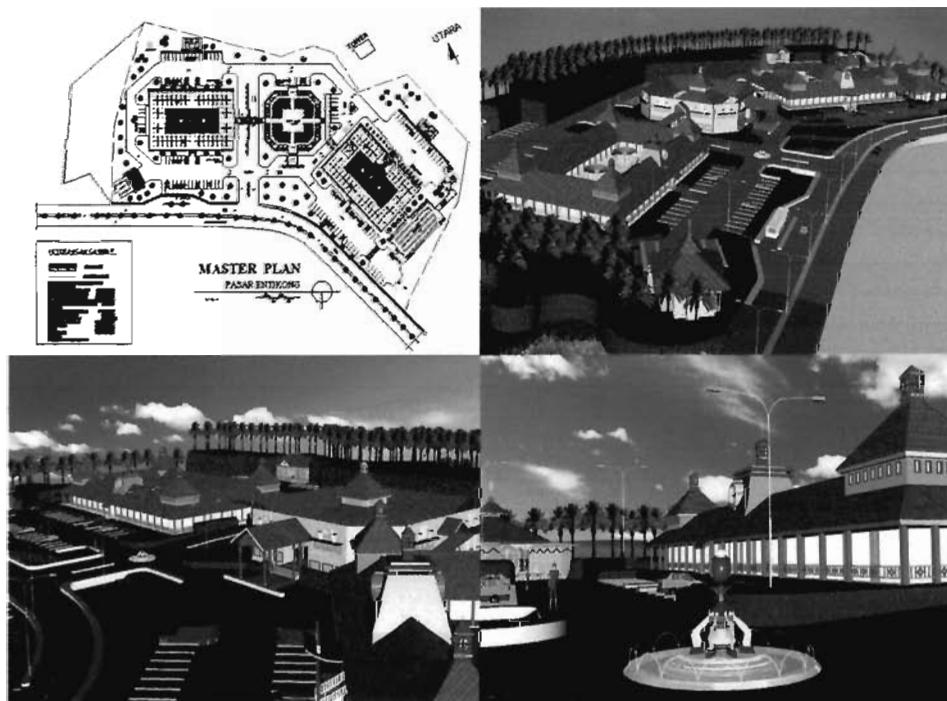
- *The pictures of existing of Entikong CIQS*



**Figure 5.23: The Pictures of the Existing CIQS of Entikong**

The pictures in Figure 5.23 show the existing and situation of Entikong CIQS border region between West Kalimantan and Tebedu, Sarawak border region. For detail the pictures that shown in Figure 5.23 above are described one by one. The picture 1 shows the road condition of border region, the way to Entikong border region. While the picture 2 and picture 3 shows each situation of the CIQS of Entikong in border region of West Kalimantan with Tebedu, Sarawak border region and the location of CIQS in Tebedu border region of Sarawak.

- *The pictures of Master plan of traditional market development of Entikong border region*



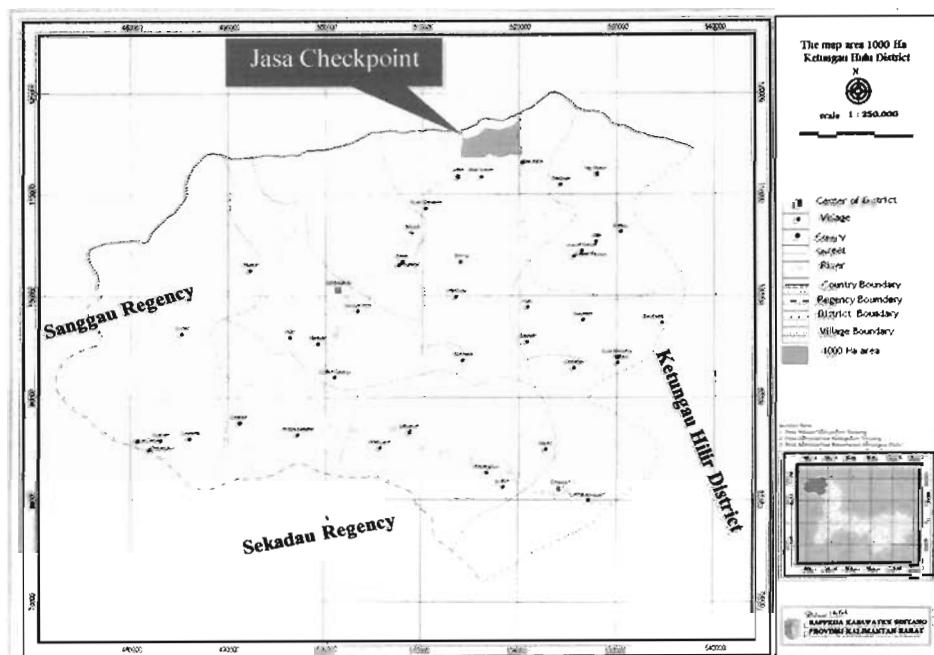
**Figure 5.24: The Pictures of Master Plan of Traditional Market Development of Entikong Border Region**

The pictures in Figure 5.24 are the master plan of traditional market development in Entikong border region. This plan conducted in order to support and increasing the economic activities and development community of Entikong border region that adjacent with Tebedu, Sarawak border region.

#### 4. *Border Development Centre of Jasa, Sintang Regency*

The other District that includes in area of BDC in West Kalimantan is Jasa District, Sintang Regency. Like the others district that covered by BDC, the developments in Jasa District also conducted by West Kalimantan government and under Sosek Malindo cooperation activities. The description of BDC consists of a map and a road condition picture border region of Jasa District, Sintang Regency is provided below.

#### - *A map of BDC of Jasa District, Sintang Regency*



**Figure 5.25: A Map of Jasa District, Sintang Regency**

A map in Figure 5.25 describes the location of Jasa District, Sintang Regency. The location of this region is adjacent with Kerangas Gayau, Sarawak border region. Compared with other border region in five entry points of BDC, this border region still not develop yet. But in accordance with the development of BDC programs for this border region and the potential commodities which belong in this border region, hence it will be develop like other border regions of BDC.

- *A picture of the road condition in Jasa border region*



**Figure 5.26: The First Picture of the Road Condition in Jasa Border Region**

The picture in figure 5.26 describes the road condition in Jasa border region. The road condition shows the condition of road in this border region still not ready and fixes yet to use to cross the way to neighbouring country,

Kerangas Gayau, Sarawak border region. Through the program of BDC expected this border region will be a developed area.

- *A picture of the road condition in Jasa border region*



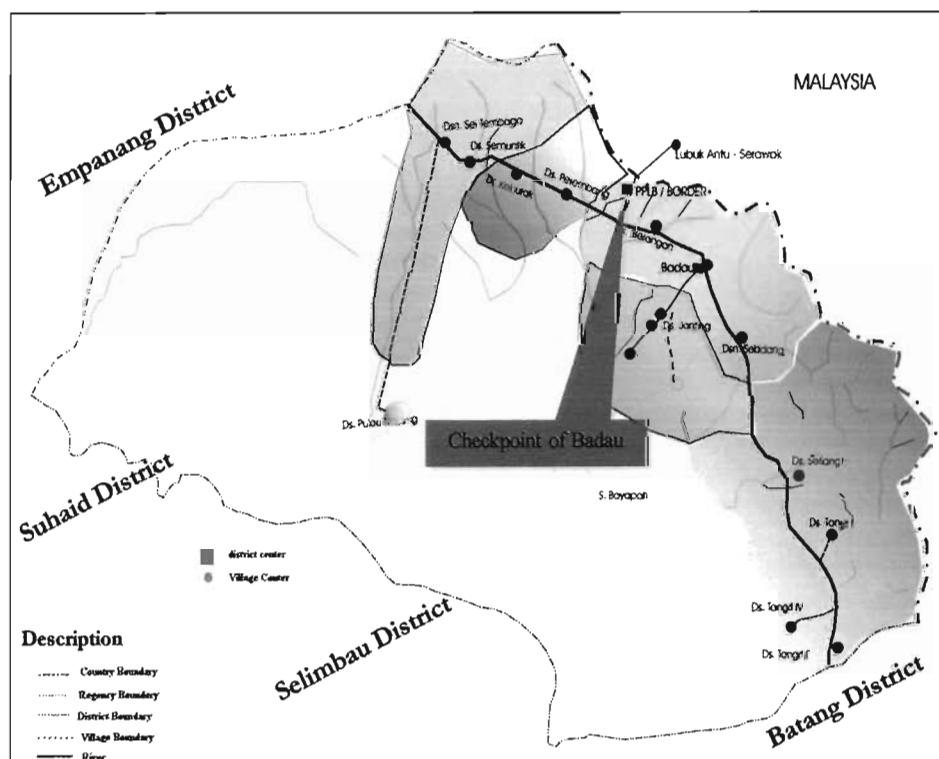
**Figure 5.27: The Second Picture of the Road Condition in Jasa Border Region**

As the first picture, the second picture in Figure 5.27 is also describes the road condition in Jasa border region to pass the way to Sarawak border region, Kerangas Gayau. From the picture described a poor of the road condition, disturb the heavy vehicle by load of logs, that causing delay the journey and the delivery time. As mentioned, in accordance with the development of BDC program for this border region and the potential commodities which belong in this area, expected this border region will be develop area as other areas of BDC.

## 5. Border Development Centre of Badau, Kapuas Hulu Regency

Finally, the last of the border region or district that includes in area development of BDC is Badau District, Kapuas Hulu Regency, in West Kalimantan border region. The developments of BDC for this border region will be shown and described in a map, the condition around border region pictures, and a development of checkpoint of Badau border region, Kapuas Hulu Regency. The description of developments in this border region is listed below.

### - *A map of BDC of Badau District, Kapuas Hulu Regency*



**Figure 5.28: A Map of Badau District, Kapuas Hulu Regency**

A map in Figure 5.28 is a map location of Badau or Nangga Badau District, border region of West Kalimantan which adjacent with Sarawak border region, is Lubuk Antu. This area is the last of area that includes in the five entry points of BDC program. This border region also has potential communities that developed in order to support developing this area, besides the developing of BDC programs.

- *The pictures of the condition of development of border region in Badau District, Kapuas Hulu Regency*



**Figure 5.29: The Pictures of the Condition of Badau District Development, Kapuas Hulu Regency**

The pictures in Figure 5.29 are the pictures of the condition of the development of border region in Badau District, cross border with Lubuk

Antu, Sarawak border region. The picture 1 in the Figure 5.29 describes the road condition in border region of Nangga Badau, the way to pass to Lubuk Antu border region of Sarawak. Picture 2 describes the last way to Badau at Lubuk Antu. While, picture 3 describes the sign board of border areas 0 Km between Badau, West Kalimantan and Lubuk Antu, Sarawak, and the last picture describes the ceremonial of first moment of the development of Badau border region (put the cement) by the Governor of West Kalimantan government.

- *The pictures of the development of checkpoint in Badau District, Kapuas Hulu Regency*



**Figure 5.30: The Pictures of the Development of Checkpoint in Badau District, Kapuas Hulu Regency**

The pictures in Figure 5.30 describe the location of development of checkpoint of border region in Badau District, Kapuas Hulu Regency.

- b. The others development programs or activities under Sosek Malindo cooperation and West Kalimantan government that includes in the economies of scale dimension, a part of economic indicators, are supply of electricity facility in border region of Sajingan (West Kalimantan)-Biawak (Sarawak), Entikong (West Kalimantan)-Tebedu (Sarawak), Badau (West Kalimantan)-Batu Kaya (Sarawak), Jagoi Babang (West Kalimantan)-Serikin (Sarawak), the development of international bus station at Sungai Ambawang (West Kalimantan), providing facility of public transportation (bus) to cross the border region to Sarawak, the development of traffic signs in West Kalimantan border regions, and the development of health facilities such as hospitals and clinics in border regions of West Kalimantan.

**a. Externalities**

For the dimensions of externalities consists of two parts, namely positive externalities and negative externalities. Positive externalities are likely to be brought about by the provision of those infrastructures that give benefit to border regions on both sides, and negative externalities such as air and water pollution might be generated on one side of the border and affect the other.

Through in-depth interview and analysis of data was found that the dimensions of externalities terms of economic indicator for CBC variables are positive. It can be concluded that Sosek Malindo cooperation has been giving a positive influence or benefit to West Kalimantan region.

The positive externalities shown by the development of Inland Port at Tebedu, Sarawak border region that has been giving benefit or positive impacts to

development Entikong, West Kalimantan border region that adjacent with this region, are established of international trade relationship between West Kalimantan and Sarawak region. The positive impact is the development of economic in Entikong border region also develop in the same way developing in Tebedu border region.

Other, the development of highways to cross border region between West Kalimantan and Sarawak regions has been bringing benefits in order to support the economic activities of both sides these regions.

#### **b. Transaction Costs**

Other dimension of economic indicators is transaction cost. In this dimension was found that economic programs on side of the border to the other through a variety of cross border flows that arise because of the many asymmetries and complementarities between West Kalimantan and Sarawak regions. The economic activities consist of export of agriculture, fishery, and plantation products of West Kalimantan to Sarawak region in order to fill up the Sarawak people need of those products. For these activities, Sarawak side involved to support to development of the growth of these commodities as investors. The others activities are export of lososa (low sodium salt) product of West Kalimantan to Sarawak region, and additional is providing of vehicles by Sarawak side to transport goods or commodities product of West Kalimantan side to export to Sarawak. This is describe there is complementarities between these regions. Meaning that by Sosek Malindo cooperation, Indonesia and Malaysia countries intend to develop and stimulus the growth and expansion of economic

activities, and in order to prepare in face and cover the global market. But nevertheless for the traditional trade activities are still tolerated to operate around the border regions between these regions.

### ***Additional Statistical Findings***

As mentioned, the regional development in West Kalimantan through the development of border regions, where the growth of economic impact by direct and multiplier of the policy will be felt or will impact in all areas of the province, that meant in this study is economic development to improve the economic performance of this province, from worsened of economic performance that caused of economic crisis that occurred since mid 1997 in Indonesia, which affect the economic condition in the regions of Indonesia. Indication of worsened of economic performance of this province after the crisis could be seen on the problem of income distribution, poverty and employment opportunities.

In general, economic performance of a country or a region could be seen through the growth of Gross Domestic Product (GDP). Therefore, in this section will be provided about data that could describe the general condition of economic performance of West Kalimantan, such as the data of Gross Domestic Product (GDP), economic growth, poverty and welfare level, and employment, also the number and growth rate of population of this Province, in the period of the implementation of government regulation to border regions development that was set in the year of 2000-2005, based on the available of data findings and was could be collected.

For the detail will be presented below.

## **1. Gross Domestic Product (GDP) and Economic Growth**

In this section will present the Gross Domestic Product (GDP) of border regions and West Kalimantan Province. GDP is the total value added of all production units in a certain country for a certain period (usually one year). GDP is an important economic indicator to show the economic condition of a country at certain period in time. Further, this section also will present the economic growth of this Province.

### ***a. The Gross Domestic Product (GDP) of West Kalimantan Border Regions***

The Gross Domestic Product (GDP) of West Kalimantan that will be presented in this section is GDP of border regions in West Kalimantan that covers of 5 (five) border regions of this province, which has adjacent directly on with neighboring county, Sarawak, Malaysia. The GDP of these border regions is percentage of GDP of West Kalimantan border regions by Sectors at 2000 Constant Price, in period of 2004-2007.

The table and diagram of this GDP will be shown in Table 5.1 below.

SECTORS/	SAMBAS		BENGKAYANG		SANGGAU		SINTANG		KAPUAS HULU	
SUBSECTOR	2004	2007	2004	2007	2004	2007	2004	2007	2004	2007
1. Agriculture	46.79	47.4	43.38	45	36.78	36.03	41.15	39.23	47.37	43.8
2. Mining and Quarrying	0.18	0.17	1.68	1.6	1.54	1.1	3.53	3.4	0.98	1.27
3. Industries	9.84	9.46	5.4	5.1	27.92	29.08	9.55	10.09	5.35	3.61
4. Electricity, and Clean Water	0.24	0.26	0.11	0.1	0.23	0.27	0.27	0.25	0.29	0.32
5. Construction	2.41	2.34	6.51	6.26	3.95	3.95	6.43	6.76	11.01	14.32
6. Trade	2.31	27.41	28.33	27.51	15.81	15.86	22.74	23.35	16.08	18.24
7. Transportation, Communication	3.81	3.64	2.64	2.68	2.26	2.35	3.05	2.89	4.39	3.63
8. Banks and Financial	4.71	4.47	4.99	4.67	3.07	2.91	3.65	3.61	5.09	5.03
9. Services	4.71	4.85	6.96	7.08	8.44	8.45	9.46	10.22	9.44	9.78
<b>Total</b>	<b>100</b>	<b>100</b>								

*Source: The Statistics of West Kalimantan Province*

**Table 5.1: Table of Gross Domestic Product of West Kalimantan Border Regions by Sectors at 2000 Constant Price, 2004-2007 (Percent)**

Table 5.1 above shows the percentage of the growth of GDP in some sectors or subsectors among border regions in West Kalimantan Province, period 2004-2007. From this table is seen, the macro, the economic performance in border regions of West Kalimantan is still dominated by agriculture, with the GDP accounts for around 36%-47%. Sambas Regency is relatively advanced in the sub sector of agriculture about 47.4% GDP in 2007 if compared among the Regencies in this Province, then followed Bengkayang Regency 45% GDP, Kapuas Hulu Regency 43.8%, Sintang and Sanggau Regency about 39.23% and 36.03%

Beside agriculture sector, the economic performance of border regions in this Province that share on GDP that still dominant is support by trade sector average more than 20% up, except Sanggau and Kapuas Hulu border regions. Furthermore, in general, in Table 5.1 is shown that the growth of GDP of border regions in West Kalimantan Province by sectors or subsectors, which is shared by these border regions, is increase relatively in period of 2004 to 2007.

***b. The Growth of Gross Domestic Product in West Kalimantan Province***

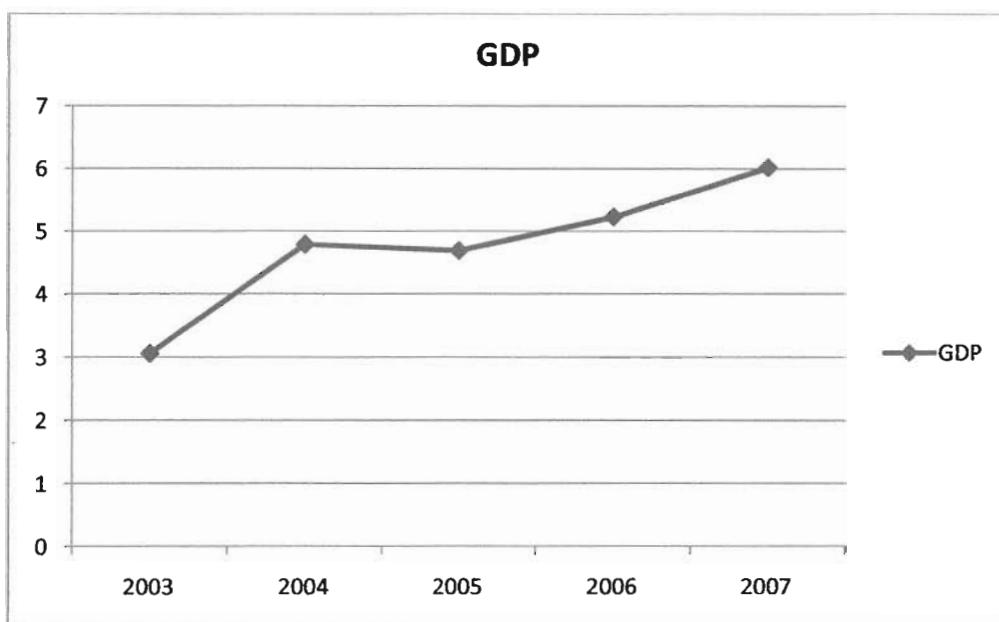
Economic growth can be seen from Gross Domestic Product (GDP) growth. Currently, generally new GDP counted by two approach, that is by sector and by expenditure. Further, GDP is also calculated based to current market price and constant market price. Total of GDP shows amount of entire added value yielded by resident in specified period. In this study, the growth of GDP will present a growth of GDP by sector at 2000 constant price, in period of 2003-2007.

