



Picture 1: Karimun

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## **BORDER AREA DEVELOPMENT IN ORDER TO INCREASE THE COMPETITIVENESS OF NATIONAL ECONOMY**

(Lesson learned from the border regions of Riau Islands Province)

### INTRODUCTION

Utilization of Indonesian geography executed as optimal as possible by developing the entire area of potential resources to generate prosperity and security. Border region is an area districts that are geographically and demographically borders with neighboring countries and / or high seas. Border area includes land and sea borders, including the small outer islands (RPJMN 2010-2014). The concept of border area development refers to development of National Strategic Activity Center (PKSN). PKSN is defined urban areas to encourage the development of border area. PKSN function support services for the functioning of economic life activity areas of the border. One of which is considered successful is the

area of Batam, Bintan and Karimun (BBK) in Riau Islands province.

Efforts development or development of border regions faced with four fundamental issues. First of globalization. Globalization is characterized by the phenomenon of free trade, international transport flows, information technology, and advances in science and technology. Indonesia's border regions, particularly dealing with Singapore or Malaysia, social life economic inequality faced outstanding with the neighboring country. Both infrastructure. In the border region are still encountered limitations in terms of cross-border postal, transportation, communication and information, as well as education and health facilities (RPJMN 2010-2014). In the region of Borneo, there are only

2 posts is legal from 16 existing cross-border post), with limited other economic infrastructure (Bappenas, 2003). The third quality of human resources. In the border region are still found in low-quality human resources and the distribution is uneven. Geographic regions, especially the role of oceans in fact provide opportunities for Indonesia as the international traffic controller (WG Tannas, 2010) as well as marine-based commodity producers. But this can not be utilized because of inadequate quality of human resources in the control of maritime and marine-based technologies. The four law enforcement. The border region is prone to illegal logging, illegal fishing, smuggling and human trafficking (human trafficking), terrorism and organized



transnational crime that is usually controlled by non-state actors (non-state actors) (RPJMN 2010-2014). This raises serious issues concerning social and economic life, environmental damage and the sovereignty of the Unitary Republic of Indonesia.

The four issues are generally put the border region in a weak position to perform service functions of governance or social and economic life of society. In other words, the border region are not able to perform the functions of welfare and security. As a result, the competitiveness of the border region or the surrounding area become less competitive. In turn, this can also reduce national competitiveness.

This paper aims to examine the development of border regions in order to enhance national economic competitiveness.

#### Conceptual APPROACH AND POLICIES

Regional development or regional development planning is an effort to formulate and apply the theoretical framework into economic policies and development programs in which to consider aspects of the region by integrating social and environmental aspects towards achieving optimal and sustainable prosperity (Nugroho and Dahuri, 2004).

There are three stages in the development areas, namely industrial development, industrial efficiency and excellence areas (Drabenstott, 2006). The first stage, the development of industry in a region triggered export activities. Industry evolve to meet the demand outside the region, guided by the theory of export base. Second, the efficiency of the industry. In this stage of implementing industry consolidation to streamline production systems and economies of scale. The government facilitated

Table 1.  
Location Priority Handling Border Areas and National Strategic Activity Center (PKSN) RPJMN 2010-2014

District	PKSN	District	PKSN
<b>Prop. Kalbar</b>		20 Cities Jayapura	Jayapura
1 Sambas	Paloh-Aruk	21 Supiori	-
2 Bengkayang	Jagoibabang	<b>Prop. Riau Islands</b>	
3 Sanggau	Entikong	22 Anambas Islands	-
4 Sintang	-	23 Karimun	-
5 Kapuas Hulu	Nanga Badau	24 Batam	Batam
<b>Prop. Kaltim</b>		25 Natuna	Ranai
6 Nunukan	Nunukan	26 City Bintan	-
	Simanggaris	<b>Prop. Riau</b>	
	Long Midang	27 Dumai	Dumai
7 Malinau	-	28 Bengkalis	-
8 West Kutai	-	29 Rokan Hilir	-
<b>Prop. North Sulawesi</b>		30 Indragiri Hilir	-
9 Talaud Islands	Melonguane	31 Islands Meranti	-
10 Sangihe Islands	Tahuna	<b>Prop. West Papua</b>	
<b>Prop. NTT</b>		32 Raja Ampat	-
11 Kupang	-	<b>Prop. Moluccas</b>	
12 East North Central	Kefamenanu	33 Southwest Maluku	-
13 Belu	Atambua	34 West Southeast Maluku	Saumlaki
14 Alor	-	35 Aru Islands	-
15 Rote Ndao	-	<b>Prop. North Maluku</b>	
<b>Prop. Papua</b>		36 Morotai	Daruba
16 Keerom	-	<b>Prop. North Sumatra</b>	
17 Merauke	Merauke	37 Serdang Bedagai	-
18 Digoel	Tanah Merah	<b>Prop. NAD</b>	
19 Mountain Star	-	38 Sabang	Sabang

