

## PARAS BORDER: TRAFFIC TRADING BETWEEN INDONESIA-MALAYSIA IN SEBATIK ISLAND

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### ABSTRACT

*Sebatik Island is one of the islands in Indonesia which is located at the forefront of the Unitary State of the Republic of Indonesia, which borders directly with the State of Malaysia. There are several factors underlying the occurrence of cross-border trade, namely (1) topographical and geographical factors, (2) accessibility factors, (3) cost and price factors. This research was conducted to determine the relationship / correlation between location and movement of people and goods on Sebatik Island. The results of this study indicate that there are 2 people who conduct activities across the border from Malaysia to Indonesia to be closer to consumers, 5 activities of goods movement from Malaysia to Indonesia to be closer to consumers and 8 activities of movement of people and goods from Malaysia to Indonesia to be closer with consumers. 2 people cross the border from Malaysia to Indonesia, 2 goods movement activities and 7 people and goods movement activities from Malaysia to Indonesia. This happened because of the ease in crossing the Malaysia-Indonesia border. Whereas the Asymp Sig value indicates a value of  $0.992 > 0.05$ , meaning that there is no relationship between location and movement of people and goods.*

Keywords: Trade, Location, Movement of People & Goods

### INTRODUCTION

Indonesia is an archipelago which is very strategic, both economically and geopolitically. It was noted that around 92 islands are leading and outermost islands bordering directly with neighboring countries, such as Malaysia, Singapore, the Philippines, Timor Leste, Papua New Guinea and Australia. The condition of the border regions in Indonesia still requires special handling. If viewed from the area, in general are still lagging behind but if viewed in terms of natural resources have great potential and capacity.

History of border management, Slamet (2011) in Siburian (2011) states that during the New Order government, the border area was only used as a defense base area. That is, the border region is interpreted as frontier which means "border". At that time, the border was likened to a combat area and needed to be cleared.

The new direction for developing border areas is contained in Presidential Regulation No. 7 of 2005 in the Republic of Indonesia Medium Term Development Plan (RPJM) 2004 - 2005 concerning the development of border areas. The development is focused on several points, namely: improving welfare, increasing the potential capacity of the border region and border area security. The change in the function of the border area is applied in Law No. 17 of 2007 concerning the National Long-Term Development Plan 2005 - 2025.

Border areas are strategic areas when viewed from the economic side as well as defense and security. The government has an interest in making the border region with certain boundaries to play a role as a front area that interacts positively with neighboring countries and can function as a border trade area between residents in the border region.

Leadem (2013) explained that the dynamics of globalization play an important role in the development of border areas. Globalization is causing changes in the outlook of developing countries. Border which is considered as a space of place has changed into space of flow, so that a dependency is formed between regions (Castells, 1996 in Leadem, 2013).

North Kalimantan is the youngest province in Indonesia, located in the northern part of the island of Borneo. North Kalimantan is the result of the division of East Kalimantan and was officially ratified as a new Province in the DPR plenary meeting on 25 October 2012 based on Law Number 20 of 2012. At the time of the formation of North Kalimantan it was divided into five (5) administrative regions, consisting of one (1) city and four (4) districts, namely:

- a. City of Tarakan
- b. Nunukan Regency
- c. Bulungan Regency
- d. Malinau Regency
- e. Tana Tidung Regency

Nunukan Regency is one of the Regencies in North Kalimantan, with an area of 14,493 km<sup>2</sup> and has a population of 193,390 inhabitants. Nunukan Regency has a motto adopted from the Tidung language "Penekindidebaya" which means "Building the Region". In 2006, Nunukan Subdistrict was expanded again into Nunukan Subdistrict and South Nunukan Subdistrict, then Sebatik Subdistrict was expanded into Sebatik Subdistrict and West Sebatik Subdistrict. In 2011 Sebatik Island was divided into five (5) districts based on Nunukan Regency Regulations. Sebatik Island is one of 92 outer small islands located

in North Kalimantan Province and is an area that borders directly between the State of Indonesia and the State of Malaysia. Sebatik Island is part of Nunukan Regency.