The table and graphic of GDP will be shown in Table 5.2 and Figure 5.31 below.

Items	2003	2004	2005	2006	2007
<b>Gross Domestic Product</b>	3.06	4.79	4.69	5.23	6.02

*Source: Statistics of West Kalimantan Province, 2008*

**Table 5.2: Table of Gross Domestic Product by Sector at 2000 Constant Price, 2003-2007 (Percent)**

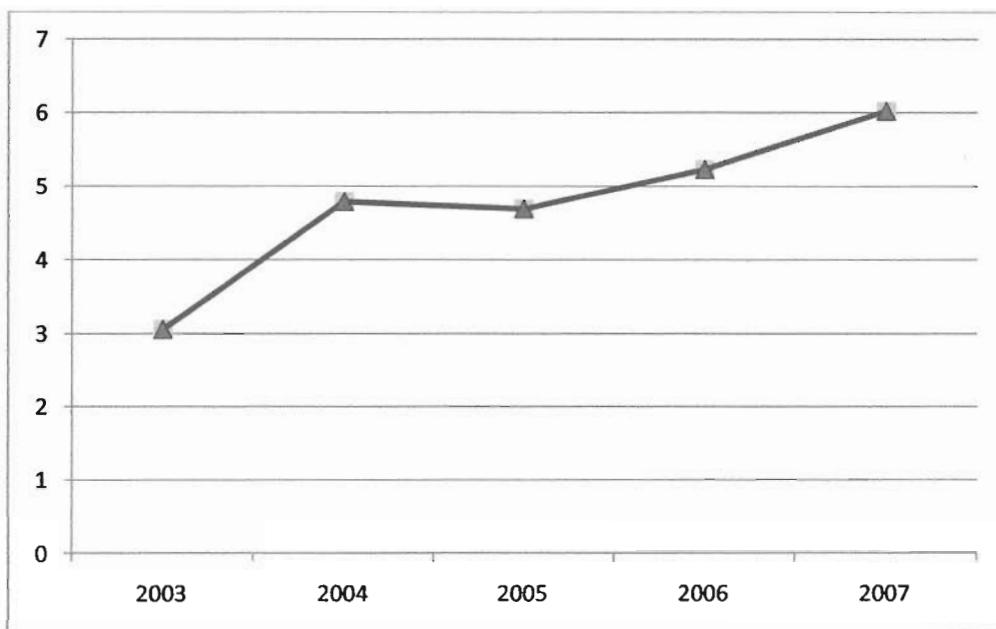


**Figure 5.31: A Graphic of Gross Domestic Product by Sector at 2000 Constant Price, 2003-2007 (Percent)**

In Table 5.2 and Figure 5.31 show percentage of the growth of GDP by sectors in West Kalimantan Province in period 2003-2007. In the table and graphic are seen that economic growth of this Province in 2007 have growth higher about 6.02 % compared to 2006 which only equal to 5.23%. Despite in 2005 was decreased about 2.09% compared in 2004, but in general it shown a relatively increased.

**c. Trend of Economic Growth of West Kalimantan Province**

Beside GDP of West Kalimantan, the growth of economic in this province also will be presented in a graphic of trend of economic growth, in period of 2002-2006. The graphic of this trend is shown in Figure 5.32 below.



*Source: Statistics of West Kalimantan Province, 2007*

**Figure 5.32: A Graphic of Trend of Economic Growth of West Kalimantan Province, 2002-2006**

In Figure 5.32 above shows the increasing trend of economic growth in West Kalimantan province. It can be seen in a graphic above that it shows the rising trend in 2007, compared with economic growth in 2006. As the growth of GDP by sectors, the trend graphic of economic growth this Province also declined in 2005 compared in 2004, but in general it shown the trend a relatively increased.

Through the increasing of GDP and economic growth in West Kalimantan and border regions of this Province can be seen the improvement of economic performance in this Province, impacts of regional development in border regions by economic development activities of Sosek Malindo cooperation.

## **2. Poverty Line and Welfare Level of West Kalimantan Province**

This section will present two parts of data findings that will be divided into sub parts. First part will present about poverty line of West Kalimantan, which consist of poverty level of Indonesia by Province and poverty line in this Province. While, the second part of this section will present about welfare level, which will show a table of human development index and welfare family of West Kalimantan Province.

### ***a. Poverty Line of West Kalimantan***

Poverty line is the value of per capita expenditure per month to provide basic food and non food needs, needed by a person to stay in a proper living condition. The poverty line of West Kalimantan will be presented in this section, that divided into two parts are poverty line of West Kalimantan in national level among provinces in Indonesia and poverty line in regional level. The details will be described as follows.

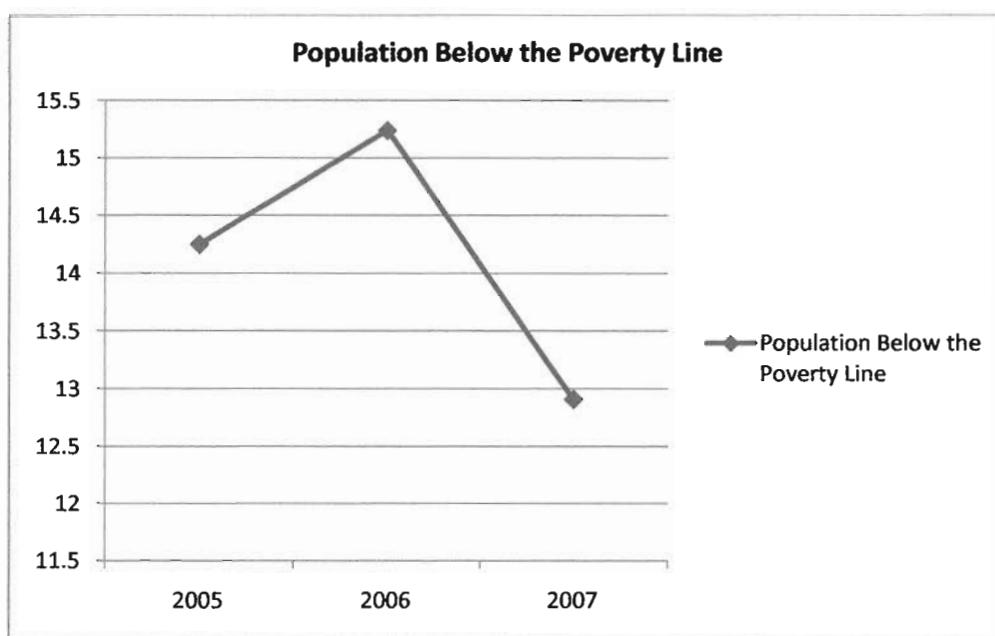
### 1. Poverty Level of Indonesia by Province

Below is presented the table of percentage of population below the poverty line by province in Indonesia, in period of 2005-2007. The details will be presented in Table 5.3 and Figure 5.33 below.

Provinces	2005	2006	2007
Nanggroe Aceh Darussalam	28.69	28.28	26.65
Sumatera Utara	14.68	15.01	13.90
Sumatera Barat	10.89	12.51	11.90
R i a u	12.51	11.85	11.20
J a m b i	11.88	11.37	10.27
Sumatera Selatan	21.01	20.99	19.15
Bengkulu	22.18	23.00	22.13
Lampung	21.42	22.77	22.19
Kepulauan Bangka Belitung	9.74	10.91	9.54
Kepulauan Riau	10.97	12.16	10.30
DKI Jakarta	3.61	4.57	4.61
Jaw a Barat	13.06	14.49	13.55
Jaw a Tengah	20.49	22.19	20.43
DI Yogyakarta	18.95	19.15	18.99
Jaw a Timur	19.95	21.09	19.98
Banten	8.86	9.79	9.07
B a l i	6.72	7.08	6.63
Nusa Tenggara Barat	25.92	27.17	24.99
Nusa Tenggara Timur	28.19	29.34	27.51
<b>Kalimantan Barat</b>	<b>14.24</b>	<b>15.24</b>	<b>12.91</b>
Kalimantan Tengah	10.73	11.00	9.38
Kalimantan Selatan	7.23	8.32	7.01
Kalimantan Timur	10.57	11.41	11.04
Sulawesi Utara	9.34	11.54	11.42
Sulawesi Tengah	21.80	23.63	22.42
Sulawesi Selatan	14.98	14.57	14.11
Sulawesi Tenggara	21.45	23.37	21.33
Gorontalo	29.05	29.13	27.35
Sulawesi Barat	-	20.74	19.03
Maluku	32.28	33.03	31.14
Maluku Utara	13.23	12.73	11.97
Papua Barat	-	41.34	39.31
Papua	40.83	41.52	40.78
<b>Indonesia</b>	<b>16.69</b>	<b>17.75</b>	<b>16.58</b>

*Source: Analysis and Poverty Level Counting of Statistics of Indonesia, 2008*

**Table 5.3: Table of Percentage of Population Below the Poverty Line by Province, 2005-2007 (Percent)**



**Figure 5.33: A Graphic of Percentage of Population Below the Poverty Line by Province, 2005-2007 (Percent)**

Table 5.3 and Figure 5.33 show table and graphic of percentage of poverty line of provinces in Indonesia. From the table and graphic above also can be seen that the percentage of poverty line of West Kalimantan Province in 2006-2007. It shown that percentage of poverty line of West Kalimantan in 2007 is decreased if compared with to 2006. In 2006 the poverty level of this province about 15.24%; this is higher than in 2007 about 12.91%.

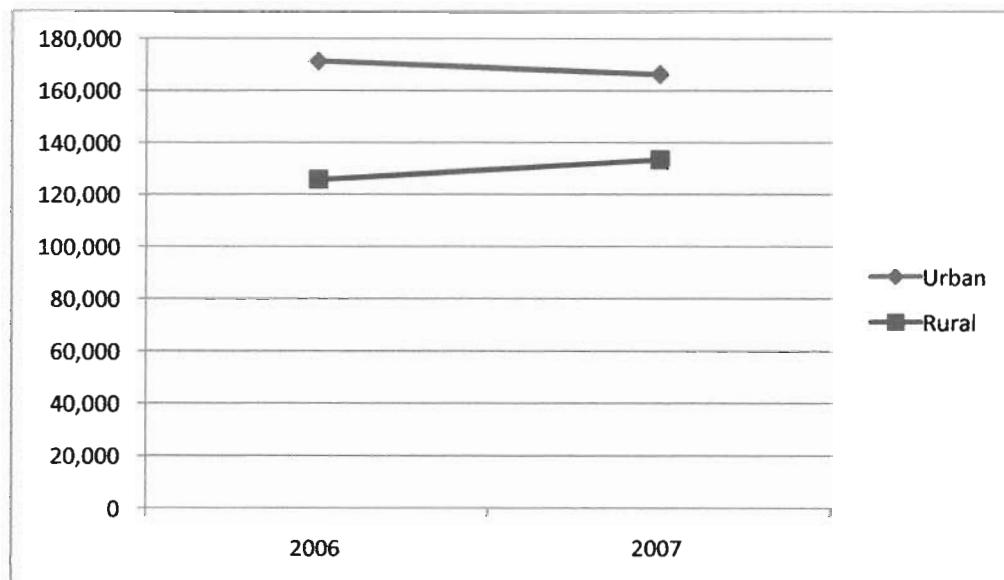
## 2. Poverty Line in West Kalimantan

Further, the poverty line in West Kalimantan province also will be presented in this section. The table of poverty line in this Province will be divided in regions are urban and rural region, and then the combination of both. The details of this table will be presented in Table 5.4 and Figure 5.34 below.

Regions	Urban		Rural		Urban + Rural		
	Years	2006	2007	2006	2007	2006	2007
Total		171,289	166,230	125,852	133,403	159,291	142,529

*Source: Analysis and Poverty Level Counting of Statistics of Indonesia, 2008*

**Table 5.4: Table of Poverty Line in West Kalimantan, 2006-2007 (Rupiah/ Capita/ Month)**



**Figure 5.34: A Graphic of Poverty Line in West Kalimantan, 2006-2007 (Rupiah/ Capita/ Month)**

Table 5.4 and Figure 5.34 show that the poverty line of urban in West Kalimantan is decreased about 2.95% in 2007 compared to 2006. In 2006 the poverty line of urban in this Province noted 171,289 rupiahs/ capita/ month, while in 2007 about 166,230 rupiahs/ capita/ month. Instead, in 2007 for rural regions, the poverty line in this Province is increased about 5.99% compared to 2006, where was about 125,852 rupiahs/ capita/ month in 2006 and about 133,403 rupiahs/ capita/ month in 2007. But however, the total of poverty line in this province (the combination of urban and rural regions) is decreased about 10.52% in 2007 compared to 2006. In 2006 the total poverty line of this Province noted 159,291 rupiahs/ capita/ month, while in 2007 about 142,529 rupiahs/ capita/ month.

The decrease of poverty line of West Kalimantan in national and regional level in 2007 means there is improve in economic performance in this province after implementation the regional development activities that described before. Further, the economic condition of West Kalimantan can be seen through welfare level of this Province. Therefore next will be presented the welfare level of this Province that presented into two part are Human Development Index (HDI) and welfare family of this Province.

#### *b. Welfare Level*

##### **1. Human Development Index in West Kalimantan**

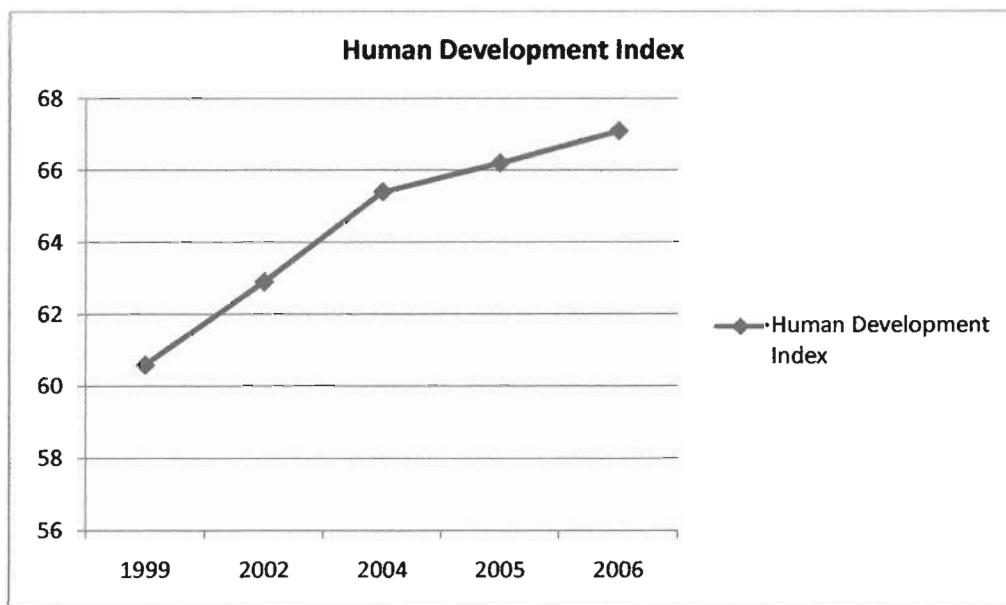
The welfare level can be measured by Human Development Index (HDI). HDI is a composite index of four indicators; life expectancy rate, literacy rate, average length of school participation, and per capita expenditures. The table and

graphic of HDI in West Kalimantan will be presented in Table 5.5 and Figure 5.35 below, in period of 1999-2006.

Years	1999	2002	2004	2005	2006
<b>Total</b>	60.6	62.9	65.4	66.2	67.1

*Source: Human Development Report, Statistics of Indonesia, 2008*

**Table 5.5: Table of Percentage of Human Development Index of West Kalimantan, 1999-2006 (Percent)**



**Figure 5.35: A Graphic of Percentage of Human Development Index of West Kalimantan, 1999-2006 (Percent)**

In the Table 5.5 and Figure 5.35 are shown that the growth of HDI year to year is increasing. HDI in 1999 noted about 60.6% then it increased in the years

following, are in 2002 to 2006. It was about 62.9% in 2002, about 65.4% in 2004 and 66.2% in 2005, and up to 67.1% in 2006.

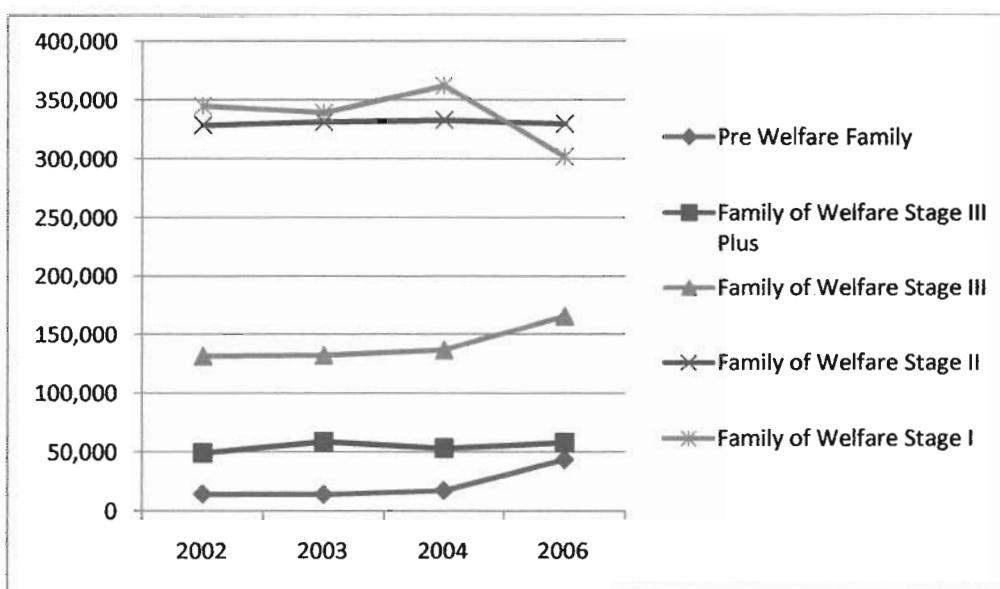
## 2. Welfare Family of West Kalimantan

Further, the part of welfare level in West Kalimantan Province also will be presented in this section, is the welfare family in every welfare stage level of this Province, in period of 2002-2006. The total of gross welfare family of this Province completely will be shown in Table 5.6 and Figure 5.36 below.