Source: RPJMN 2010-2014

by deregulation in order to form a competitive business environment, so that gave birth to a tough business and able to compete globally. Third, the benefits of the region. This stage is characterized by internal forces to generate added value. Internal strength is based on science and technology innovation, and entrepreneurial skills (entrepreneurship). Likened to fuel innovation, while entrepreneurship is the engine. Both a source of employment opportunities, income and welfare. Economic regions are not played by big business, but by small businesses and middle-efficient. The success of this stage is determined by the climate comfort of business, research and human

resources quality. Internal strength is a source of competitiveness of the region.

Based on 26 years PP 2008 on the National Spatial Plan (RTRWN), PKSN is defined urban areas to encourage the development of border area (The area borders facing with 10 neighbour countries (India, Malaysia, Singapore, Thailand, Vietnam, Philippines, Australia, East Timor, Palau, and Papua New Guinea) covering 12 provinces and 38 districts/cities and 92 smaller outer islands that have strategic value as basis for determining the location of the point of the state boundary line (RPJMN 2010-2014)). PKSN



function support services for the functioning of economic life activity of border areas (Table 1). When this has been set at 20 PKSN to serve 38 districts / cities in the border region. Under Act 26 of 2007 (Spatial Planning), the border region is a strategic area in terms of defense and space security a priority arrangement.

Based on the description above, the increase in border areas development will enhance the competitiveness of the region, marked by increasing industrial productivity and quality of life (Bappenas, 2005). The increase in aggregate regional competitiveness will improve national competitiveness (RPJMN 2010-2014; Bappenas, 2004). This in turn raised the national geopolitics in international relationship.

#### BORDER Bantam, Bintan and Karimun

Experience (lessons learned) the management of border areas in Indonesia has not fully optimized. Positive note with a good performance shown by the Riau Islands province, through the phenomenon of development of BBK. BBK region managed to provide social and economic benefits, and increase the competitiveness of the province of Riau Islands (than national) (Table 2). Riau Islands province has become a relatively advanced in economic transformation, successfully alleviating poverty, and ranks the sixth highest in the human development index (HDI) nationally. Further, it also can develop international competitiveness and make the Riau Islands as a center of economic growth for the region. This is analyzed as follows:

Table 2.  
Characteristics of the Riau Islands province (compared to Indonesia)

Characteristic	Indicator	Unit	Kep. Riau	Indonesia
Geography	Surface area	Km <sup>2</sup>	8202	1910931
	Proportion	%	00:43	100
Population 2010	Total	Thousand inhabitants	1580	234181
	Growth	%	4:27	1:34
IPM	Rate	-	74.18	71.17
	Ranked	-	6	-
Poor People	Total	Thousand inhabitants	128.2	32530
	Proportion	%	8:27	14:15
	Ranked	-	26	-
GRDP	Growth	%	6.71	5:17
	Distribution	%	1:39	100
	GDP per capita	Thousand rp	40746	21678
	Ranked	-	4	-
Proportion of GDP	Agriculture	%	5	17
	Manufacturing Industry	%	54	29
	Services	%	41	55
Proportion of Labor	Agriculture	%	13.2	39.7
	Manufacturing Industry	%	25.2	12.2
	Services	%	61.6	48.1

Source: BPS Riau Islands (2010) and Connecticut (2010)

#### a. Regional economic integration

An important factor of success of Batam as a border region is capable of integrating the regional economy. Batam optimally utilize its geographical position as an important area in ASEAN and Asia-Pacific region, with a buffer to the economy of Singapore. According Jakti Kuncoro (2010), the Straits of Malacca which holds 40 percent of world sea traffic, has a geopolitical role for the Indonesian nation, and can be played well by BBK.