Sebatik Island is located between Nunukan as the capital of Nunukan Regency and Tawau City in the state of Sabah, East Malaysia. Sebatik Island is located at the coordinates of 4o10' to 4o10'10" LU and 117o54' to 117o54'09" east longitude.

Sebatik and Tawau are one of the economic centers in Sabah - Malaysia separated by a strait of  $\pm 8$  nautical miles wide. This did not become a barrier for Sebatik residents to build an economic network with residents in Tawau, the strait became a bridge to facilitate it. The location or distance from the center of the Government of Indonesia, as well as differences in economic growth between Indonesia and Malaysia over several periods, made the Sebatik - Nunukan community more economically oriented towards Malaysia. Position on the border closer to neighboring countries that are more prosperous and politically stable, meaning that their interests are half located in the border region, where they find work, their basic daily needs, health services and educational facilities as well as business partners.

Cross-border trade between Indonesia and Malaysia is actually not new, bilateral negotiations and agreements relating to trade between regions involving two different countries have existed since 1967. Starting with the joint communique between the Indonesian delegation and the Malaysian delegation regarding discussions of trade and economic issues between the two countries on 4 - 11 May 1967 followed by the signing of agreements and basic arrangements for trade and economic relations involving the two countries with direct borders. The agreement continued with the signing of the Agreement on the Border Trade Between the Government of the Republic of Indonesia and the Government of the Malaysia (Agreement on Cross-Border Trade between the Government of the Republic of Indonesia and the Government of Malaysia) in Jakarta on August 24, 1970. A cross-border trade agreement Indonesia - Malaysia is completed with the Agreement on Travel Facilities for Sea Border Trade between the Republic of Indonesia and Malaysia (Agreement on Travel Facilities for Transboundary Trade Between the Republic of Indonesia and Malaysia) signed in Jakarta on July 6, 1974 / LN No.36. The cross-border trade agreement between Indonesia and Malaysia is complemented by the Agreement on Travel Facilities for the Sea Border Trade between the Republic of Indonesia and Malaysia (the Agreement Regarding Travel Facilities for Cross-border Trade between the Republic of Indonesia and Malaysia) signed in Jakarta on July 6, 1974 / LN No. 36. The cross-border trade agreement between Indonesia and Malaysia is complemented by the Agreement on Travel Facilities for the Sea Border Trade between the Republic of Indonesia and Malaysia (the Agreement Regarding Travel Facilities for Cross-border Trade between the Republic of Indonesia and Malaysia) signed in Jakarta on July 6, 1974 / LN No. 36.

Border Trade Agreement since 1970 has not been able to improve the welfare of people in border areas such as Sebatik Island. It is precisely the condition of inequality that is increasingly moving away from welfare with neighboring countries. Difficulties in getting staples for domestic products are still constrained by high costs because of the longer distribution channels caused by infrastructure and other obstacles so that goods originating from neighboring countries are cheaper when compared to local goods.

At present, the government allows trading of eight basic needs with a maximum transaction value of RM 600, the value of this transaction has been regulated in BTA in 1970. While the types of goods / products that are allowed to be traded from Indonesia include agricultural products, not including oil, minerals and seeds mine. While goods / products from Malaysia include basic necessities and equipment / supplies for the needs of small scale industries.

Sebatik Island is the foremost island and the outermost island of Indonesia, which is in the Province of North Kalimantan. Administratively, the island is owned by two different countries, which are divided by a straight line which is the border between countries. The southern part of Sebatik Island is controlled by the Indonesian state while the northern part is controlled by the Malaysian state. The northern hemisphere covering 187.23 km<sup>2</sup> is the territory of the State of Sabah, Malaysia while the southern hemisphere with an area of 247.5 km<sup>2</sup> enters Indonesian territory. In the northern part of Sebatik Island, it borders with Tawau City (Malaysia), while in the western part of the island it is directly bordered by Nunukan Regency. As one of the economic centers in Sabah-Malaysia, Tawau and Sebatik are separated by a strait that is 8 nautical miles wide. Distance of 8 nautical miles ( $\pm 12$  km).