<b>Family</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
1. Pre Welfare Family	14,720	14,529	17,748	-	43,893
2. Family of Welfare Stage I	344,720	339,135	361,984	-	302,103
3. Family of Welfare Stage II	328,441	331,317	332,807	-	329,722
4. Family of Welfare Stage III	131,496	132,349	136,735	-	165,538
5. Family of Welfare Stage III Plus	49,448	58,798	53,310	-	58,145
<b>Total</b>	<b>868,825</b>	<b>876,128</b>	<b>902,584</b>	<b>-</b>	<b>899,401</b>

*Source: Regional Office of National Family Planning Coordinating Board of West Kalimantan, 2007*

**Table 5.6: Table of Gross Welfare Family of West Kalimantan, 2002-2006 (Person/ Year)**



**Figure 5.36: A Graphic of Gross Welfare Family of West Kalimantan, 2002-2006 (Person/ Year)**

The table and graphic of gross welfare family of West Kalimantan in Table 5.6 and Figure 5.36 above are shown from year to year has fluctuation, but relatively increased. The family of welfare stage I noted 302,103 persons in 2006, decreased if compared to 2004 which was 361,984 persons/ year. Also for the family of welfare stage II noted 329,722 persons in 2006, decreased if compared to 2004, was about 332,807 persons/ year. Others, the growth of family welfare level increased.

Through the decreasing of poverty line and the increasing of welfare level in West Kalimantan and border regions of this Province can be seen the improvement of socio-economic performance in this Province, impacts of regional development in border regions by economic development activities of Sosek Malindo cooperation.

### 3. Employment

This section will be divided into three parts of employment in West Kalimantan Province, are open unemployment rate, labour force by type of activity, and brief statistic of job seeking by description. The explanations of these parts will be presented as followings.

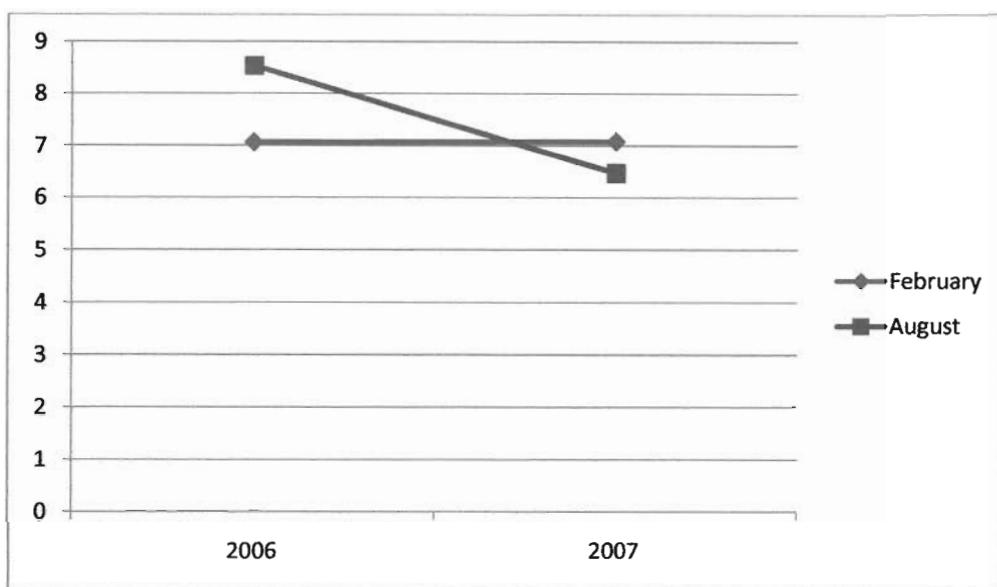
#### a. *Open Unemployment Rate*

Open unemployment rate is unemployment as a percentage of labour force. Below, will be represented the table of open unemployment rate of West Kalimantan Province in Table 5.7 and Figure 5.37, in period of 2006-2007.

Years	2006		2007		
	Months	February	August	February	August
<b>Total</b>		7.06	8.53	7.08	6.47

*Source: Labour Force Situation in Indonesia, Statistics of Indonesia, 2008*

**Table 5.7: Table of Open Unemployment Rate of West Kalimantan Province, 2006-2007 (Percent/ Semester)**



**Figure 5.37: A Graphic of Open Unemployment Rate of West Kalimantan Province, 2006-2007 (Percent/ Semester)**

Table in Table 5.7 and Figure 5.37 show the rate of open unemployment in West Kalimantan Province. From the table seen that in the last semester of 2007, occurred the decrease in open unemployment rate about 24.15%, compared to 2006 which equal to 8.53%, where in 2007 only equal to 6.47%.

**b. Labour Force by Type of Activity**

Labour force is population aged 15 years and over who were working or have a job but were temporarily absent from work, and those who were looking for work. The table of labour force by type of activity in West Kalimantan Province, in period of 2007 will be presented in Table 5.8 below.

<b>Labour Force/ Economically Active</b>			
<b>Age Group</b>	<b>Working</b>	<b>Unemployment</b>	<b>Total</b>
15 – 19	172,462	38,651	211,113
20 – 24	286,153	47,196	333,349
25 – 29	298,919	19,389	318,308
30 – 34	274,532	10,904	285,436
35 – 39	248,709	6,228	254,937
40 – 44	224,696	5,040	229,736
45 – 49	185,670	3,687	189,357
50 – 54	137,621	4,699	142,320
55 – 59	80,581	2,061	82,642
60+	95,684	941	96,625
<b>Total</b>	<b>2,005,027</b>	<b>138,796</b>	<b>2,143,823</b>
<b>2006</b>	<b>1,830,244</b>	<b>139,054</b>	<b>1,969,298</b>

*Continued Table*

<b>Not Economically Active</b>					
<b>Age Group</b>	<b>Attending School</b>	<b>House Keeping</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
15 – 19	195,061	36,041	20,878	251,980	463,093
20 – 24	26,698	70,494	9,152	106,344	439,693
25 – 29	5,587	71,112	5,863	82,562	400,870
30 – 34	5,681	61,701	2,216	69,598	355,034
35 – 39	1,098	39,062	2,155	42,315	297,252
40 – 44	-	27,521	1,331	28,852	258,588
45 – 49	-	22,426	2,600	25,026	214,383
50 – 54	-	21,247	3,374	24,621	166,941
55 – 59	-	22,709	22,656	45,365	128,007
60+	-	56,596	81,302	137,898	234,523
<b>Total</b>	<b>234,125</b>	<b>428,909</b>	<b>151,527</b>	<b>814,561</b>	<b>2,958,348</b>

*Source: Statistics of West Kalimantan, 2008*

**Table 5.8: Table of Population 15 Years and Over of Age by Type of Activity and Age Structure, 2007 (Person)**

People aging fifteen years up are considered as the labour. Their potentially are the key to develop the nation. Composition of labouring people in West Kalimantan, still dominated by low education workers, that is about 81.88% is junior high school graduate or lower. The most dominant sector is agricultural sector 63.87% of total labouring labor force (Statistics of West Kalimantan, 2007).

In Table 5.8 is shown that the number of labour force of West Kalimantan about 2,143,823 persons, where 2,005,077 of them work (93.52%). Thereby, labour force of West Kalimantan which not yet been permeated at market work in 2007 is 138,796. This indicated unemployment existence equal to 6.47%. This is decline when compared with the situation in 2006, where unemployment existence about 139,054 persons, equal to 7.06%. The decline of unemployment of West Kalimantan in 2007 compared with in 2006 is about 0.59%.

Further, in Table 5.8 also shown that non labour force 814,561 persons where about 28.74% because go to school or 234,125 persons, household managing 428,909 persons (52.65%) and others 151,527 persons (15.52%) to total percentage of job age which is non labour force.

**c. Brief Statistic of Job Seeking by Description**

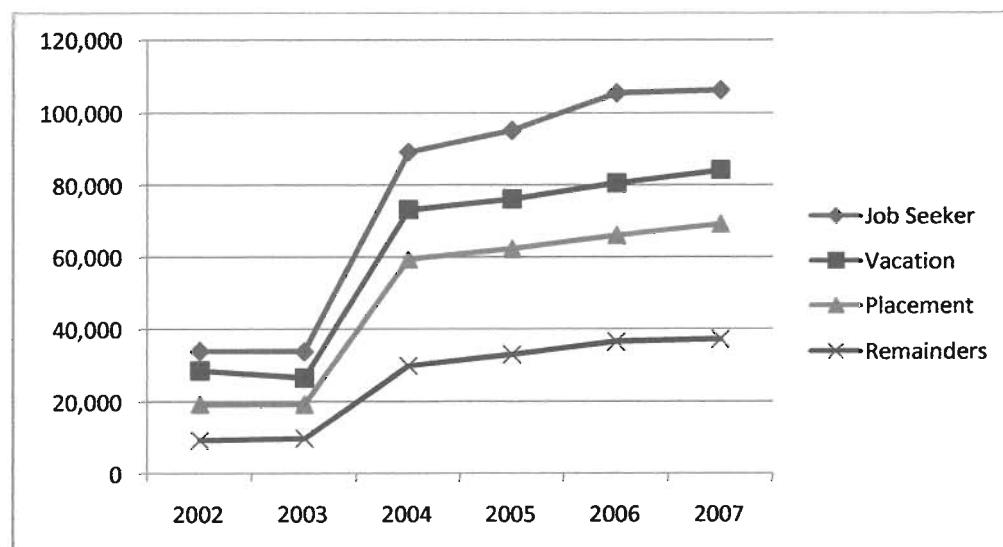
Further, the next part of this section that describes the condition of employment in West Kalimantan Province will be presented. The condition of the employment is the brief statistic of job seeking in this Province.

The details of this condition will be presented in Table 5.9 and Figure 5.38 below.

Description	2002	2003	2004	2005	2006	2007
1. Job Seeker	33,962	33,781	89,215	95,164	105,503	106,329
2. Vacation	28,491	26,471	73,156	76,131	80,557	84,159
3. Placement	19,301	19,201	59,414	62,227	66,016	69,145
4. Remainders	9,312	9,761	29,801	32,937	36,487	37,184

**Source:** *Manpower and Population Department of West Kalimantan Province, 2008*

**Table 5.9: Table of Brief Statistic of Job Seeking by Description of West Kalimantan, 2002-2005 (Person/ Year)**



**Figure 5.38: A Graphic of Brief Statistic of Job Seeking by Description of West Kalimantan, 2002-2005 (Person/ Year)**

Job seeker in West Kalimantan is growth (listed) in West Kalimantan from year to year have fluctuation. This condition is shown in Table 5.9 and Figure 5.38, in 2007 job seeker noted amount 106,329 persons. It decreased if compared to 2006 and 2005, which is each 102,503 and 95,164 persons. Job seeker in this Province is very fast in 2003-2005.

Furthermore, can be concluded that the decreasing of open unemployment rate and the increasing of labour force, and job seekers in West Kalimantan and border regions of this Province are caused employment availability, consequence impact from the economic development activities of Sosek Malindo cooperation.

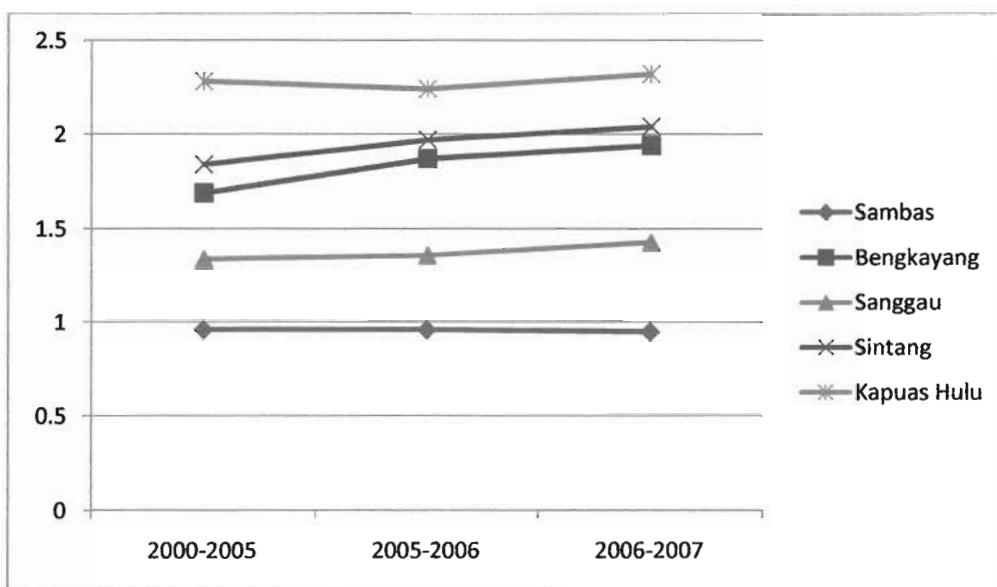
#### 4. Growth Rate of Population

In addition, in this section also presents the number and growth rate population by regency and city in West Kalimantan Province. The growth rate of population will be presented in Table 5.10 and Figure 5.39 below.

Regencies	Population 2007	Population Growth (%)		
		2000-2005	2005-2006	2006-2007
<b>Sambas</b>	485,446	0.96	0.96	0.95
<b>Bengkayang</b>	201,600	1.69	1.87	1.94
<b>Sanggau</b>	382,594	1.34	1.36	1.43
<b>Sintang</b>	357,479	1.84	1.97	2.04
<b>Kapuas Hulu</b>	213,760	2.28	2.24	2.32
<b>Total</b>	<b>1,640,879</b>	<b>1.62</b>	<b>1.68</b>	<b>1.74</b>

*Source: Statistics of West Kalimantan Province, 2008*

**Table 5.10: Table of Number and Growth Rate of Population by Regency in West Kalimantan, 2000-2007**



**Figure 5.39: A Graphic of Number and Growth Rate of Population by Regency in West Kalimantan, 2000-2007**

Table 5.10 and Figure 5.39 show the increasing of population in Regencies of West Kalimantan. The table and graphic are shown that the total of the number and growth rate of population in Regencies of this Province increased year to year. In period of 2006-2007 the percentage of population growth amount 1.74, increase if compared in period of 2000-2005 and 2005-2006 amount 1.62% and 1.68%.

Furthermore, can be concluded the increasing of the growth rate of population in regencies of this Province are caused of impact from the economic development activities of Sosek Malindo cooperation.

## Conclusion

Based on the descriptions above, thus it can be concluded that the answer for the first question of research questions in this study about what are the impacts of the economic activities of Sosek Malindo cooperation on regional development in West Kalimantan region, is that the economic activities of Sosek Malindo cooperation have a significant impacts or positive impacts on regional development in West Kalimantan region.

The positive impacts are the acceleration of the development in the five entry points of border regions in West Kalimantan Districts (in area of Border Development Centre, BDC) through the activities of physical infrastructure facilities development in these area and other economic activities that includes in economic indicators in this study as described, which can reduce the gap with the neighbouring country, Sarawak border regions of Malaysia and can improve economic condition in these regions.

The positive impacts of economic development activities in these border regions, as mentioned before, by direct and multiplier will be felt and will impact in all areas of this Province, is improve the economic performance of this Province from the worsened of economic performance that caused of economic crisis that mentioned earlier.

The evidences of economic performance improvement in this Province could be seen from changes in economic condition of this Province from year to year after the implementation of regional development by the economic development activities of Sosek Malindo cooperation in border regions of this

Province, through the main indicators of economic performance in this Province. The changes are; there are increases in Gross Domestic Product (GDP), the poverty level has been decreasing, and the decreasing of unemployment relatively and also the increasing of the growth rate of population in regencies in this Province, as presented in additional statistical findings.

**2. *Responses and the data findings on the impacts of the political activities of Sosek Malindo cooperation on regional development in West Kalimantan region.***

This indicator means that Sosek Malindo cooperation is contributed to provide a political equilibrium in West Kalimantan side, cross border with Sarawak side. The political indicator is provided in Sosek Malindo cooperation, related with security, environmental problems, and sovereignty in border regions of West Kalimantan that adjacent with Sarawak, Malaysia.

Through in-depth interview and analysis of data were found that the political developments or conditions in West Kalimantan region and political activities under Sosek Malindo cooperation and West Kalimantan government have been providing a political equilibrium or conducive in West Kalimantan side that has border region with Sarawak, Malaysia. The findings of political indicators are listed below.

**a. Security**

This dimension means that political indicator is provided in Sosek Malindo cooperation, related with security in border regions of West Kalimantan that adjacent with Sarawak, Malaysia. As elaborated, this cooperation has started on the security settings in border region between West Kalimantan and Sarawak

and was formed based on the security agreement between these regions, and then has formed cooperation in various fields.

One of the problems faced in West Kalimantan border regions is the width location of border region that adjacent with Sarawak border region that complicate in control and security it. As described, there are five regencies with twenty four districts from this region that adjacent with Sarawak and these border regions are sensitive on the threats of ideology, politic, economic, socio and culture, where in the past time the main of threat is the threat of communist.

In order to handle and quell the threats above, in the border regions of West Kalimantan and Sarawak, these regions have same aspirations and perceptions about that. Therefore, in the effort to realize the desire achieving stability of security in the border regions both of regions, hence formed Cross Border Cooperation (CBC) between Indonesia and Malaysia. It was started since 1967 by signing of the agreement on the security settings in the border regions between these countries. It was modified and enhanced in 1972 and then was revised again in 1984.

As security cooperation, CBC between Indonesia and Malaysia, has aimed in the initial to quell the threat of communist, and then expanded to include of threats are ideology, politic, economic, socio, and culture. The General Border Committee Malaysia-Indonesia (GBC) was formed based on the security agreement with the border region between Indonesia and Malaysia, that it was signed on April 6, 1972 in Kuala Lumpur, Malaysia. This committee is a forum country that formed in order to discuss about problem of military operations and

actions to quell the treat of communist in border regions both of countries. Concluded, that the cross border cooperation between Indonesia and Malaysia is contributed to provide a political by security dimension for both of sides of West Kalimantan and Sarawak border region.

### **b. Environmental Problems**

The other dimension of political indicators is environmental problems. Beside contributed to security, Sosek Malindo cooperation is also contributed to solve environmental problems and crime in West Kalimantan side.

Through analysis of data was found that there are some of the problems that faced in West Kalimantan border regions about environmental problems are illegal activities of natural resources as forestry resources like exploiting forestry resources, illegal logging and smuggling of drugs, vehicles, and workers, and illegal trading. Below are shown the pictures of condition environmental problems in West Kalimantan border regions.



**Figure 5.40: A Picture of Illegal Activities of Forest**

The picture in Figure 5.40 shows the illegal activities by exploitation of natural resources specially forest areas. The impacts of these activities are forest and land degradation. Further, this section also will shows the other picture about illegal logging activities in border regions in West Kalimantan Province that has border directly on with Sarawak, Malaysia. The other picture will be presented in Figure 5.41.



**Figure 5.41: A Picture of Illegal Logging**

In Figure 5.41 above shows illegal activity is illegal logging in exploit of forest in West Kalimantan border regions. To solve the problems above, there are some activities of Sosek Malindo cooperation such as joint in handling the cases of log smuggling cross region, from West Kalimantan to Sarawak. Besides, joint

in controlling of import-export for sugar product from Sarawak to West Kalimantan in order to prevention of illegal practices.