Central government support through a free trade zone (FTZ) policy had a role mendinamisasi perkonomian BBK. FTZ policy through the Act 36 of 2000 amended by Act 44 of 2007 concerning the Free Trade Zone and Free Port (KPBPB) [Up to now 4 KPBPB has been established in Sumatera; Sabang (Act No. 37 of 2000), Batam (PP No. 46 of 2007), Bintan (PP No.47 of

2007), and Karimun (PP No.48 of 2007)]. KPBPB developed to expand the economy through the development of manufacturing and logistics industries, in response to world trade growth, increasing efficiency, and utilization of sea and air transport through the ease of customs clearance facilities (RPJMN 201-2014). KPBPB including seaports and airports, with activities covering trade, maritime, industry, transportation, or banking.

BBK has become the mainstay of Indonesia to compete with Singapore and Malaysia. Singapore still seeks to maintain its superiority through domination of services sector, trade and finance. Malaysia has built Iskandar Regional Development Authority (IRDA), which is located in Johor with an area of 2217 km<sup>2</sup> or the equivalent of three times the size of Singapore. IRDA to develop an integrated regional economic zone covering the industrial sector,



services, information technology, tourism and education. IRDA is part of Malaysia's economic development strategy (2006-2010) in anticipation of global economic developments in ASEAN, APEC and the world.

In the context of the recent Asia-Pacific region is the development and growth of China. China's GDP in 2007 amounted to 3205.5 billion dollars (the largest GDP after the United States), with average growth (in the period 1990 to 2007) amounted to 8.9 percent per year (World Development Report, 2009). With CAFTA agreement (China Asean Free Trade Area), Indonesia needs to prepare themselves to strengthen the system of production and trade (business contract agreement) in order to benefit from regional cooperation, which in 2010 enacted.

#### **b. Identification of economic potential, infrastructure development and spatial planning**

So far the region succeeded in developing the potential of marine BBK. The target of the investor Batam shipyard. Strategic location and availability of skilled human resources that make the ship repair business (shipyard dock) flourished. From about 170 shipyard in Indonesia, Batam has the highest shipping industry up to 70 companies, so Batam became the largest city in the world of shipping in Indonesia. BBK marine-based tourism potential is huge. On the island of Batam and Bintan have an international-class tourist destination areas, which are managed by international management (in areas Lagoi 4, Bintan island.) Tourist areas are supported by infrastructure ferry ports serving international and local channels.

BBK is positioned as a place to accommodate the spillover effect as well positive as extension activities

and transshipment industry that has not accommodated in Singapore. This has produced tremendous entrepreneurial learning in the entire community. Batam Batam Authority assessed or managed in the management and development of an area, including: developing the industrial estate, transshipment support, bunkering, oil and gas storage, the shipping industry (shipyard) and tourism support.

Policy and strategy development (KSP) spatial directed to maintain economic growth BBK. KSP space structures include: (i) improving access to urban infrastructure services are equitable and berhierarki; and, (ii) improving the quality and reach of network service infrastructure. KSP spatial patterns including protected areas, and strategic cultivation. Batam Authority has built a transport system to link the centers of economic activity, social and cultural rights that have relevance function. One is the construction of the bridge Barelang (which connects the island of Batam, Rempang and Galang). Development of water supply is directed to increase the number of installed capacity to meet domestic and industrial water needs. The system also has interconnection of electricity networks to support the development of the FTZ.

#### **c. The formation of civil society**

In general, social and cultural life of society Riau archipelago is very conducive to support the development. Native population is ethnic Malay Riau Islands. The tribe of migrants include Javanese, Sundanese, Batak, Minang, Bali, Flores, Maluku, Sulawesi, and so forth. The expatriate workers from Singapore, Japan, America / Europe, Malaysia, or Philippines. Immigrant communities merge with the community and have great respect for tradition and culture of Malay (RPJMD 2005-2010). Diversity of ethnic and

religious harmony is conducive to development. Manage local leaders were able to show that cultural wealth for development. This cultural approach has been to encourage public participation and private sector economic growth. This encourages the learning process throughout the business world of human resources (individual entrepreneur), society (social entrepreneur), and the apparatus (intrapreneurs) development of civil society and good governance (Effendi, 2005).

#### **d. Law enforcement and establishment of national borders**

As a region with the outer islands and borders with neighboring countries, as well as an important part of the development of the ASEAN free trade area, Riau Islands province facing insecurity in terms of defense and security. Vulnerability include: human trafficking, smuggling, illegal fishing, illegal logging, narcotics, environmental destruction and other transnational crimes. This area also received a visit from a foreigner for various purposes, especially business and tourism amounted to at least 1.5 million people per year (RPJMD 2005-2010); with compositions such as Singapore (65 percent), Malaysia (12 percent), Korea, Japan and Taiwan (17 percent).