Geographically, Sebatik Island, Nunukan Regency, North Kalimantan Province is one of the areas that are on the border line. Sungai Village, Aji Kuning Village and Tanjung Aru Sebatik Island are directly bordered by Tawau City, Negeri Sabah, Malaysia. Cross-border trade between Sebatik Island and Tawau has been going on for decades. The types of goods traded are also very diverse, ranging from basic needs to building materials. Research conducted by Adri Patton shows that there are positive implications related to the ability of people to meet basic needs (staples) in a relatively easier way with relatively low cost and faster time than if they had to buy into the Capital City of Nunukan, increased business community economy,

However, cross-border trade activities carried out so far also have negative implications in the form of illegal cross-border trade which is very detrimental to the country. The illegal trade referred to here is the frequent occurrence of smuggling of goods from and to Tawau. Smuggling of these goods is not only goods for basic needs, but also smuggling of dangerous goods such as narcotics and illegal substances.

There are many ways used by the market community to conduct trading activities at the border. This is because there are many opportunities that can be taken by traders who have a sensitivity in seeing opportunities. Geographical and topographic conditions and as an island, many obstacles were found to be able to build the border region.

Based on the brief description above, it seems very important to conduct an in-depth study of the existence of cross-border trade on Sebatik Island, Nunukan Regency.

### **FACTORS THAT BACKGROUND THE TRADITIONAL TRAFFIC CONSTRUCTION IN SEBATIK ISLAND, NUNUKAN DISTRICT**

As social phenomena in general, both traditional and modern societies no longer only have a mission to simply survive, but all will try to meet both basic needs (physical) and advanced needs (secondary and tertiary). The priority needs of each individual and each group varies greatly and this is influenced by various factors, including economic level, education level, age, type of work, environment and so forth.

For people who live in border areas, especially on Sebatik Island, which borders Malaysia (Tawau City), it is still faced with demands for fulfilling basic needs or physical needs only. This is based on basic needs which are still problematic or in other words, cannot be fulfilled properly. Still faced with conditions where the difficulty of meeting basic needs has always been faced by the border community in general, including in Sebatik Island, Nunukan Regency.

The geographical condition of Sebatik Island, which is relatively closer to Tawau City, compared to other regions under the sovereignty of the Republic of Indonesia, is the main reason for cross-border trade for both countries. In detail, the factors that influence the occurrence of cross-border trade include: geographical and topographical conditions, accessibility, and the existence of historical, cultural and emotional relations between residents of Sebatik Island and residents of the City of Tawau.

#### **1. Geographical and Topographic Factors**

The geographical and topographical location of Sebatik Island, which borders directly with the City of Tawau, is one of the factors causing cross-border trade in this area. This closeness makes transportation costs cheaper and more affordable.

#### **2. Accessibility Factor**

Transportation access is very easy, this is due to the availability of adequate accessibility (speedboats and ships) which can take people every day from Nunukan to Sebatik or from Sebatik to Tawau. This easy access makes it easier for the community to market agricultural products, plantations from and to Nunukan and from and to Tawau. Accessibility factor is one of the factors of cross-country trade.

#### **3. Cost and price factors**

The condition of North Kalimantan as a province consisting of islands makes the distribution channel chain of goods getting longer, it is caused by the movement of goods from the factory, to the City of Tarakan, then distributed to 4 other Regencies. Thus, domestic goods circulating in Sebatik have higher prices.

### **METHOD**

This type of research is a descriptive analysis using cross tabulation analysis, the use of the method aims to examine and analyze the relationships between research variables. The key informants in this study are several local traders who trade across borders between Indonesia - Malaysia, the relevant government, and also consumers who use products from Malaysia. The sampling technique used in this study is snowball sampling, and is supported by direct interviews and field surveys.