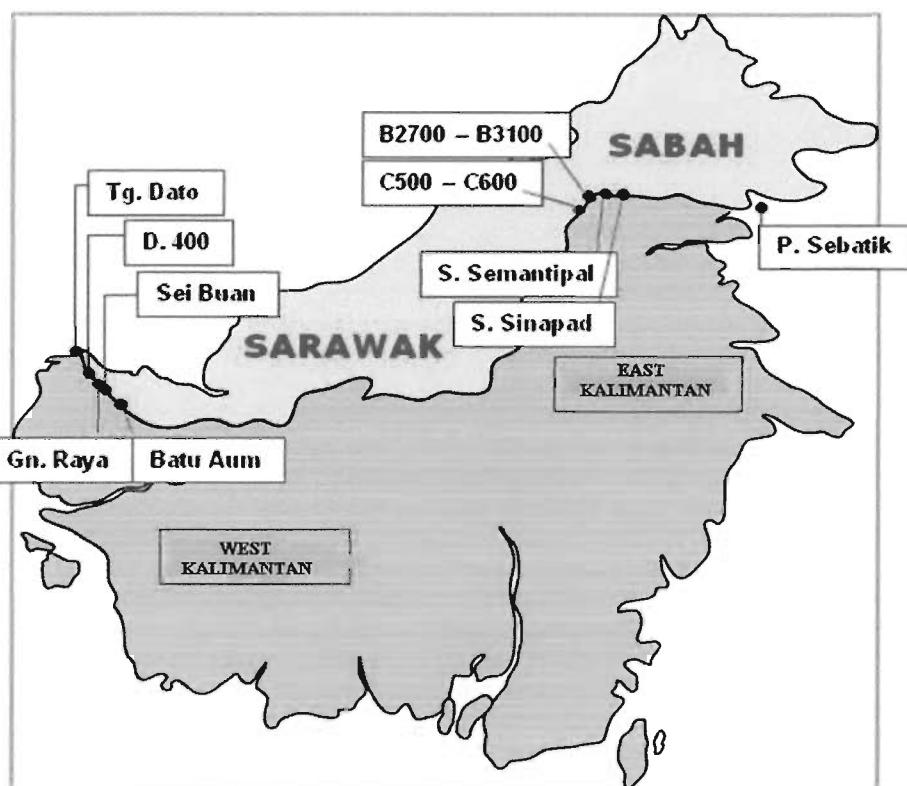
The others, joint in handling of export-import for ranch products, fishery and plantation in order to prevention of smuggling of those products, which get pass via border region between West Kalimantan and Sarawak, and joint in handling and controlling of export-import for medicines including vaccine, traditional medicines (herb), foods, beverages, cosmetic products, food supplement, narcotic, psychotropic and also health appliance in order to prevention of smuggling of those products, which get pass via border region between West Kalimantan and Sarawak. Further, joint coordinated patrol in order to prevention of smuggling of motor vehicle getting pass via border regions of West Kalimantan and Sarawak.

**b. Sovereignty**

Besides contributed to security and solve the environmental problems, the Sosek Malindo cooperation is also contributed to defence of national sovereignty on West Kalimantan side that has border directly on with Sarawak, Malaysia.

Through analysis of data was found another problems faced in West Kalimantan border regions are in stipulate of regional boundary between West Kalimantan and Sarawak border regions, where there are five of boundaries location still not fix yet and the sign or boundary marker is broken. The map of location of these boundaries will be presented in Figure 5.42.

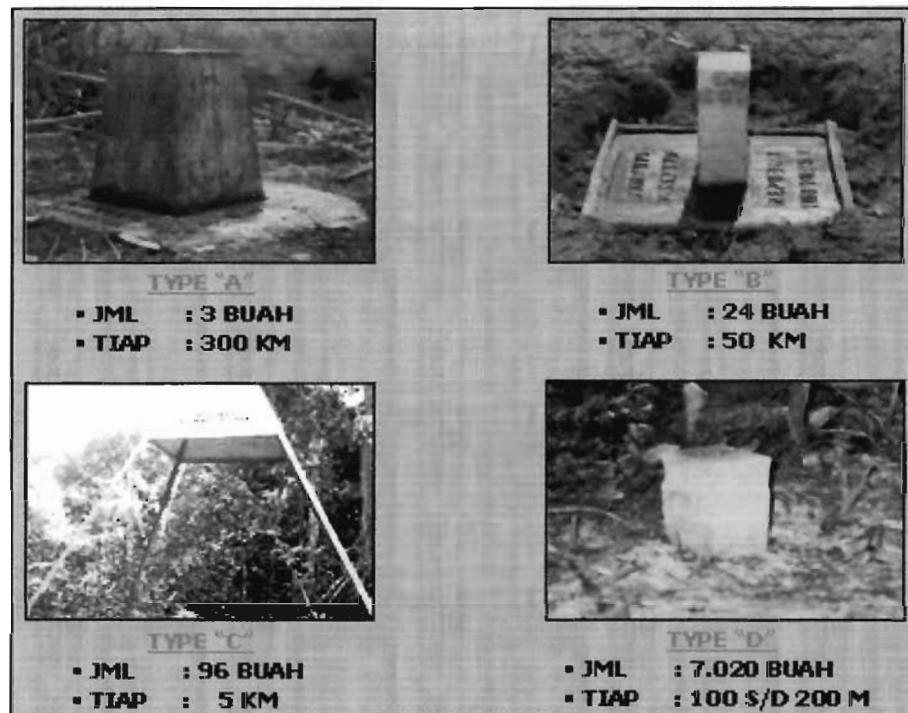
A map below is shown the map of location of national sovereignty problems in West Kalimantan border regions.



**Figure 5.42: A Map of Out Standing Boundary Problems between Indonesia-Malaysia**

In Figure 5.42 above shows, there are ten points of border regions of the outstanding boundary problems between Indonesia and Malaysia, where there are five border regions of the outstanding boundary problems for West Kalimantan, cover are Tanjung Dato, D 400, Sei Buan, Gunung Raya, and Batu Aum.

Further, in this section will be presented the pictures of pillar or the sign of boundary markers border regions between West Kalimantan and Sarawak regions, which shown in Figure 5.43.



**Figure 5.43: The Pictures of the Sign of Boundary Markers Border Regions between West Kalimantan and Sarawak**

The pictures in Figure 5.43 above describe the boundary Markers border regions between West Kalimantan and Sarawak. This is also described the amount of the boundary markers and the interval of the boundary markers in every Km of the border regions location between these regions.

## **Conclusion**

Based on the descriptions above, thus it can be concluded that the answer for the second question of research questions in this study about what are the impacts of the political activities of Sosek Malindo cooperation on regional development in West Kalimantan region, is that the political activities of Sosek Malindo cooperation have a significant impacts or positive impacts on regional development in West Kalimantan region.

The positive impacts are provided the political equilibrium or the conducive of political situation in border regions in West Kalimantan side that has border region directly on with neighbouring country, is Sarawak, Malaysia. The political indicator is provided, related with security, environmental problems, and sovereignty in border regions of West Kalimantan that adjacent with Sarawak, Malaysia.

The positive impacts of provided the political equilibrium in border regions in West Kalimantan by direct and multiplier will impact in all areas of this Province, are solves the problems of security, environmental, and sovereignty in border regions of this Province that has border directly on with Sarawak, Malaysia through Sosek Malindo cooperation.

**3. *Responses and the data findings on the impacts of the cultural and historical activities of Sosek Malindo cooperation on regional development in West Kalimantan region.***

The cultural and historical indicators also can play significant roles in development of Sosek Malindo cooperation. The cultural and historical indicators that meant in this study are that cooperation built and developed, based on cultural and historical foundations in order to regional development in West Kalimantan region, particularly the regional development in West Kalimantan border regions.

There are three dimensions of this indicator are pre-modern trade partnerships and technology exchanges, common languages and religions, the cultural and socio-historical connections that are listed below as the findings in this study.

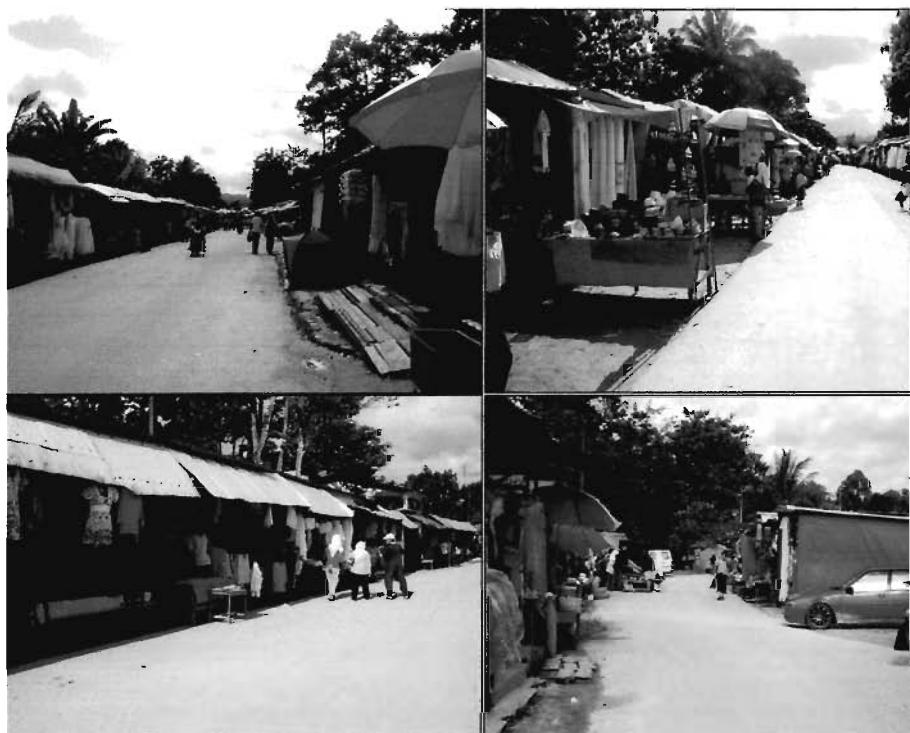
**a. Pre-modern Trade Partnerships and Technology Exchanges**

For this dimension it was found that there are pre-modern trade partnerships and technology exchanges between West Kalimantan and Sarawak border region, in order to build and develop Sosek Malindo cooperation, where this is related by historical reason.

The regions within the Sosek Malindo cooperation have a long tradition of trade and family links. Thus, even before its establishment, trade partnership between the regions covered in this cooperation, in this case covers of West Kalimantan and Sarawak region have already been taking place. Through observation and in-depth interview were found, there are many traditional

markets in the border regions between these regions. Also have technology exchanges in various fields between these regions are in construction, such as development of physical infrastructure facilities of highways, ports, building, and checkpoint or CIQS, and in physical infrastructure facilities of health such as technology of medical and health equipments.

The following Figure 5.44 will be shown the pictures of the condition of traditional markets in Serikin border region of Sarawak, Malaysia, where found there are 800 Indonesian traders with 700 shops to do activities of trade in this border region.



**Figure 5.44: The Pictures of Traditional Markets in Serikin Border Region of Sarawak**

The pictures in Figure 5.44 above shows that there are pre-modern trade partnerships between community of West Kalimantan and Sarawak border regions, which could be support the development of border regions in both of these regions.

**b. Common Languages and Religions**

The language used in both of border region of West Kalimantan and Sarawak is similar. Residents that live in both this regions can communicate and understand each other about the language used in conversation because Indonesian's language and Malay's language are similar, and this is contributing the form of Sosek Malindo cooperation, and contributes and supports the development activities of this cooperation in order to regional development in both of these regions.

But, for the dimension of religion, this is not contributing to build and development of this cooperation. There are many kinds of religious beliefs by people who live in border regions between West Kalimantan and Sarawak, such as Islam, Christian, Catholic, Hindu, and Buddhist. Thus, there are no common religions in the concept of development this cooperation.

### **c. The Cultural and Socio-historical Connections**

Other dimension of the cultural and historical indicators is about the cultural and socio-historical connections. By analysis of data found that there are the cultural and socio-historical connections between the people living in West Kalimantan and Sarawak border regions.

As elaborated, contiguity and relation socially and the culture society between West Kalimantan and Sarawak in border regions intensively also became one of the reason formed and developed of Sosek Malindo cooperation. People who are live in both of these border regions come from the same community and race are Melayu and Dayak (Iban). Even majority of them still have family's relation. Just because separated by the border regions of the country made them be different present nationality are be Indonesian and be Malaysian. But whatever, the relationship between them still strong and it is facility to support the development activities of cross border cooperation like Sosek Malindo cooperation.

### **Conclusion**

Based on the descriptions above, thus it can be concluded that the answer for the third question of research questions in this study about what are the impacts of the cultural and historical activities of Sosek Malindo cooperation on regional development in West Kalimantan region, is that the cultural and historical activities of Sosek Malindo cooperation have a significant impacts or positive impacts on regional development in West Kalimantan region.

The positive impacts are through the cultural and historical activities under Sosek Malindo cooperation, it could be tighter pre-modern trade partnerships and occurrence technology exchanges in various fields between these regions, and cultural and socio historical connection, which will contribute and support the development activities in both of these regions.

**4. *Responses and the data findings on the impacts of the cooperation and competition activities of Sosek Malindo cooperation on regional development in West Kalimantan region.***

The last of rationale foundations of Cross Border Cooperation (CBC) is the cooperation and competition reason. The cooperation and competition indicators that meant in this study are the cooperation and competition activities under Sosek Malindo cooperation for development in West Kalimantan side, particularly for the development in West Kalimantan border regions.

The results of the findings of the study for the cooperation and competition indicators are listed below, base on the dimensions of this indicator.

**a. The Deal Between Public-Private Partnership**

It was found that there are deals between public-private partnership of West Kalimantan and Sarawak sides under the Sosek Malindo cooperation. The deals consist of the deal of partnership between State Electricity Company of Indonesia (Perusahaan Listrik Negara, PLN) and Sarawak Electricity Supply Corporation (SESCO), namely West Kalimantan-Sarawak rural and border interconnection, in order to joint to supply electricity to border regions of Sajingan (West Kalimantan)-Biawak (Sarawak), Entikong (West Kalimantan)-

Tebedu (Sarawak), Badau (West Kalimantan)-Batu Kaya (Sarawak), and Jagoi Babang (West Kalimantan)-Serikin (Sarawak).

The other, the deal of partnership between State Oil Company of Indonesia (Perusahaan Pertambangan Minyak dan Gas Alam, PERTAMINA) and State Oil and Gas Company of Malaysia (Petroliam Nasional Berhad, PETRONAS) in order to supply oil and gas and provide the oil and gas needs of people or communities in regions of West Kalimantan and Sarawak.

All the programs or activities of partnership above are dealing under Sosek Malindo cooperation, with activities of cooperative competition between West Kalimantan and Sarawak, in order to provide the basic infrastructure needs of border region communities. These programs or activities had positive impacts in supporting economic development, and increasing prosperity and level of life the communities in West Kalimantan region, particularly in border regions.

Additional, through analyzes the documents in order to collect secondary data, were found the data of capacity and production of electricity by location and the data of fuel and gas distributed by Regency/ City and kind of fuel gas in West Kalimantan.

The table of capacity and production of electricity by location in West Kalimantan will be shown in Table 5.11 below.

Location	Installed Capacity (KW)	Powered Capacity (KW)	Peak Supply (KW)	Production (KWH)
1. Kapuas Borough*)	147,400	115,100	109,800	667,084,099
2. Ngabang System	4,100	2,926	2,001	3,691,617
3. Singkawang System*)	29,685	24,590	24,590	151,933,424
4. Sambas System*)	15,895	10,600	10,580	54,194,264
5. Bengkayang System	2,305	1,860	1,475	2,257,581
6. Sanggau System	14,000	9,655	9,185	42,214,257
7. Sekadau System	1,600	1,190	990	5,436,613
8. Sintang System*)	15,702	10,450	10,380	46,435,119
9. Melawai System	7,146	6,490	6,090	13,756,328
10. Putussibau System	7,950	5,760	5,213	14,128,790
11. Ketapang System*)	17,068	13,852	12,800	74,929,172
12. Village electric scattered	30,702	20,893	16,414	54,976,591
	<b>2007</b>	<b>293,553</b>	<b>223,366</b>	<b>1,131,037,855</b>
	<b>2006</b>	<b>282,219</b>	<b>212,370</b>	<b>1,069,399,578</b>
<b>Total</b>	<b>2005</b>	<b>283,697</b>	<b>218,396</b>	<b>1,029,760,372</b>
	<b>2004</b>	<b>280,724</b>	<b>213,465</b>	<b>1,060,522,692</b>
	<b>2003</b>	<b>300,235</b>	<b>206,937</b>	<b>938,825,893</b>

*Note \*) Include Rental of Local Electricity Company of West Kalimantan*

*Source: State Electricity Company of Indonesia (PLN), Regions V of West Kalimantan*

**Table 5.11: Table of Capacity and Production of Electricity by Location, 2008**

Further, the table of fuel and gas distributed by Regency/ City and kind of fuel gas in West Kalimantan also will be shown in Table 5.12 below.

Regency/City	Avtur	Avgas	Gasoline	Diesel	Kerosene	Gas/LPG	Others
1. Sambas Reg.	-	-	16,582	14,903	12,350	-	-
2. Bengkayang Reg.	-	-	5,855	5,997	5,297	-	48
3. Landak Reg.	-	-	3,128	2,962	6,435	-	-
4. Pontianak Reg.	20,999	20	35,066	59,402	38,514	-	413
5. Sanggau Reg.	-	-	28,630	46,234	9,603	-	32
5. Ketapang Reg.	-	-	29,274	68,069	14,656	-	-
7. Sintang Reg.	-	-	25,520	58,833	19,237	-	208
3. Kapuas Hulu Reg.	-	-	6,871	6,624	5,361	-	-
9. Sekadau Reg.	-	-	4,224	5,724	2,125	-	-
10. Melawi Reg.	-	-	7,457	7,460	5,245	-	-
11. Pontianak City	-	-	89,918	378,350	64,787	11,371	8,516
12. Singkawang City	-	-	27,618	19,336	14,448	-	1,018
	<b>2007</b>	<b>20,999</b>	<b>20</b>	<b>257,143</b>	<b>673,894</b>	<b>198,050</b>	<b>11,371</b>
	<b>2006</b>	<b>24,953</b>	<b>24</b>	<b>242,229</b>	<b>613,982</b>	<b>197,480</b>	<b>8,854</b>
<b>Total</b>	<b>2005</b>	<b>26,055</b>	<b>60</b>	<b>239,888</b>	<b>627,156</b>	<b>215,596</b>	<b>6,863</b>
	<b>2004</b>	<b>26,531</b>	<b>45</b>	<b>234,048</b>	<b>645,854</b>	<b>221,371</b>	<b>940</b>
	<b>2003</b>	<b>22,684</b>	<b>87</b>	<b>202,067</b>	<b>633,703</b>	<b>223,298</b>	<b>739</b>
	<b>2002</b>	<b>18,091</b>	<b>140</b>	<b>185,301</b>	<b>634,418</b>	<b>220,617</b>	<b>670</b>
							<b>6,495</b>

**Source:** *State Oil Company of Indonesia (PERTAMINA), Regions VI Pontianak, West Kalimantan*

**Table 5.12: Table of Fuel and Gas Distributed by Regency/ City and Kind of Fuel Gas, 2008 (000 Litres)**

Electrical energy represents one of requirement household and also industrial, to support and/ or lighting of various machine and electronic equipments. Mount electrics consumption per capita can show how far mount

prosperity socialize in a region. Recently, production of electric power increases in line with request improvement and consume.