Approach to prevent security vulnerabilities have been pursued through the functions of order, security and protection by the Police units and Navy units that coordinate with each other to perform functions in accordance with work capacity and degree of threat 5. The problem that often arises is the claim by almost all neighboring countries due to differences in interpretation of state boundaries (RPJMN 2010-2014). Efforts handling patrol conducted with the cooperation, communication and persuasion



approach, to law enforcement.

### BORDER AREA DEVELOPMENT IMPLICATIONS

The phenomenon of globalization and regional economic integration to be determinant factors (export driven) development of border areas. It is based on the opinion that the ability of domestic resources, particularly the ability of government and private budgets is relatively low. By looking at the phenomenon of China's intensified geopolitical and strategic role of the Straits of Malacca, the border region are feasible to be developed is in Entikong (Sanggau regency, West Kalimantan) and Nunukan district (East Kalimantan). However regional economic integration with Malaysia is more profitable than integration with the Philippines, Papua New Guinea, or Timor Leste. Another positive factor is regional cooperation forums have been established Brunei Darussalam-Indonesia-Malaysia-Philippines - East ASEAN Growth Area (BIMP-EAGA). BIMP-EAGA has a tremendous opportunity for development, for strengthening and improving the capacity of the real economy and macroeconomic growth.

Economic potential and Nunukan Sanggau district are agriculture, oil palm plantations, and ecotourism. Ecotourism sector put forward because a majority of the land border with Malaysia in Kalimantan is a conservation area, which is vulnerable to the threat of environmental damage due to illegal logging, clearing land for plantations, or other illegal activities. In the same region, Malaysia is also developing first ecotourism sector, namely TN Bako, Gunung Mulu NP, Crocker Range NP, and TN Kinabalu (PPRA45 Domestic Strategic Studies to the Riau Islands Province, August 31, 2010).

In the eastern district of

Sanggau, ie, Kapuas Hulu regency, West Kalimantan Province, on the position of  $0^{\circ} 39' - 1^{\circ} 00' N$ ,  $111^{\circ} 56' - 112^{\circ} 25'$  east is a region Sentarum TN Lake area of 132 thousand hectares. TN Lake Sentarum are representative of wetland ecosystems (signed in Ramsar site). Lake Sentarum the Kapuas river basin bounded by hills and plateaus, as catchment management and water management for river basin (DAS) Kapuas.

Still in Kapuas Hulu regency, also found in TN Betung Kerihun area of 800 thousand ha in the position of  $0^{\circ} 33' - 1^{\circ} 33' N$  and  $112^{\circ} 10' - 114^{\circ} 20'$  east longitude. Most of the state of TN Betung Kerihun topography of hills, from the stretch that connects Mount Muller Mountains and Mount Betung Kerihun, as well as the boundary between the territory of Indonesia to Sarawak, Malaysia. From the legs of the Muller mountains, small rivers flow forming watershed: Kapuas, Sibau, Depth, Bungan and Embaloh.

In the western district sebelah Nunukan, namely Regency Grand Indonesia, East Kalimantan Kayan Mentarang situated TN 1:36 million ha area. TN Kayan Mentarang ( $1^{\circ} 59' - 4^{\circ} 24' N$ ,  $114^{\circ} 49' - 116^{\circ} 16' E$ ) is a unit of primary forest and old secondary forest and the largest remaining in Borneo and the whole Southeast Asia. This national park has a diversity of plants and animals of high value, rare or protected, the diversity of ecosystem types, from lowland rain forest to mossy forest in high mountains.

The central government also needs to provide intervention for investment more easily fit into the border regions (Marijan, 2010). It can be integrated through the development agropolitan, or as a special economic zone (KEK, Act 39 of 2009). With a variety of convenience, the entire human resources (government, public

and private) learning experience in entrepreneurship to exploit the potential of the area into real economic activity and welfare.

### CLOSING

Development of border regions in general to improve the competitiveness of national economy. Management of the competitiveness of the border region requires absolute central government intervention, arguing (i) has a strategic significance in the aspects of defense and security, (ii) the acceleration of development through the instrument of convenience or customs incentives, infrastructure development in the broad sense; for investment more easily enter, (iii) improving the process of entrepreneurial learning all human resources (government, public and private).

Entikong border region (districts Sanggau, West Kalimantan) and Nunukan district (East Kalimantan) feasible to be developed on the basis of the potential welfare of the agricultural sector-based (oil) and forestry (ecotourism).

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