Descriptive analysis in this study aims to produce and explain information that is easily understood and more concise about the phenomenon of trade between regions that occur in 2 countries, namely Indonesia - Malaysia in Sebatik Island as a border region. While cross tabulation is an analytical method that will explain the interrelated variables in this study descriptively (Santoso & Tjiptono, 2001).

### **DISCUSSION RESULTS**

Geographically hilly terrain that has many river channels and strait and sea, the impact on the development of transportation becomes not easy. This is the cause of scarcity of goods / local products. The distance between the centers of economic activity in the territory of Indonesia with the border areas of Indonesia and the condition of infrastructure give rise to price disparities in various goods and services, especially basic needs and essential goods for daily needs. As with isolated regions, in market theory (cf. Plattner: 1989) the reach of a market that provides all needs with many variations makes the region a developing region. The market that provides all the needs of the community is located in the city. Areas outside sebatik have a great distance from the city center. Access to transportation used is the mode of sea transportation. The city in question is between Tarakan North Kalimantan and Tawau Sarawak Malaysia. Sebatik is closest to the City of Tawau, and serves as a trading gateway to and from Tawau.

There are 4 traditional markets located in Tawau namely the Sari Tanjung market, the new market, the farmers market and the hanging market. Of the four markets, the Sari Tanjung market is the largest market which is occupied by around 2000 traders, sells almost all types of necessities of life, the new market is smaller in capacity and only occupied by about 500 traders. Both markets sell various types of goods such as clothing, pants, electronics, building materials, agricultural equipment and

fisheries, food and others. The types of goods that are bought by the people of Sebatik Island are food (basic food), side dishes, LPG gas, building materials, fruits, processed foods, medicines, glassware, household furniture, snacks / snacks.

There are three modern markets and four traditional markets that are close together and offer shopping options that can provide satisfaction to the visitors, becoming an attraction for residents of Sebatik Island and Nunukan. In one day there were 100 Indonesian citizens crossing to Tawau through Nunukan immigration with various destinations such as taking a walk looking for entertainment, shopping to make ends meet, visiting outputs and business destinations. Nunukan Local Government policy allows Indonesian citizens who visit Tawau to shop no more than RM 600. But the policy does not apply to Indonesian citizens who cross illegally from Sebatik Island.

Agricultural products from Sebatik are sold to Tawau, and the proceeds from the sale are used to buy daily necessities. The intense relationship between Sebatik and Tawau especially from the economic activities carried out by the local community has an impact on the use of the ringgit currency as a transaction tool.

Goods imported from Tawau are sold openly and side by side with domestic goods. While agricultural products from Sebatik Island were sold to Tawau, such as cocoa, palm oil, bananas, vegetables and other agricultural products. Then, the agricultural products are bought back by the Sebatik people after being processed by Malaysian entrepreneurs into ready-made materials such as cooking oil or milk. This shows that the Sebatik people are dependent on Tawau.

The condition of Sebatik Island as a border area between countries, there are business opportunities for the people of Sebatik Island, not just to meet personal needs but can also become cross-border traders.

There are two Channels for distribution of agricultural products, and plantations on Sebatik Island to the end consumers, namely the channel system used by producers directly and indirectly. Direct distribution channels without going through intermediaries, producers at the same time become traders by delivering crops to Bandar Tawau and selling them to final buyers, while indirect channels use intermediaries in the distribution process through collecting traders.

Based on data that has been collected from the results of research that has been done and to determine the relationship between variables, as well as testing the hypotheses that have been stated previously, a descriptive analysis was carried out using Crosstabulation using IBM SPSS 22 software.

The following crosstab calculations and Chi-square test. The purpose of using crosstabulation in this study is to determine the relationship between variables to be tested.

**Table 1 Data Tabulation Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Location * Movement of People and Goods	49	100%	0	0.0%	49	100%

Source: Processed Data Results, 2020

Can be seen in the table above, there are 49 data which are all processed with crosstab, in the data there are no data missing (missing) so the validity level is 100%.