According to report PT. Regional PLN V in 2007 as shown in figure 4.38, the number of production of electric power yielded by PLN of eleven generating location, increases of about 5.76% if compared with previous year, and peak supply also increases from 200,891 KW in 2006 to 209,518 KW in 2007 or more go up 4.29%.

In line with the increasing of electric power request, request of fuel increases, such as gasoline from 242,229 thousand litre in 2006 going up to became 275,143 thousand litre in 2007. Diesel fuel also increases from 613,982 thousand litre in 2006 to 673,894 thousand litre in 2007. It is increasing about 9.76%, while kerosene also increases around 0.29% in the same period.

#### **b. Supporting of Economic Competence by Government**

As elaborated, one of the development programs by West Kalimantan government in order to develop of economic development in the region, particularly the border regions of West Kalimantan is development of economic in the five point districts are Aruk, Jagoi Babang, Entikong, Jasa, and Nanga Badau with the commodities which is economic competence in each these areas. For implementation this program, the West Kalimantan government involve and support on Sosek Malindo cooperation activities that has same aspiration and accordance with development of region in West Kalimantan.

The government involvement in the form of supporting of economic competence is necessary in order to facilitate the development activities and

positive impact on the implementation of development activities. There are some departments in the local government or West Kalimantan government in the field of economic development that involve and members in Sosek Malindo cooperation are Department of Trade and Industry, Regional Development Planning Agency, and Customs Department. These departments have been active to support any economic activities in Sosek Malindo cooperation until now.

Besides, the other departments in West Kalimantan government that have relation with the fields of activities of Sosek Malindo cooperation also involved, such as Department of Tourism, Education, Health, Forestry, Agriculture, transportation, and Department of Foreign Affairs (The documents of Sosek Malindo cooperation).

### **c. The Complementarities between the Regions**

Through in-depth interview and analysis of data, between West Kalimantan and Sarawak border regions was found the complementarities between these regions in developing the cooperative relationship in Sosek Malindo cooperation. The forms of this relationship are the complementarities each other the needs of communities within these regions, which covers of various fields, consist of activities export of many kinds of products of West Kalimantan to Sarawak, and to support the growth and development of those activities, Sarawak side involved as investor. This is described there is complementarities between these regions, where Sarawak side needs on that products of West Kalimantan while West Kalimantan side needs the investors

from Sarawak side, in order to support the export activities of West Kalimantan. The other, is providing the vehicle of transport for products export of West Kalimantan by Sarawak side, and providing public transportation (bus) by Sarawak side to West Kalimantan.

### **Conclusion**

Based on the descriptions above, thus it can be concluded that the answer for the fourth question of research questions in this study about what are the impacts of the cooperation and competition activities of Sosek Malindo cooperation on regional development in West Kalimantan region, is that the cooperation and competition activities of Sosek Malindo cooperation have a significant impacts or positive impacts on regional development in West Kalimantan region.

The positive impacts are that the programs or activities of partnership between public and private company of Indonesia-Malaysia, dealing under Sosek Malindo cooperation, could provide and supply the basic infrastructure needs of electricity and oil and gas to border region communities. Increasing mount electrics consumption as shown in Table 5.11 shows the improvement in prosperity and level of life the communities in West Kalimantan region, particularly in border regions, and in turn it will support economic development and improve the economic performance this Province.

Besides, the government involvement in the form of supporting of economic competence is necessary in order to facilitate the development activities and positive impact on the implementation of development activities.

Furthermore, the development of cooperative relationship in Sosek Malindo cooperation, in the form of the relationship activities complementarities in various fields between West Kalimantan and Sarawak regions, in order to share and provide the needs of communities within these regions, also positively impact is the fulfilment of the community's needs that will impact on improving the growth of socio-economic in both of regions, particularly West Kalimantan region.

**5. *Responses and the data findings on the other aspects of CBC in West Kalimantan region that might be different from the existing CBC.***

Through in-depth interview, observation and analysis of data were found the other aspects of rational foundations of Cross Border Cooperation (CBC), which have been applying in activities of Sosek Malindo cooperation in West Kalimantan region that differ from the existing CBC. The additional aspects consist of transportation, tourism, health, and forestry and environment. The additional aspects are listed below

**a. Transportation**

One of the other aspects for forming of cooperation that different from the rational foundations of CBC, which applies by Sosek Malindo cooperation, is transportation reason or indicator. This indicator meant that rationale foundations of cooperation developed for the purpose of providing transport facilities or for connection between West Kalimantan and Sarawak region are road, ocean and air transportations.

The forms of programs or activities of transportation cooperation that have been conducted under Sosek Malindo cooperation are listed below.

- a. Joint service of public passenger transportation by using the ship.

Between Sarawak and West Kalimanatan side have agreed to conduct joint service of public passenger transportation by using the ship, for route of Sematan (Sarawak)-Sintete (West Kalimantan). This joint will be compiled by standard operating procedure (SOP), therefore formed one small working team to handle that.

- b. Joint for development of Tebedu inland port (Sarawak side) in border regions between Sarawak and West Kalimantan which its passage gate of that border have been opened.
- c. Joint service of public passenger transportation by road transportation, by using the bus, for route of Kuching (Sarawak) to Pontianak (West Kalimantan).
- d. Joint operation of vehicle of container transportation passing border region, for route of cross border of Tebedu (Sarawak)-Entikong (West Kalimantan).
- e. Stipulating of new route that consist of opening of new border passage checkpoints that are border passage checkpoint of Nanga Badau (West Kalimantan)-Lubok Antu (Sarawak) and Aruk (West Kalimantan)-Biawak (Sarawak). Opening of this route is expected to earn more is improving of international trading and for improve prosperity of society especially in border regions, and stipulating of route plan

service of public passenger transportation for Singkawang (West Kalimantan)-Sematan (Sarawak) via border passage checkpoint of Aruk (West Kalimantan)-Biawak (Sarawak) and of Putussibau (West Kalimantan)-Sri (Sarawak) via border passage checkpoint of Nanga Badau (West Kalimantan)-Lubok Antu (Sarawak).

- f. Addition more for the vehicle of personal transportation of goods with capacities of maximal 2.500 KG. West Kalimantan side has proposed it equal to 5 units according to request of society to Sarawak side and Sarawak side has agreed, thus the amount of quota for it now is 30 units.
- g. Joint in development of the international bus station at Sungai Ambawang location (West Kalimantan).
- h. Joint in project of installation of traffic signs in West Kalimantan region.
- i. Joint in observation of security and safety of public transport using the road along side journey getting through the border regions or cross border regions of Sarawak and West Kalimantan.
- j. Joint in management reporting of accident of traffic by standard procedure reporting of accident of traffic entangling foreign vehicle and citizen to consulate, in expectation of its execution can give service of amenity in solving of problem.
- k. Addition more of vehicle of transportation of goods have capacities to 12.000 KG proposed by West Kalimantan side to Sarawak side to be

operated in region of West Kalimantan counted 10 units (amount of quota not more than 40 units).

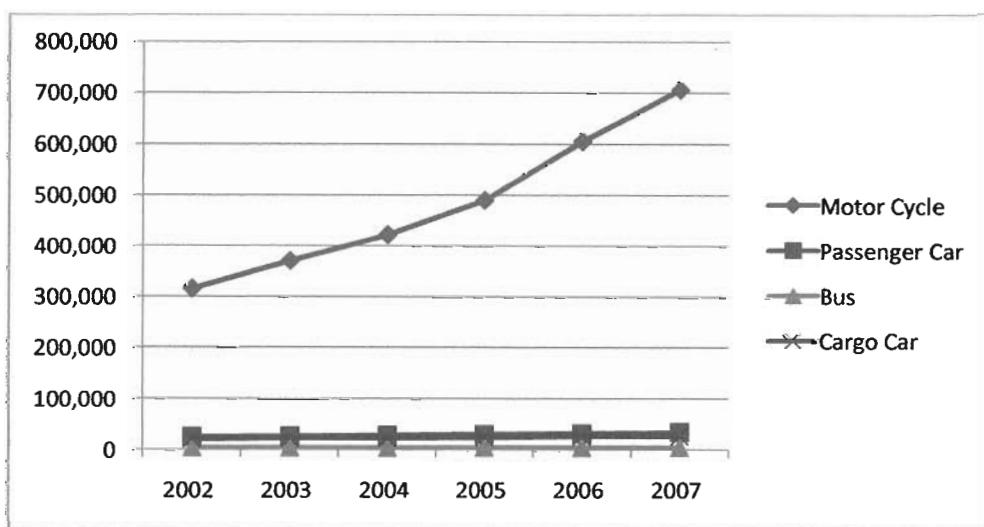
1. Joint handling of unloading of passenger and goods in the region across the border regions of Sarawak and West Kalimantan.
- m. Joint operational control of service of transportation of goods and passengers to orderly of traffic.
- n. Sarawak and West Kalimantan agreed to conduct joint in area of roadway safety by sharing information in order to improve the quality of implementation of the road safety programs.
- o. Joint roadway transportation among West Kalimantan, Sarawak and Brunei Darussalam. Intertwined of relation of joint among West Kalimantan, Sarawak and Brunei Darussalam indirectly have an effect on the opening of same relation between West Kalimantan and Sarawak with neighboring state of Brunei Darussalam.
- p. The plan for the levying of special transportation of fishery product of West Kalimantan to Sarawak by request of entrepreneurs of product fishery of West Kalimantan to Sarawak.
- q. The execution of adjustment of insurance premium tariff between Sarawak and West Kalimantan in order to absorb the increased value of claims on accident risk.

Besides, the research findings in this study also found the data findings that collected from secondary data, is the data of the number of vehicle in West Kalimantan will be presented in Table 5.13 and Figure 5.45 below.

Year	Motor Cycle	Passenger Car	Bus	Cargo Car	Total
2002	315,761	24,724	3,884	20,851	365,220
2003	370,403	25,903	4,078	22,470	422,854
2004	422,413	27,765	3,947	22,573	476,698
2005	490,063	29,522	4,259	24,414	548,258
2006	606,003	31,219	4,491	26,600	668,313
2007	706,214	33,950	4,985	26,894	774,043

*Source: Traffic Directorate of Regional Police of West Kalimantan*

**Table 5.13: Table of Number of Vehicle by Kind in West Kalimantan, 2008**



**Figure 5.45: A Graphic of Number of Vehicle by Kind in West Kalimantan, 2008**

Total motor vehicle noted at Traffic Directorate of Regional Police of West Kalimantan, in general increases from year to year. As shown in Table 5.13 above, in 2007 for example, noted by as much 774,043 vehicle from various type, though in 2006 is only noted by 668,313 vehicles, thus it increased about 15.82%. From the amount, motorcycle predominant type of existing motor with percentage about 91.23%.

#### **b. Tourism**

Further the other aspect for forming of cooperation that different from the rational foundations of CBC, which applies by Sosek Malindo cooperation, one of them is tourism reasons. The basis of for tourism aimed that cooperation have been rising in order for the promotion of tourism and culture region in both of West Kalimantan and Sarawak sides.

The programs or activities of tourism that conducted by Sosek Malindo cooperation are as followings.

- a. Joint tourism development and promotion between Sarawak and West Kalimantan, such as joint notice board and share information about tourism.
- b. Joint culture by share for information result of research of collection, bulletin, catalogue and others had by West Kalimantan and Sarawak museum, and performing a visit to museums and exhibitions, also conducting a staff attachment of Sarawak and West Kalimantan side.
- c. Joint Culture and arts, which the activities consist of, show theater of Sarawak in Pontianak, West Kalimantan, conduct the Borneo dialogue

for all Kalimantan, conducting the world harvest festival at Kuching, Sarawak (annual activities), conducting the Sarawak Regatta at Kuching, Sarawak (annual activities), conducting the Borneo cultural festival at Sibu, Sarawak (annual activities), conducting the culture festival at Pontianak, West Kalimantan (annual activities).

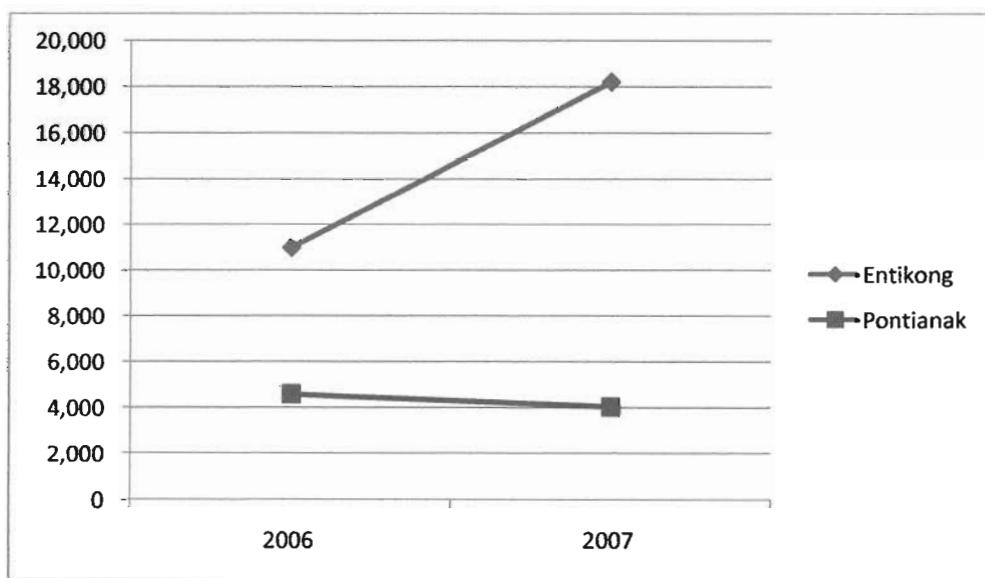
- d. Joint historical and cultural value by share of information and data, study tour, dialogues, discussions, joint researches regarding this joint.
- e. Joint to protection of antique goods or objects heritage in both of sides of West Kalimantan and Sarawak.
- f. Joint ecotourism region both of side border region are Taman Negara Batang Ai, Sarawak and Taman Nasional Betung Kerihun, West Kalimantan. By sharing information, inventory, research and package of ecotourism regions, training and developing of tour guide (adventure, special interest and nature), and prevention of actions ruining of park areas in both of regions.
- g. Joint development of student tourism between students from Sarawak and students from West Kalimantan.

Additional, the number of foreign tourists visited in West Kalimantan will be presented in Table 5.14 and Figure 5.46 below.

Year	Entikong	Pontianak	Total
2006	10,994	4,581	15,575
2007	18,212	4,035	23,247

*Source: Statistics of West Kalimantan, 2008*

**Table 5.14: Table of Number of Foreign Tourist Visited in West Kalimantan (Person), 2008**



**Figure 5.46: A Graphic of Number of Foreign Tourist Visited in West Kalimantan (Person), 2008**

The table in Table 5.14 and Figure 5.46 show an increasing number of foreign tourists visited in West Kalimantan. It can be seen from the total of foreign tourist visited to West Kalimantan, increases about 49.26%. In 2006 is

noted that the number of foreign tourist visited about 15,575 tourists then increased in 2007 about 23,247 tourists.

### **c. Health**

Besides, the other aspect for forming of cooperation that different from the rational foundations of CBC, which applies by Sosek Malindo cooperation, is health reasons. The rationale foundation of this cooperation developed for the purpose of health management between West Kalimantan and Sarawak regions.

The forms of the programs or activities of health under Sosek Malindo cooperation are listed below.

- a. Joint survey on contagion cases in both each regions especially in border regions of Sarawak and West Kalimantan. The cases such as malaria, diarrhea, cholera, TBC (Tuberculosis), HIV/ AIDS diseases still represent the problem in Sarawak and West Kalimantan regions.
- b. Sharing information concerning contagions for preventive actions between West Kalimantan and Sarawak region.
- c. Sharing information concerning contact person in charge on survey of contagion cases and observation of foods and pharmacy products/ pharmaceutical between West Kalimantan and Sarawak region.
- d. Collaborative preparedness plan of action on pandemic influenza between West Kalimantan and Sarawak region.
- e. Joint to analysis epidemiology plasmodium Knowles between West Kalimantan and Sarawak region.

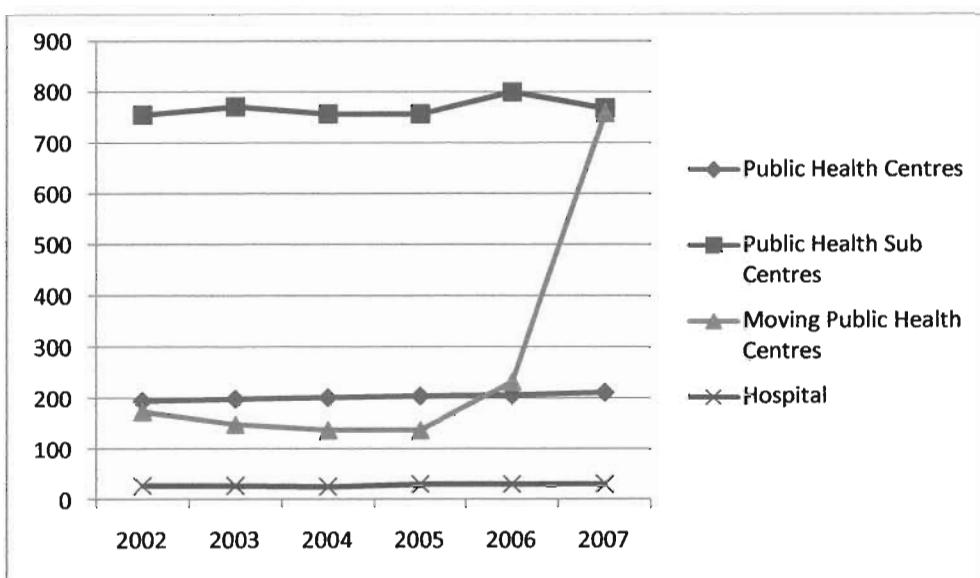
- f. Institution health of Sarawak provides facility for the delivery of materials of insecticide to West Kalimantan region.
- g. Joint in order to provide the facilities of health in Border Development Centre (BDC) areas, such as hospitals, clinics, etc.
- h. The technical contribution from Sarawak in execution of concept development of health city in Singkawang city, West Kalimantan.

In addition, in Table 5.15 and Figure 5.47 below is presented the table of the number of public health and hospital in West Kalimantan in period 2002-2007.

Year	Public Health Centres	Public Health Sub Centres	Moving Public Health Centres	Hospital
2002	194	755	173	27
2003	198	771	148	27
2004	201	757	137	25
2005	204	757	137	30
2006	206	800	232	30
2007	211	768	759	31

*Source: Health Regional Office of West Kalimantan, 2008*

**Table 5.15: Table of Number of Public Health in West Kalimantan, 2002-2007**



**Figure 5.47: A Graphic of Number of Public Health in West Kalimantan, 2002-2007**

Table 5.15 and Figure 5.47 show the increasing of number of public health and hospital year to year in West Kalimantan. The increasing of the number of public health and hospital occurred on all the kind of public health in this region, excepted for public health sub centres was decreasing about 4% in period 2006 to 2007.

#### **d. Forestry and the environment**

Finally, the last of other aspect for forming of cooperation that different from the rational foundations of CBC, which applies by Sosek Malindo cooperation, is forestry and the environment indicators. Rationale of the cooperation forestry and the environment is rationale foundations of cooperation in order to empowerment, development and restoration of forest commodities and the environment around both of the border region.

The forms of programs or activities of forestry and the environment under Sosek Malindo cooperation are listed below.

- a. Joint to handle forest fire and peat land in regions between West Kalimantan and Sarawak, particularly the border regions between these regions.
- b. Sharing information concerning the impact of the big project development on environment in West Kalimantan and Sarawak border regions.
- c. Joint development, management and conservation of turtle in Sambas (West Kalimantan) and Sematan, Lundu (Sarawak).
- d. Joint in improving coordinated patrol for the observation of fish resource and Biota Sea in West Kalimantan and Sarawak region.
- e. Joint in handling marine pollution effect of spill oil in border territorial of Paloh (West Kalimantan) and Sematan (Sarawak).

### 5.3 Summary

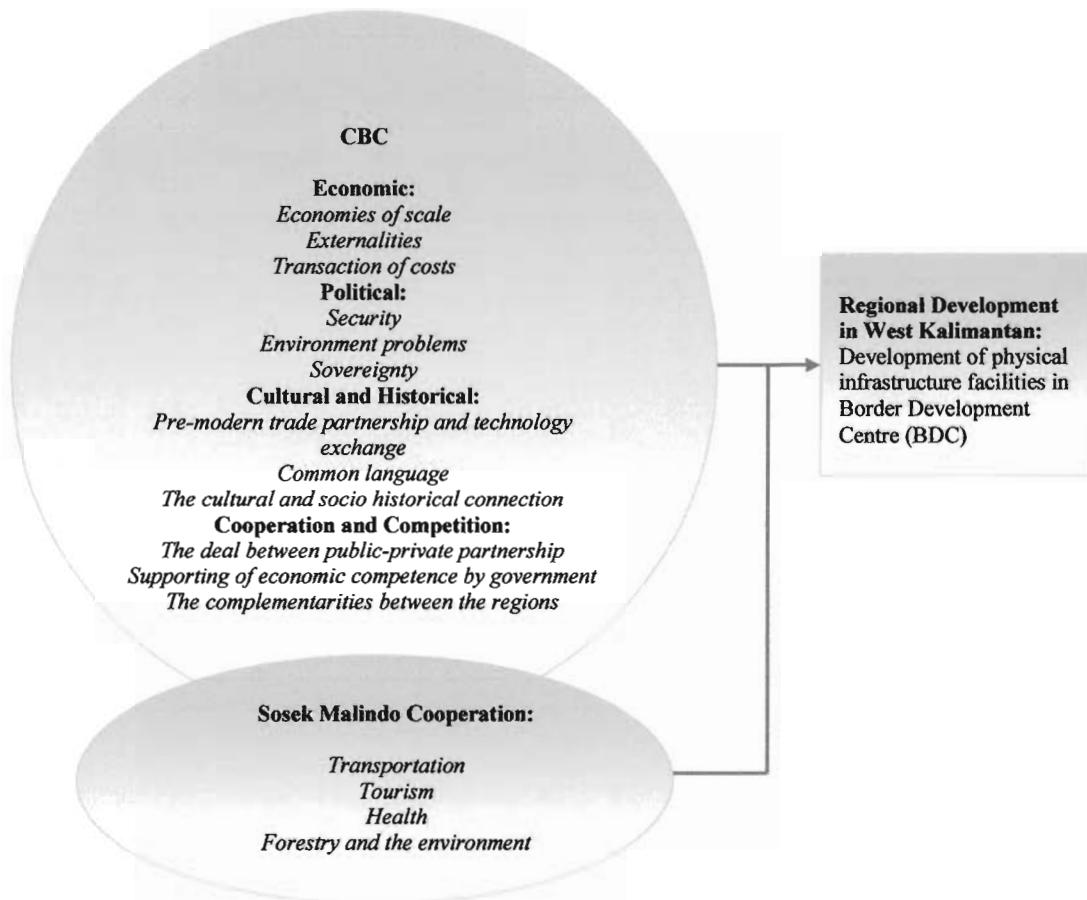
In order to reach harmonious and sustainable socio-economic development for the benefit of the adjacent both of side of Indonesia and Malaysia country, particularly in the border regions, hence built Cross Border Cooperation between this country that named Socio-economic Malaysia-Indonesia (Sosek Malindo) Cooperation.

The problem that faced in West Kalimantan region is the economic performance problem, such as the problem of income distribution, poverty and employment opportunities. Therefore, one of the economic development policies that implemented by the provincial government of West Kalimantan is to improve the economic performance, such as overcoming the worsened of income distribution, poverty and employment, through the development of border regions in this province. Thus, estimated the economic impact by direct and multiplier of the policy will be felt or will impact in all areas of the province.

One of the strategies of border region development in West Kalimantan by the government of this province is a development global conception (regional development in the context of globalisation), is to activities of the border region development with the involvement of neighbouring countries, Sarawak, Malaysia, that has border region directly on with this province and has a socio-economic cooperation before (Sosek Malindo cooperation). Therefore, this study attempts to analyze the development activities of this region which is utilizing

that cooperation or to identify the impacts of the cooperation with the development activities in this region to regional development.

Furthermore, this chapter have provided the result of the data findings and additional statistical findings of study in order to answer the research questions in this study and the answers for the research questions have presented in this chapter, based on the data findings from primary and secondary data. The results of the findings in this study are based on the rational foundations of CBC that consist of economic, political, cultural and historical, and cooperation and competition, includes the dimensions of all these indicators. The indicators that analyzed in this study can be summarized as diagram below.



## **Chapter 6**

### **Discussion**

#### **6.1 Introduction**

This chapter discusses the findings of the study and their implications, related with literatures which are the basis to support this study. This section will discuss the implications of the findings on the development of Cross Border Cooperation (CBC) in Indonesia, particularly in West Kalimantan region that associated with the regional development.

#### **6.2 Recapitulation of the Research Findings**

The main objective of the study was to analyze the impacts of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts of the activities, based on the rational foundations of CBC on regional development in West Kalimantan region. In addition, this study also aimed to find out other aspects of CBC in West Kalimantan region that might be different from the existing CBC.

The questions of the study is related to what are the impacts of the rational foundations of CBC, such as economic, political, cultural and historical, and cooperation and competition activities of Sosek Malindo cooperation on the regional development in West Kalimantan region. By study the activities of Sosek Malindo cooperation that applies the rational foundations of CBC, the impacts of these activities on regional development in West Kalimantan region may be known.

Further, the conceptual framework in this study was supported by the conceptual foundations, which shows that the impacts of rational foundations of CBC (consist of economic, political, cultural and historical, and cooperation and competition), is related to activities in Sosek Malindo cooperation to regional development in West Kalimantan.

The relationship is based on the conceptual foundations of this study, which mentions that CBC is a new strategy for regional development in the context of globalization, and in the development of CBC itself, the modern practices of rational foundations cover are economic, political, cultural and historical, and cooperation and competition reasons.

In general, the objectives of this study were assessed through the following the questions of the study: (1) to what extent the impacts of the economic activities of Sosek Malindo cooperation on the regional development in West Kalimantan region, (2) how do the impacts of the political activities of Sosek Malindo cooperation on the regional development in West Kalimantan region, (3) what are the impacts of the cultural and historical activities of Sosek Malindo cooperation on the regional development in West Kalimantan region, (4) in what way the impacts of the cooperation and competition activities of Sosek Malindo cooperation on the regional development in West Kalimantan region, and (5) what are the other aspects of CBC in West Kalimantan region that might be different from the existing CBC.

In general, the results of the findings shows that economic indicator that is one of rational foundations of CBC, has been applying in activities under Sosek

Malindo cooperation and had three dimensions namely the economies of scale, externalities, and transaction costs. Besides, the political indicator, the cultural and historical indicator, and cooperation and competition indicator with their dimensions also have been applying in activities under this cooperation.

The findings of the questions of the study analyzing are listed below.

- (1) Question 1 that posited economic activities of Sosek Malindo cooperation to have a significant impacts or positive impacts on regional development in West Kalimantan region.
- (2) Question 2 that posited political activities of Sosek Malindo cooperation to have a significant impacts or positive impacts on regional development in West Kalimantan region.
- (3) Question 3 that posited cultural and historical activities of Sosek Malindo cooperation to have a significant impacts or positive impacts on regional development in West Kalimantan region.
- (4) Question 4 that posited cooperation and competitive activities of Sosek Malindo cooperation to have a significant impacts or positive impacts on regional development in West Kalimantan region.
- (5) Question 5 that there are four (4) other aspects of CBC in West Kalimantan region that might be different from the existing CBC are transportation, tourism, health, construction, and forestry and environment.

### 6.3 Discussion of Findings

This study attempts to describe a Cross Border Cooperation (CBC) in Indonesia, particularly in West Kalimantan, Indonesia region that has border region and cooperation with Sarawak, Malaysia region. Furthermore, this study attempts to identify the impacts of that cooperation based on the rationale foundations of CBC and find out other aspects or rationale foundations of CBC, which might be different from the existing CBC.

As study of the dynamics of borderland or border regions interaction (Enokido, 2007; Friedmann, 1996; Eskelin et al., 1999; and Martinez, 1994), because there are development activities that conducted in West Kalimantan border region, therefore the development activities of CBC like Sosek Malindo cooperation also accordance with the models of borderlands interaction as presented by Martinez (1994). One of the models that consistence with this is integrated borderlands (economic and social complementarities prompt increased cross border integration), where the social and economic activities of the people that cross or pass to border regions between West Kalimantan and Sarawak were connected because of complementary each other, in social and economic activities.

In social activities, the complementarities between communities of these regions are the pre-modern trade partnership and technology exchanges, common languages, also the cultural and socio-historical connection. While for economic activities are activities of export-import and investment, in order to encourage increasing cross-border integration. These social and economic activities also

consistent with Hansen (1977) which articulates that border regions are sub-national areas whose economic and social lives are directly and significantly affected by proximity to an international boundary.

Besides, in study about cross border region, despite after the border related barriers are removed, border region can substantially benefit from the cross border trade and cooperation in term of goods, capital, technology, information, etc. The border regions in West Kalimantan are as a function of filter or barrier. In fact, many activities or transaction take place or occurred in these border regions that pass or cross to Sarawak border regions, such as flow of people (labor), goods, investment, and even crimes as smuggling of logs (illegal logging) and natural resources, illegal mining, and trafficking. Therefore, the development strategies that used by local government of West Kalimantan in implementation of border as filter, one of them is security approach to control any activities or transaction.

Besides, the borders also function as a protecting and imprisoning the area of West Kalimantan, where the borders denoting the adjacent areas which line a boundary or a line of physical contact with Sarawak, Malaysia. The other function of border is that, it as the areas of opportunity, where it enables people to take economic advantages through economic activities and the development of social activities, and/or insecurity is crimes or all actions that threaten the sovereignty of regions from neighboring country, as described earlier.

Furthermore, it is the zones of contact a/ or conflict, where there are problems of assertion the boundaries between Indonesia and Malaysia in the border regions of West Kalimantan and Sarawak, and also it is areas of

cooperation and/or competition is Socio-economic Malaysia-Indonesia (Sosek Malindo) cooperation, that will be discussed further. Whatever, the point of the functions of the border regions in West Kalimantan region, as the natural dynamic or border interaction intended to increase the social and economic welfare of community in border regions of this Province.

As mentioned by Enokido (2007) that cross border region represents a new geographical units of governance, where various places in the world vis-à-vis the rise of globalization as well as new political, economic, and cultural actors in border regions, and the formation of various cross border functional networks. Similarly, in the development border regions in West Kalimantan, that denotes the dynamics of border regions interaction, based on the function of border regions interaction is functionally opened or openness, also on the face of globalization. As the border regions that developed to cross to region of neighbor country, Sarawak (Malaysia), the border regions in West Kalimantan also represent a new geographical units of governance this region.

From the view point of regional planning or a perspective of regional development, it is fundamental to observe that networks provide a central mechanism and impetus for building Cross Border Cooperation (CBC). Thus networking (the building of linkages) is an urgent task for region based actors who are involved in CBC.

Based on regional planning or development through cross border region, CBC is a new strategy for regional development in the context of globalization, proliferation of CBC is identified by researchers (Enokido, 2007; Parkmann,

2003; and Martinez, 1994) as a manifestation of a new type of regionalism, where in the development of CBC itself, the modern practices of rational foundations cover economic, political, cultural and historical, and cooperation and competition reasons.

Based on this, the regional development in West Kalimantan region, particularly border regions developments have been promoted as a mechanism for decentralization and as additional is stimulant for cross border development by Cross Border Cooperation (CBC) with neighboring countries. One of the CBC that have been conducting by local government of West Kalimantan and supported by central government of Indonesia Republic, is Socio-economic cooperation between Indonesia and Malaysia, Sosek Malindo cooperation. It is essential that even though border region development is initiated by the central government, local government of West Kalimantan must develop the international ties and have some devolution of power from the central government.

Through the development of regions and globalization, the objective of Sosek Malindo was developed with the pattern of prosperity approach without disregard factors of security (political context), and through the development of social and economic to take advantage by the activities that conducted under this cooperation.

Beside to take advantage, in order to regional development in Indonesia and Malaysia region, then Sosek Malindo cooperation is formed. As mentioned before, Sosek Malindo cooperation has been established with an objective to spark regional development, where border region is a priority. Most importantly, Sosek

Malindo is expected to increase the social-economic prosperity and quality of life in the regions society between Indonesia and Malaysia, particularly in border regions society, through social and economic development strategies.

In the context of the regional development of West Kalimantan region, the function of CBC by Sosek Malindo cooperation is consistent with the regional development from West Kalimantan government, particularly development in border regions, cross to border regions of neighbor country, Sarawak (Malaysia). This finding is consistent with study by Keating (1997a) that suggests that the nature of the CBC is a reterritorialization of economic, political, and governmental activity.

Besides, CBC itself represents the emergence of a new level planning, which conducted beyond national boundaries. As CBC between Indonesia and Malaysia, the governments both of these countries have established a formal organization of cooperation to expand the cross border relationship. One of the formal organizations of cooperative relationship between the Indonesia (West Kalimantan province) and Malaysia (Sarawak) is the Malaysia-Indonesia Socio-economic (Sosek Malindo) Cooperation.

The Sosek Malindo cooperation is an international relationship desirous of further improving and strengthening the existing relation and cooperation between the two countries. The Sosek Malindo cooperation is known for improving the facilities to be accorded to citizens of both countries living respectively within the Indonesia regions and Malaysian. In this case the regions are the regions between West Kalimantan and Sarawak region, particularly in border regions. Therefore,

the function of CBC as Sosek Malindo cooperation is important role to regional socio-economic development in West Kalimantan that has a strategic value as a border region between two countries. This value is significant to the social and economic cooperation of sub-regional like Sosek Malindo cooperation, and this cooperation accordance with the spatial plan provision of National and regional regulations of Indonesian government to regional development of West Kalimantan, where the issues and problems of coordination development of special area like West Kalimantan border regions become progressively complex and need more improvement to its performance of integrity, because of changes in various fields over the globalization.

Additional, the spatial plan for development in West Kalimantan, the concept of its operation require for a design to promote competitiveness, compatibility and complementarities with Sarawak, Malaysia, therefore the cooperation as Sosek Malindo is important role to support implementation of this plan.

The rational foundations of CBC (economic, political, cultural and historical, and cooperation and competition reasons) have been applying on Sosek Malindo cooperation on the main grounds set by CBC until today. Therefore, the impacts of rational foundations of CBC by socio-economic Malaysia-Indonesia (sosek Malindo) cooperation on developments or conditions in West Kalimantan will be discussed as well in this chapter, in order to overview and achieve the objectives of the study.

### **6.3.1 The Impacts of the Economic Activities of Sosek Malindo Cooperation on the Regional Development in West Kalimantan Region**

Through analysis of data and results of the findings in this study were found that the economic indicators that are one of the rational foundations of CBC, are being a basic rational of Sosek Malindo cooperation and have been applying in this cooperation. This indicator is developed in order to increase economic activities in both of countries are Indonesia and Malaysia region. In this study is to increase economic activities in West Kalimantan region, particularly in border regions that adjacent directly on with Sarawak, Malaysia to economically advantageous.

The economic reasons that are the main rational foundations formed the Sosek Malindo cooperation are consistence with the previous studies (Enokido, 2007; Bramanti, 1993; Perkmann, 1999; Clement et al., 1999; and Cappelin, 1993) that state that economic reason or opportunity is primary reason for creating cross border cooperation, although goodwill cannot be ignored in its importance in the first stage of CBC.

In this study, a measurement for economic indicators has been designed. This study has used the basic concepts that explain CBC by Clement et al. (1999) to analyze economic indicator. There are three basic concepts that explain cross border cooperation (CBC) to analyze economic reasons or indicators that represent the rational foundations of CBC, under activities of Sosek Malindo cooperation in West Kalimantan region. The dimensions of the economic indicators in this study are the economies of scale, externalities, and transaction costs.

Analysis of the data and findings of this study is described, that the activities of economies of scale that conducted under Sosek Malindo cooperation and West Kalimantan government are the activities of physical infrastructure facilities development in the five entry points of the border regions in West Kalimantan Districts, namely Border Development Centre (BDC). The five districts cover of Aruk, Jagoi Babang, Entikong, Jasa, and Nanga Badau District. This finding is consistent with the previous study by Clement et al. (1999) that highlights the economies of scale in cross border regions are supported by creation of the physical infrastructure facilities.

Furthermore, this study also found that the economic activities of Sosek Malindo cooperation by the creations or the developments of physical infrastructure facilities that represent by the dimensions of economies scale in this study, have been brought a good change toward or positive impacts on regional development in West Kalimantan region, particularly in border regions of this region.

Also for the dimensions of externalities and transaction costs, also based on the results of the findings in this study, have positive impacts on regional development in West Kalimantan region, particularly in border regions. The externalities (positive and negative) are also a part of dimensions of the economic indicators (Clement et al., 1999), and likely to be brought about by the provision of those infrastructures, in the activities that conducted by Sosek Malindo cooperation has the benefit to regional development of border regions on both of sides (positive externalities) and has not the negative externalities.

Meanwhile, for the dimension of transaction costs were also found there are many asymmetries and complementarities in economic activities between these regions that have been brought the good changes toward on regional development in West Kalimantan region, particularly in border regions. This is consistence with previous studies (Clement et al., 1999 and Sobrepena, 1994), which conclude that anything that increases economic activity on one side of the border can result in some increased activity on the other through a variety of cross border flows that arise because of the many asymmetries and complementarities between the regions.

Besides, in additional of statistical findings, the positive impacts found by this study provides empirical evidences of economic performance improvement in West Kalimantan Province could be seen from changes in economic condition of this Province from year to year after the implementation of regional development in this Province. It could be seen through the main indicators of economic performance in this Province. The changes are; there are increases in Gross Domestic Product (GDP), the poverty level has been decreasing, and also decreasing of unemployment relatively. This particular findings support previous studies (Suratman, 2004; Maneepong and Wu, 2004; Habibullah and Affizzah, 2005; Fan, 2004; Evans, 2000; and Hughes and Holland, 1994) that found that the development policy, and economic development and growth of border region or frontier could improve the economic performance.