**Table 2 Location \* Movement of People and Crosstabulation Goods**

		Movement of People and Goods			Total	
		Movement of people from Malaysia to Indonesia	Movement of goods from Malaysia to Indonesia	Movement of People and Goods from Malaysia to Indonesia		
Location	Close to consumers	Count	2	5	8	15
		Expected Count	1.8	6.1	7.0	15.0
		Residual	.2	-1, .1	1.0	
	Easily market the product	Count	2	10	8	20
		Expected Count	2.4	8.2	9.4	20.0
		Residual	-4	1.8	-1.4	
	Easy to cross the line	Count	2	2	7	11
		Expected Count	1.3	4.5	5.2	11.0
		Residual	7	-2.5	1.8	
	Business space available	Count	0	3	0	3
		Expected Count	.4	1.2	1.4	3.0
		Count	-.4	1.8	-1.4	
	Total	Count	6	20	23	49
		Expected Count	6.0	20.0	23.0	49.0

Source: Processed Data, 2020

From the research that has been done and analyzed using crosstabulation and the results of the analysis show that there are 2 people who do activities across the border from Malaysia to Indonesia to be closer to consumers, then as many as 5 activities of movement of goods from Malaysia to Indonesia to be closer to consumers and 8 Other activities are the movement of people and goods from Malaysia to Indonesia to be closer to consumers.

Then, as many as 2 activities crossing the line to be more marketed for products, there are 10 activities for the movement of goods from Malaysia to Indonesia with the aim of facilitating the marketing of traded products, and 8 other activities, namely the movement of people and goods from Malaysia to Indonesia with the aim of easily marketing traded product.

There are 2 people who carry out activities across the border from Malaysia to Indonesia, and there are 2 activities of movement of goods from the territory of Malaysia to Indonesia, and there are 7 activities of movement of people and goods carried out from Malaysia to Indonesia. This happens because of the ease in crossing the boundaries between different countries, namely Malaysia and Indonesia

Can be seen from the table above that as many as 3 activities of the movement of goods from Malaysia to Indonesia because they see market opportunities created by strategic regional conditions.

**Table 3 Chi-Square Tests Table**

	Value	df	Asymp. Sig (2-Sided)
Pearson Chi-Square	7,752a	6	.257
Likelihood Ratio	9,032	6	.172
Linear-by-linear association	.157	1	.692
N of valid cases	49		

Source: Processed Data Results, 2020

Based on calculations using crosstab, it can be seen in the table above that the Asymp sig shows a value of 0.257 which means greater than the value of 0.05, then H<sub>0</sub> is accepted and H<sub>a</sub> is rejected which means that there is no relationship between human resources (education) with the movement of people and goods.

## CONCLUSION

Cross-border trade that took place between Indonesia and Malaysia was nothing new, in 1967 there had been negotiations and there was a bilateral agreement concerning trade between regions involving two different countries. May 4 - 11, 1967 was followed by the signing of an agreement and basic arrangements for trade and economic relations involving two countries with direct barriers.

Sebatik Island as a border area between Indonesia and Malaysia requires special attention, both in terms of security and community welfare so that it is not oriented to Tawau in terms of the economy. It's easy to find Malaysian products on Sebatik Island and sold side by side with domestic products. The Sebatik people are allowed to shop at Tawau to fulfill their basic needs with a predetermined nominal value of RM 600 and the harvest can be sold to Tawau on the condition that it must go through official channels in Nunukan Regency.

The occurrence of cross-border trade is caused by several things (1) geographical and topographical factors that border directly with the State of Malaysia, so close distance does not require a lot of costs. (2) accessibility factors, the availability of adequate access (speedboats and ships) which can take people daily from Nunukan to Sebatik or from Sebatik to Tawau, not infrequently using privately owned boats heading to Tawau. (3) cost and price factors, the condition of North Kalimantan which consists of islands creates a distribution channel for goods, the distance between North Kalimantan and Java as a production center is very far.

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