The overview above reflects and indicates of the evidences of the positive impacts of economic activities that conducted by Sosek Malindo cooperation on

regional development in West Kalimantan region, because Cross Border Cooperation (CBC) like Sosek Malindo cooperation has the potential to stimulate a greater level of economic growth. Besides, multiplier effect of economic activities of CBC on nearby regions will also occur, such as job generation, higher wages and house hold income, better education, and more welfare assistance.

These findings are consistent with previous studies (Misra and Honjo, 1981 and Berry, 1973) where the model of regional development for the developing countries includes economic growth, better environment, better quality of life, and increasing income (and thus hopefully alleviating poverty) of the rural people.

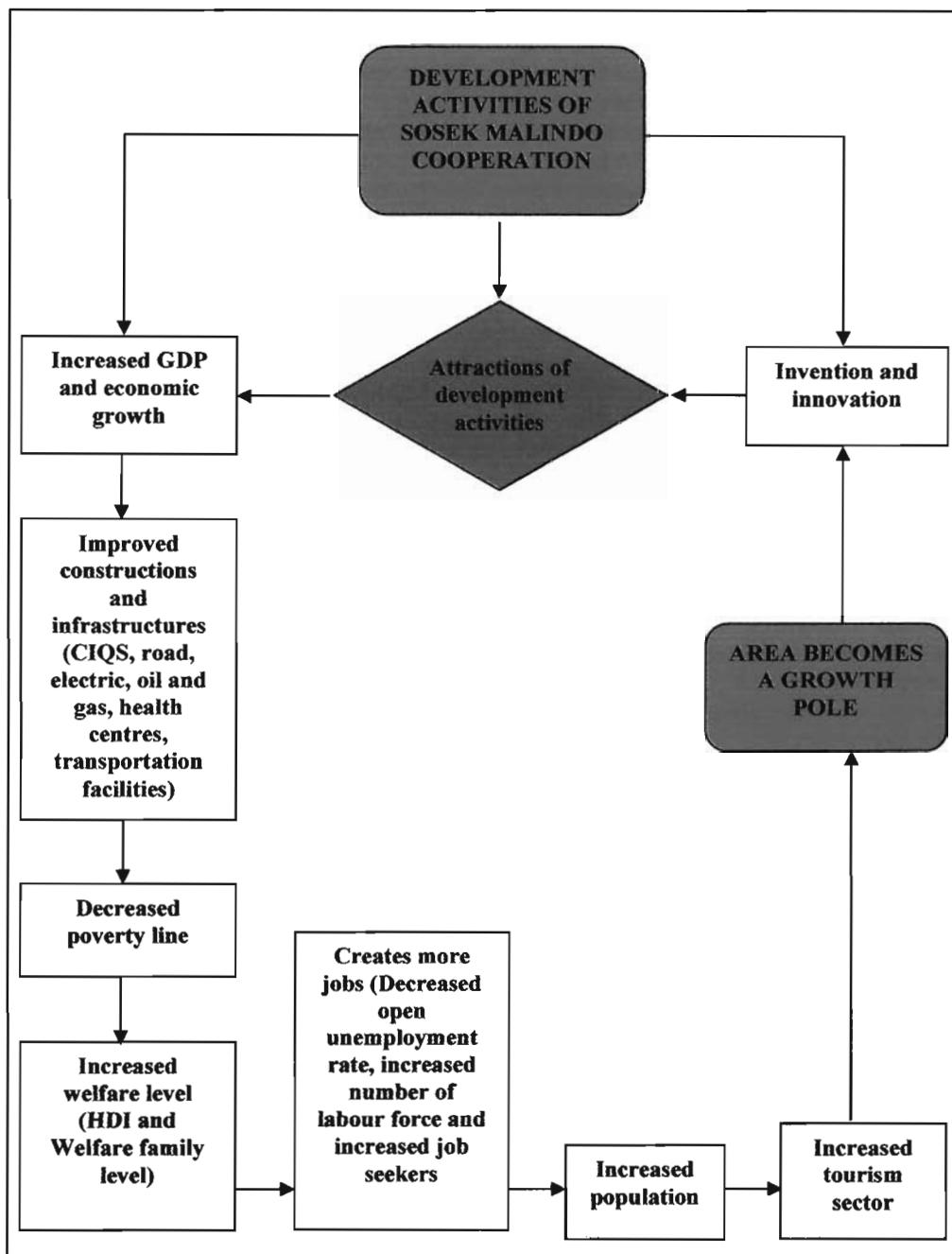
Furthermore, the benefits of arrangements of growth areas or regions have been achieved, as the activities of physical infrastructure facilities development, like program of Border Development Central (BDC) in the five entry points of border regions in West Kalimantan, under activities of Sosek Malindo cooperation together with West Kalimantan government, include attractiveness to local or foreign investments to this region particularly to border regions.

Beside consistent with the previous studies, the positive impacts of concepts the economic development activities in the border regions of West Kalimantan, also consistent with the core-periphery theory that base on the notion that as one region or state expands in economic prosperity; it must engulf regions nearby to ensure ongoing economic and political success. Meanwhile, cores and peripheries may be towns, cities, states, or nations (Hughes and Holland, 1994).

In this study as region in area of West Kalimantan Province, the border regions with low growth in area this Province becomes known as the periphery and the capital City and other areas in this Province are the core. As periphery area, the improvement of economic performance through the economic development activities, by direct and multiplier will be felt and will impact in core area and all areas of this Province.

Through this multiplier effect, an area or region can develop as a growth pole, as described by Hughes and Holland (1994). The expansion or development of area in border regions through economic development activities could creates more jobs, especially in construction and infrastructure and increase of income, increased population and greater local wealth, etc.

Through this multiplier effect, the border regions in West Kalimantan can be developed as a growth pole, as illustrated in the diagram of Core-periphery model spread effects by Hughes and Holland (1994). The diagram of Core-periphery model spread effects of development activities in border regions of West Kalimantan illustrated in Figure 6.10.



**Figure 6.48: A Diagram of Core-periphery Model Spread Effects of Border Regions in West Kalimantan**

Figure 6.10 shows the multiplier effect of development activities that conducted by Sosek Malindo cooperation in border regions to regional development in West Kalimantan. This study found the evidences of the positive impacts from the multiplier effect of economic development activities in periphery of border regions in this Province to regional development in core region and all areas in this Province, which based on Core-periphery model spread effects. This could be seen and described in statistical findings that show the improving economic performance of this Province from the worsened of economic performance that caused of economic crisis that faced in this Province and increasing of the socio-economic prosperity and level of life the community in West Kalimantan region, particularly in border region.

The evidences of economic performance improvement in West Kalimantan and all areas in this Province that be known as the core area, spread effects from the expansion or economic development under activities of Sosek Malindo cooperation in border regions as the periphery area, could be seen from the changes in economic condition of this Province by statistical from year to year, through the main indicators of economic performance in this Province.

The changes in economic condition include the increases in Gross Domestic Product (GDP), the poverty level has been decreasing and also decreasing of unemployment relatively, as presented in additional statistical findings. Through the increasing of GDP in this Province could be seen and described that improvement in economic condition and increasing of economic growth as shown in Figure 6.10.

Meanwhile, there are decreasing of the poverty level in national and local level and the increasing of welfare level (Human Development Index and welfare family) in this Province. It could be described that is occurred the improvement of welfare level, spread effects from the economic development activities in areas of periphery in this Province.

The data of employment in this Province shows that the open unemployment rate has decreased and the number of labor force increased. This can be described as the spread effects of economic development activities in periphery area which create more jobs. Besides, the data of employment shows that the increasing number of job seekers in this Province represent one of the consequence impacts from the economic development activities in periphery area.

In additional, through the additional statistical findings in this study, the increasing number of population growth in periphery areas in this Province that could be described as shown by core-periphery model that increased population (immigration), spread effects of expansion or economic development activities in periphery area. Also improved constructions and infrastructure facilities such as development of CIQS, check points, roads, and economic activities in border regions of this Province.

### **6.3.2 The Impacts of the Political Activities of Sosek Malindo Cooperation on the regional Development in West Kalimantan Region**

As the economic indicators, through analysis of data and results of the findings of the study were found that the political indicators also are being one of the rational foundations of Sosek Malindo cooperation. These findings are consistent with the previous studies (Keating, 1997a; Eskelinen, 1999; Jiang, 1997; and Shin, 1988) that mention that the emergence of CBC in many parts of the world is affected by the reconstruction of borders caused by the shift from the dichotomic world of political power and the nature of the CBC beside a reterritorialization of economic, also political and governmental activity. The political activities under Sosek Malindo cooperation and West Kalimantan government have been providing a political equilibrium on regional development in West Kalimantan region that has border region with Sarawak, Malaysia.

Further, as the economic impacts, the impacts of political activities that conducted by Sosek Malindo cooperation on regional development in West Kalimantan have positive impacts, because the evidences through analysis of data and results of the findings of the study were found that activities of the dimensions of political indicator that conducted by this cooperation, have been reflecting or indicating the positive impacts on the regional development in West Kalimantan region, particularly in border regions. The political reasons are meant that cooperation is contributed to provide a political for both of sides of West Kalimantan and Sarawak regions under activities of Sosek Malindo cooperation.

The evidences political problems or conflicts around border regions of West Kalimantan that adjacent directly on with neighboring country, Sarawak,

Malaysia, which found in this study, consist of the problems of security, environmental, and sovereignty. Therefore, the main reason of forming of Sosek Malindo cooperation was to political reasons about security and sovereignty. These evidences are consistent with the study by Enokido (2007), where in the different parts of the world new tensions are being developed between nation states and ethnic territories which claim their own national sovereignty, and related with the cross border cooperation between Indonesia and Malaysia, the West Kalimantan region that adjacent directly on with Sarawak, Malaysia region, may causes political conflict between these regions. Through this cooperation, the political problems above could be discussed and handled together between West Kalimantan and Sarawak sides and reached for security, solve environmental problems and crime, and defense national sovereignty on West Kalimantan border regions.

As mentioned, many activities or transaction take place or occurred in these border regions that pass or cross to Sarawak border regions, such as flow of people (labor), goods, investment, and even crimes as smuggling of logs (illegal logging) and natural resources, illegal mining, and trafficking. Therefore, the development strategies that used by local government of West Kalimantan in implementation of border as filter, one of them is security approach to control any activities or transaction. The activities of control in security approach are realized in the form of check points or CIQS (Custom, Insurance, Quarantine and Security) on the movement of people and goods as described. This is consistent with the previous studies (Ratti, 1993 and Clement et al., 1999). Model by Ratti (1993)

includes another type of border effects between border as barrier and open border, the effects of border as filter, and similar to interdependent borderlands. Border as filter means that the border mediates discrimination between a number of political and economic systems. In other words, it facilitates segregated flows of labor, investment, goods and even crimes between regions divided by the boundary, taking advantage of differences in two types of revenues available in each border. Meanwhile Clement et al. (1999) found that boundary of the state not in the form of lines but in the form of check points (on the movement of people and goods).

Furthermore, in relation to discuss about prototypical models of border by Anderson and O' Dowd, 1999), accordingly the borders in West Kalimantan region were appeared also inherently contradictory, problematical and multifaceted. They are at once gateways and barriers to the 'outside world'. The borders in West Kalimantan region were appeared because it has border region directly on or adjacent with Sarawak, Malaysia where any social and economic activities have been growing and developing across this border, and also it as barriers to the neighbor country in order to security.

Meanwhile, consistent with the previous studies (Clement et al., 1999; Sobrepena, 1994; Hocking, 1999; Scott, 1999; Keating, 1998, Le Palombara, 1998; Alger, 1999; and Ho, 1999) inter sub-national regional relation building for economic development is a top priority of sub-national diplomacy. It does not deal only with economic issues but with much wider regional issues such as environmental problems and crime that can only be solved by CBC with involve the government as the maker of policy and other agencies. Therefore, the political

activities also the basis of formed this cooperation that involve the governments of Indonesia and Malaysia to deal with the ongoing and immediate problems of the border regions.

Finally, the positive impacts of political activities of Sosek Malindo in border regions of West Kalimantan, that have provided the political equilibrium by direct and multiplier will impact in all areas of this Province, are solves the problems of security, environmental, and sovereignty in this region, and this positive impacts also could be described that this is consistent with the model of Core-periphery theory, when this model converted to political activities to ensure ongoing political success (Hughes and Holland, 1994), where the political development activities under this cooperation in periphery areas in this Province, could spread effects to the political equilibrium in all areas and core area of this Province.

### **6.3.3 The Impacts of the Cultural and Historical Activities of Sosek Malindo Cooperation on the Regional Development in West Kalimantan Region**

The cultural and historical factors also can play significant roles in development of the cooperation, besides the development of economic and political and influence of cultural factors on CBC building (Enokido, 2007; Hsing, 1998; Sobrepena, 1994; and Aykac, 1994). Also in the rational foundations of Seseck Malindo cooperation was including the cultural and historical factors as the reasons or the indicators of founding of this cooperation.

The reason for cultural and historical factors that consist of the dimension of pre-modern trade partnerships and technology exchanges, or common

languages and religions as mentioned of the researcher earlier above, caused for building cooperative economic and political relationships is difficult without high level mutual trust among the participants, and it is the part of the cultural and historical factors. Also, establishment of Sosek Malindo cooperation is based on cultural and historical factors.

Pre-modern trade partnerships and technology exchanges, common languages, and cultural and socio-historical connections activities that are the dimensions of the cultural and historical indicators and conducted in activities of Sosek Malindo cooperation, indicated the positive impacts on regional developments in West Kalimantan region, particularly in border regions. These findings support the previous studies (Enokido, 2007; Hsing, 1998 and Sobrepena, 1994), which found that pre-modern trade partnerships and technology exchanges, common languages, and cultural and socio-historical connection, also strong cultural affinities are one of factors that could contribute to the success of the cooperation.

Strong cultural affinities, similarities in language and cultural backgrounds can foster mutual understanding and close business relationships among the growth area's population. In this case is cooperation of Sosek Malindo in the growth area's population of people or community in West Kalimantan region, particularly in border regions.

Under Sosek Malindo cooperation, the dimensions of the cultural and historical indicators have been supporting and developing more, in order to tightening relationships between people in West Kalimantan and Sarawak regions,

because they have similar of cultural and socio-historical connections. Thus, based on the evidences that mentioned above, the activities of these indicators by Sosek Malindo cooperation have significant or positive impacts on regional developments in West Kalimantan region, particularly in border regions.

The result of these findings is consistence with the opinions of researchers earlier about concepts in CBC. In the development of economic and political ties between regions on both sides of a boundary, cultural factors such as pre-modern trade partnerships and technology exchanges or common languages and religions can play significant. In particular, the contribution of cultural and linguistic affinity as well as ethnicity to the formation of CBC is discussed by researchers. For example, the formation of cross strait economic ties between Taiwanese investors and Chinese enterprises and local officials, a cultural linguistic affinity and socio-historical connections have facilitated a smoother and faster process of cross border capital flows.

Besides, concluded that cultural factors are associated with the historical exchange of people, goods, ideas, etc. between border regions and thus retrospective considerations tend to be raised. An important task for border regions involved in CBC is to take advantage of existing cultural ties between them and to nurture a new culture of cooperation.

Finally, the positive impacts are through the cultural and historical activities under Sosek Malindo cooperation, it could be tighter pre-modern trade partnerships and occurrence technology exchanges in various fields between these

regions, and cultural and socio historical connection, which will contribute and support the development activities in both of these regions.

#### **6.3.4 The Impacts of the Cooperation and Competition activities of Sosek Malindo Cooperation on the Regional Developments in West Kalimantan Region**

The cooperation and competition is also one of indicators in CBC that is the rationale foundations (Enokido, 2007; Keating, 1998; Bramanti, 1993; and Wu, 1998). This indicator is also a basic of rational foundations of Sosek Malindo cooperation and has been applying in this cooperation. The rational foundation is cooperation and competition that also conducted in activities of Sosek Malindo cooperation. It is likely that tightening cooperative relationships with regional counterparts will increase the level of competition among them in various fields. The competition itself is not necessarily unproductive but when it happens between regions with considerable economic gaps, cooperative relations can become difficult to build. In other words, when actions for CBC are seen to be not genuine by actors, CBC will lose its impetus (Enokido, 2007).

Based on the previous studies (Bramanti, 1993; Keating, 1998; and Wu, 1998), which suggest that the potential of cooperation and competition is evaluated through the analysis of stakeholders, are public and private partnership. This study found that the success of cooperation and competition is dependent on complementarities between regions across the border region. Therefore, the dimensions that involved in the cooperation and competition indicators that conducted by Sosek Malindo cooperation in this study, are the deal between public-private partnerships and the complementarities between the regions.

The form of these partnerships are the deal between public-private partnerships that conducted by this cooperation is the deal of partnership between State Electricity Company of Indonesia (PLN) and Sarawak Electricity Supply Corporation (SESCO), in order to joint to supply electricity to border regions of West Kalimantan and Sarawak. The other, the deal of partnership between State Oil Company of Indonesia (PERTAMINA) and State Oil and Gas Company of Malaysia (PETRONAS), in order to supply oil and gas to people or communities in West Kalimantan and Sarawak regions.

The activities of partnerships above reflected the positive impacts of Sosek Malindo cooperation on regional development in West Kalimantan region, because could provide and supply the basic infrastructure needs of electricity and oil and gas to border region communities. Increasing mount electrics consumption that shown in statistical findings in this study reflected the improvement in prosperity and level of life the communities in West Kalimantan region, particularly in border regions, and in turn it will support economic development and improve the economic performance this Province.

The concept of cooperation and competition in the form of private-public partnership is in accordance with the type of network is private-public partnership in the concept of a cooperative and competition. The significance of private-public partnership as a way adopted by private subjects in helping and supporting public actions. Besides, cooperation is most likely in areas such as infrastructure and environmental policy between neighboring regions but those regions tend to be competitors in matters of economic development. Furthermore, the activities

above is in order to provide the physical infrastructures are supply electricity and oil that the needs of people or communities both of sides.

The other dimension that involved in the cooperation and competition indicators is the complementarities between the regions. The form of cooperation and competition that are conducted by Sosek Malindo cooperation include exporting activities in various kinds of products of West Kalimantan to Sarawak region. In order to support the growth and development those activities, Sarawak side involved as investor. Through these activities are reflected the complementarities between these regions, and through these activities, West Kalimantan side is benefited from the outcome in the activities of export and investment. As the success of economic development on the southern coastal border regions of China, it was also dependent on complementarities between regions across the border.

Besides, the government involvement in the form of supporting of economic competence is necessary in order to facilitate the development activities and positive impact on the implementation of development activities. Furthermore, the development of cooperative relationship in Sosek Malindo cooperation, in the form of the relationship activities complementarities in various fields between West Kalimantan and Sarawak regions, in order to share and provide the needs of communities within these regions, also positively impact is the fulfillment of the community's needs that will impact on improving the growth of socio-economic in both of regions, particularly West Kalimantan region.

These findings beside consistent and support the previous studies that mention earlier, also consistent with the model of Core-periphery theory that the impacts of cooperation and competition activities in periphery areas in West Kalimantan region, will multiplier effect to all areas and core area in this Province.

### **6.3.5 The Other Aspects of CBC in West Kalimantan Region that Differ from the Existing CBC**

CBC has been strongly affected by the historical and political context of each border region and thus the objectives of each CBC vary. Also the rational foundations of Sosek Malindo cooperation based on some reasons that might be different with the existing other CBC, because the reason for creating CBC is built in a variety of situations. Each CBC is built in different political and economic systems and cultural backgrounds in each border regions, thus the process and mechanisms of CBC vary and also the objectives of each CBC vary.

In the implementation, activities of Sosek Malindo cooperation beside based on the rational foundations of CBC such as economic, political, cultural and historical, and cooperation and competition reasons, that are discussed, also based on the other aspects or the other rational foundations that have been conducting or applying in activities of this cooperation within Indonesia and Malaysia region.

Therefore, there are other aspects of rational foundations of Cross Border Cooperation (CBC) that have been applying in activities of Sosek Malindo cooperation within Indonesia and Malaysia. In this case, those have been applying in West Kalimantan and Sarawak region that differ from the existing CBC and

impact on regional development in West Kalimantan region, particularly in border regions.

The other aspects of rational foundations of Sosek Malindo cooperation between West Kalimantan and Sarawak region consist of transportation, tourism, health, and forestry and environment sectors. Those other aspects are discussed and listed below.

#### **a. Transportation**

The rational foundations of Sosek Malindo cooperation between West Kalimantan and Sarawak region, which based on transportation sector is meant that activities of cooperation developed in order to providing transport facilities within these region and any facilities transport that support for cooperation activities between these region.

There are many activities of transportation cooperation that conducted by Sosek Malindo cooperation between West Kalimantan and Sarawak region that reflect the positive impacts on regional development in West Kalimantan region, particularly in border regions. As the land transport problem that is faced Thailand country to cross to neighboring country, Laos that cause high transport cost and decreases the competitive opportunities of Thai goods in Laos. Therefore, the development of transportation is important and need to be a concern or attention in the development of regional.

The developments of transportation cooperation that conducted by Sosek Malindo cooperation between West Kalimantan and Sarawak region have been strongly impacts on the improvement infrastructure facilities of transportation in

West Kalimantan region, especially border region. The evidence is shown through the statistical findings that noted occurred the increasing of vehicle number in West Kalimantan.

The joint activities of transportation facilities by land, air and ocean between these regions have been opened the way to cross to neighboring country, for trade linking between West Kalimantan and Sarawak region, and to promote economic corridor for accelerate the transnational movement of goods, services, finance, people, and information and technology exchange within the corridor, and in its surrounding areas or regions, also cross border regions to neighboring countries. Further, this in turn would promote wider opportunities for the West Kalimantan region to develop or to regional development in this region.

#### **b. Tourism**

Besides, the other rational foundations of Sosek Malindo cooperation between West Kalimantan and Sarawak region are cooperation in tourism sector. The tourism cooperation aimed to promotion of tourism and culture region in both of sides of West Kalimantan and Sarawak region.

Through analysis of data and results of the findings in this study were found many activities of tourism cooperation between these regions that have conducted by Sosek Malindo cooperation, and these activities have reflected the positive impact to regional development in West Kalimantan region.

The tourism activities that encouraged by Sosek Malindo cooperation have been giving benefit or profitable for the development of tourism sector in West Kalimantan region, especially for promotion and introduce the tourism and culture

region in West Kalimantan to international tourists like Sarawak, Malaysia tourist that the region has border region directly.

For domestic tourists, the West Kalimantan region is not a tourist destination because this region is not popular tourism destination of Indonesia. Many beautiful tourism destinations in Indonesia that attracts the domestic tourists to visit in every region in Indonesia, therefore by the development of tourism activities under Sosek Malindo cooperation the tourism sector in West Kalimantan region tried to improve and develop. Besides, by strategic location that adjacent with neighboring country, Sarawak, Malaysia would promote wider opportunities in tourism sector for the West Kalimantan region to go international, which in turn would attract an increasing number of tourists in this region.

Many activities of tourism have been conducting by Sosek Malindo cooperation in West Kalimantan region, in order to promote and introduce the tourism location this region to neighbor country, Sarawak, Malaysia. The statistical findings of this study shown there is occurred the increasing of foreign tourist visited number in this region in 2007. Through these activities expected will impacts positively on in the sector of tourism and in turn will support and impacts positively on regional development this region, particularly in border regions.

### **c. Health**

Further, the other rational foundations of Sosek Malindo cooperation between West Kalimantan and Sarawak region are the activities cooperation in health sector. The cooperation in the health sector is developed for the purpose of health sector management within region of West Kalimantan and Sarawak region.

By strategic location of West Kalimantan that has border region directly on with Sarawak, Malaysia, this activities profitable for the development of health sector in this region, particularly in border regions, because the location near with neighboring country, Sarawak, Malaysia. This can decrease the cost of transport to order the needs of medicine or any health facilities, compared if it is supplied from the capital city or other regions in Indonesia. Particularly for border regions in West Kalimantan that located in remote areas, thus the near location for connection is connection with Sarawak, Malaysia.

The forms of activities in health sector between West Kalimantan and Sarawak region by Sosek Malindo cooperation are joints activities of health sector between these regions. The statistical findings of this study shown there are occurred the increasing of public health number in West Kalimantan year to year (2002-2007), impact of the development activities in health sector. It shows that the activities in health sector by this cooperation significant or impact positively on health sector, is increasing the number of public health, and the impacts of the activities in this sector have been strongly impacted to regional development in this Province, particularly in border region that need more for health facilities.

#### **d. Forestry and Environment**

Finally, the rational foundations of Sosek Malindo cooperation between West Kalimantan and Sarawak region are cooperation in forestry and environment sectors. This cooperation is meant to empowerment, development and restoration of forest commodities and the environment around both of the border regions of West Kalimantan and Sarawak region.

The cooperation activities of forestry and environment sector under Sosek Malindo cooperation are important because the West Kalimantan region is adjacent directly on with Sarawak region. The areas between these regions have abundant natural resources of forestry and a wide environment along the border regions. Therefore the needs of empowerment, development and restoration of these resources, maintenance, also and to solves any environmental problems that may arise within West Kalimantan and Sarawak region and in border regions both of these regions, by joint activities in this sector, under Sosek Malindo cooperation.

#### **6.4 Contributions of the Study**

The contributions in this study are discussed in terms of conceptual and practical contributions. The detail of these two contributions will described below.

##### **6.4.1 Conceptual Contributions**

In general, this study found empirical evidences to the conceptual relationships posited in framework of the study. This study has five questions. Four questions were described the significant impacts or positive impacts, while the last question was found the other aspects of rational foundations of CBC in

West Kalimantan region that different from existing CBC. Further, this section will discuss the conceptual contributions of this study in more detail.

#### **a. Relationship (Rational Foundations of CBC and Regional Development)**

First, this study found empirical evidence to support the conceptual foundations of this study. The conceptual foundation of this study mentions that the function of CBC is as the strategy for regional development in the context of globalization. Development offered by CBC is important for the region ensuring contribution to its economic and social growth (Enokido, 2007). In the context of this study, resource is operationalized as the rational foundations of CBC, which includes economic, political, cultural and historical, and cooperation and competition indicators. This study found these resources are significantly related to regional development in West Kalimantan, particularly development in border regions.

Further, this study found that those rational foundations of CBC that are conducted in activities under Sosek Malindo cooperation, include their dimensions, have significant impacts or positive impacts on regional developments in West Kalimantan region, particularly in border regions. Hence, the findings in this study would provide additional knowledge to academicians and scholars that study and concern on Cross Border Cooperation (CBC) and the application of its concept, especially it related to regional development of the region.

Furthermore, this study provides evidences that rational foundations of CBC play an important role in mediating the relationship between the application

of rational foundations of CBC and regional development. These findings have provided support the conceptual foundations of the rational foundations of CBC that consist of economic, political, cultural and historical, and cooperation and competition in explaining the activities of regional development in the region. Furthermore, this study not only provides evidences of significant impacts or positive impacts between the application of rational foundations of CBC in activities of cooperation and regional development of the region, but it also provides specific dimensions every indicators or the rational foundations of CBC.

#### **b. New Conceptualization of Rational Foundations of CBC**

There are four rational foundations of CBC in this study that are being examining in this foundation has impact on regional development. Based on the results of the findings in this study were found there are four other aspects of CBC are transportation, tourism, health, and forestry and environment aspect that differ from existing CBC, which is conducted under Sosek Malindo cooperation activities within West Kalimantan and Sarawak region, particularly in border regions. These aspects then would be the new model or add the existing rationale foundations of CBC in the world such as CBC in Europe, North America. Consequently, rationale foundations for using CBC as a regional development strategy can be justified and further enriched.

##### **6.4.2 Practical Contributions**

Besides conceptual contributions, this study also provides practical contributions which can help the government of the country in improving and developing their regions. The results of the findings in this study were shown that

regional development of West Kalimantan, particularly in border regions, could be improved and developed through application or implementation the rational foundations of CBC such as economic, political, cultural and historical, and cooperation and competition in Sosek Malindo cooperation activities, and also through the application of the other aspects of rational foundations of CBC such as transportation, tourism, health, and forestry and environment aspects or sector that different existing CBC, which have been applying by this cooperation.

Thus, application or implementation of rational foundation of CBC in Sosek Malindo cooperation activities has significantly contributed to the regional development of West Kalimantan region, particularly in border regions, beside application of the others aspects of rational foundations of CBC that has been existed in activities of this cooperation.

As mentioned, the respective governments have been responsible for most of the developments associated in practices of CBC as cooperation. Also the practices of CBC in Indonesia, in this study CBC in West Kalimantan like Sosek Malindo cooperation, has been involving the government in order to support the activities of Sosek Malindo cooperation in regional development this region. Therefore, the practices of concepts in CBC can be applied or implemented by governments of country in order to regional development their regions, in context of globalization.

## 6.5 Summary

The objective in this study is to attempt to analyze the impacts of Cross Border Cooperation (CBC) like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional developments in West Kalimantan region. Besides, to find out other aspects of CBC in West Kalimantan region that might be different from the existing CBC.

The discussion reflects and indicates of the evidences of the positive impacts of the implementation of rational foundations of CBC in activities that conducted by Sosek Malindo cooperation, on regional development in West Kalimantan region, particularly in border regions. Thus, concluded that the rational foundations of CBC that consist of economic, political, cultural and historical, and cooperation and competition that are implemented in activities of Sosek Malindo cooperation, have significant or positive impacts on regional development in West Kalimantan region, particularly in border regions.

Further, through analysis of the data and the result of the findings in this study were found the other aspects of rational foundations of CBC under activities of Sosek Malindo cooperation between West Kalimantan and Sarawak region, are transportation, tourism, health, and forestry and environment sectors, which base the activities of this cooperation. As the activities of rational foundations of CBC that conducted under this cooperation, the activities in these sectors or these others aspects of CBC also have significant or positive impacts on regional development in West Kalimantan region, particularly in border regions. These positive impacts are shown in the evidences that are mentioned and described in discussion above.

## **Chapter 7**

### **Conclusion**

#### **7.1 Introduction**

Chapter 7 provides the conclusion of this study. The conclusion of this study consists of summary of chapters, recommendations and suggestions for future research.

#### **7.2 Summary of Chapters**

This section will be presented the summary of chapters that covers the whole of the content of study, from chapter 1 to chapter 6 that has described earlier. The summary of chapters of this study listed below.

1. Indonesia is one of the countries in Southeast Asia that currently attempts to utilize the relationship with neighboring countries by cross border cooperation to encourage the development of region, particularly in border regions. Various efforts have been made regionally with neighbors like Singapore, Malaysia, Brunei and others. The involvement of Indonesian government to promote the cooperation is necessary for the success of this cooperation. Hence, this study endeavors to examine CBC in this cross border region and its contribution to the Indonesian regional development.

Nonetheless, in Asia generally and Indonesia specifically, little is understood about the CBC role and its impact to the country especially in resolving the border region problems. Most of the CBCs have been established few decades but their contribution to the country and border region development is less clear. Therefore, this study attempts to analyze the role of Cross Border

Cooperation (CBC) like Sosek Malindo cooperation on regional development in the West Kalimantan region, base on the rationale foundations of CBC, are the economic, the political, the cultural and historical, and the cooperation and competition reasons. Besides, to identify the other aspects or the other rational foundations of CBC that conducted in activities of Sosek Malindo cooperation in West Kalimantan region, Indonesia that might be different from the existing CBC.

2. One of conceptual foundation of this study is Cross Border Cooperation (CBC) literature. CBC can be defined as a more or less institutionalized collaboration between contiguous sub national authorities across national borders. In the development of cross border cooperation (CBC) itself, the modern practices of rational foundations such as economic, political, cultural and historical, and cooperation and competition reasons are applied more in Europe and North America than those applied in Asia (Enokido, 2007).

Study on the CBC has been done by researchers with the various aspects and a different scope. Among them are by Enokido (2007), Aykac (1994), Clement et al. (1999), Scott (1998), Wu (1998), Perkmann (2003), and Sobrepene (1994), and this study will adapt measurement the rational foundations of CBC by study of Enokido (2007) for conceptual foundation of CBC.

3. The other conceptual foundation of this study is regional development literature. Regional development can be broadly defined as public sector activities encompassing economic, social and physical elements to formulate

and implement appropriate public policy in area covering more than one existing local jurisdiction (c.f. Hilhorst, 1971). The regional development that conducted in West Kalimantan region is the regional development in border regions of this Province. According to Guo (1996), there are some theoretical bases to be considered in analyzing the economic border, such as core periphery theory, economics of spatial scale, and economic borders model.

As study on the CBC, study on regional development also has been doing by researchers with the various aspects and a different scope. Some earliest studies that have been done by researchers are study by Aswandi (2006), Suratman (2004), Habibullah and Affizzah (2005), Maneepong and Wu (2004), Fan (2004), Evans (2000), Hanson and Spilimbergo (1999), Portes and Rey (1999), and Hughes and Holland (1994), and this study will adapt measurement the conceptual foundation for regional development by using the border region theory based on core periphery theory.

4. This study is an exploratory study for the purpose of finding something interesting and descriptive in the area of cross border cooperation (CBC) to regional development in the region of the country, West Kalimantan, Indonesia, which utilizing cross border cooperation with neighboring country, Malaysia. This study is also a case study because this study is designed to be descriptive and explanatory research by using the case study approach. Therefore research method that will be used in this study is qualitative approach.

Meanwhile, in order to collect the data, this study uses three techniques of data collecting; In-depth interview, participant observation, and document. Finally, for research analyzes, this study tries to analyze the impacts of CBC like Sosek Malindo cooperation that conducts the activities based on the rational foundations of CBC on regional development in West Kalimantan region.

5. The results of this study were found that economic, political, cultural and historical, and cooperation and competition development activities in border regions, which conducted by Sosek Malindo cooperation have positive impacts in regional development in border regions of West Kalimantan, that by direct and multiplier have been felt and impact in all areas of this Province.

Besides, through in-depth interview, observation and analysis of data were found the other aspects of rational foundations of Cross Border Cooperation (CBC), which have been applying in activities of Sosek Malindo cooperation in West Kalimantan region that differ from the existing CBC. The additional aspects consist of transportation, tourism, health, and forestry and environment.

6. In general, this study found empirical evidences to the conceptual relationships posited in framework of the study. This study has five questions. Four questions were described the significant impacts or positive impacts, while the last question was found the other aspects of rational foundations of CBC in West Kalimantan region that different from existing CBC.

This study found empirical evidence to support the conceptual foundations of this study. The conceptual foundation of this study mentions that the function of CBC is as the strategy for regional development in the context of globalization. Development offered by CBC is important for the region ensuring contribution to its economic and social growth (Enokido, 2007). This study found these resources (economic, political, cultural and historical, and cooperation and competition indicators) are significantly related to regional development in West Kalimantan, particularly development in border regions. Hence, the findings in this study would provide additional knowledge to academicians and scholars that study and concern on Cross Border Cooperation (CBC) and the application of its concept, especially it related to regional development of the region.

Based on the results of the findings in this study were found there are four other aspects of CBC are transportation, tourism, health, and forestry and environment aspect that differ from existing CBC, which is conducted under Sosek Malindo cooperation activities within West Kalimantan and Sarawak region, particularly in border regions. These aspects then would be the new model or add the existing rationale foundations of CBC in the world such as CBC in Europe, North America. Consequently, rationale foundations for using CBC as a regional development strategy can be justified and further enriched.

Besides conceptual contributions, this study also provides practical contributions which can help the government of the country in improving and

developing their regions. The results of the findings in this study were shown that regional development of West Kalimantan, particularly in border regions, could be improved and developed through application or implementation the rational foundations of CBC such as economic, political, cultural and historical, and cooperation and competition in Sosek Malindo cooperation activities, and also through the application of the other aspects of rational foundations of CBC such as transportation, tourism, health, and forestry and environment aspects or sector that different existing CBC, which have been applying by this cooperation.

### **7.3 Recommendations**

To increase its value to knowledge and practical implementation, this study raises several issues for study. Therefore, some recommendations are listed below.

**a. Increasing government investments in infrastructure**

Government investment and continuity the government in infrastructure urgently needs to cover the quantity, quality, and stability of electricity, water supply, housing, health services and facilities, and education facilities in border regions, especially in non-sponsored towns because the absorptive capacity and resources of local and provincial government agencies are inadequate.

**b. Improving of government practices**

The central government should acknowledge that cross border cooperation, practices, and interest are different from international practices

such as those of the IMT-GT and BIMP-EAGE even This Sosek Malindo cooperation. Therefore, the bureaucratic operations and practices should have different frameworks and expectations. Mutual benefit and technical support for the neighboring countries are crucial for promoting trust and cooperation.

The activities should include short term training, study tour, and scholarships for studying in technical colleges and government and private agencies in border regions. These activities will also promote understanding between or among the countries' systems and mitigate the differences in rules and regulations.

Besides, need to solve institutional problems. The multiplicity of government actors involved in the Sosek Malindo cooperation, IMT-GT and BIMP-EAGA (national governments and provincial/ state governments) may lead to delays in the decision-making process. Thus, the absence of existing institutional mechanism linking all the regions in the Sosek Malindo cooperation and others between and among governments and the private sector can lead to a creation of new structures, thereby adding layers in the government bureaucracies of the participating countries.

#### 7.4 Future Research

The limitations discussed, however do not compromise the value gained from this study. As the recommendation, in order to increase its value to knowledge and practical implementation, thus in this study is offered the suggestions for future research. Several limitations related to methodology of this study should be noted.

1. This study has faced limitations in obtaining data especially from the location of the research. The location and object of this study is the Sosek Malindo cooperation within West Kalimantan and Sarawak region. Hence, the model presented in this study indicates that the model holds for Sosek Malindo cooperation between West Kalimantan and Sarawak region. As a matter of fact, this cooperation that meant in this study is designed specifically for the activities of Sosek Malindo cooperation in West Kalimantan region. Moreover, the impacts of activities this cooperation that applies the rational foundations of CBC is only for West Kalimantan regional development. Therefore, the findings, conclusion, and implications of the study may not be generalized to the whole other objects (other forms of CBC).
2. This study was using in-depth interview as technique of data collecting with respondents, hence they might answer positively to all question, although beside by in-depth interview in order to collect the data this study also was using technique of data collecting by participant observation and documents.
3. This study has adapted measurement the rational foundations of CBC by study of Enokido (2007) for conceptual foundation of CBC and conceptual

foundation for regional development was using the border region theory based on core periphery theory. There are many conceptual foundations that could be adapted in this study. Therefore, comparisons to research or study in other domains using similar factors should be made with caution.

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