

STRATEGY AND POLICY IN ILLEGAL TRADE IN BORDER OF EAST KALIMANTAN-MALAYSIA AND THE IMPLICATIONS FOR AEC 2015

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Abstract: Enforcement of the ASEAN free market in the AEC since 2015 provides opportunities and threats for the border region of East Kalimantan - Kaltara as the front porch of the strategic state. This study aims to determine the factors that cause the occurrence of illegal trade in the border region with Malaysia and the implications for AEC 2015. By using descriptive analysis method is a method that makes a picture in a systematic, factual and accurate information on the facts and seeking to explain how a problem occurs. This study shows that the circulation of goods Malaysia continues to increase and largely through the illegal trade. The illegal trade also occurs in agricultural products and forest products traded as raw materials, the price is cheap and the level of price elasticity to income is low and negative, while the illegal products from the Malaysian trade in processed products from an illegal trade which has contains value-added and the resale value is relatively more expensive. The results of this study recommend strategies and policies that can be taken in controlling illegal trade in the border region of East Kalimantan-Malaysia as well as to support the AEC 2015 is through two aspects: 1) the strengthening of the law enforcement aspect (infrastructure, personnel, control mechanisms, co-operation), 2) economic development through: a) access to the distribution of public goods and services in the border region, especially items that are not economical in production on a local scale, b) development of industrial capacity based on local resources to meet the local needs, regional and capture global opportunities, c) strategy (a) and (b) achieved through the development of infrastructure capacity (physical and non-physical), investments, partnerships and alliances vertical and horizontal.

Keywords: illegal trafficking, strategies and policies, AEC 2015



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Indonesia and other countries in Southeast Asia will form an integrated area which is known as ASEAN Economic Community (AEC). Countries in Southeast Asia region will be used as a region of unified market and production base. The unity of the market and production base will make no barrier of the flow of goods, services, investments, and capital in large amount and

skilled labor from one country to another country in Southeast Asia. AEC will be established as an economic region with high level of competition, which requires a policy, which includes competition policy, consumer protection, Intellectual Property Rights (IPR), taxation, and E-Commerce. ASEAN free market provides a good opportunity because trade barriers will tend to diminish even be non-existent. In other respects, Asean free market also gives a threat by many imported goods that will come to Indonesia in large number, which will threaten the local industry in competing with foreign products which have much better quality (Baskoro, 2013).

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Border region as strategic front gate of a country is faced with the opportunities and challenges in facing the development of global issues, especially AEC 2015. To be able to play such role, thus thorough preparation is required, by considering opportunities and challenges faced, and how the strategic steps that must be done. One area that is important in answering these opportunities and challenges is border region, which becomes the main crossing area between countries. Border region of country becomes the gate which is strong in facing AEC 2015 (BNPP, 2015).

AEC provides an opportunity and a strategic threat to the border regions, such as North and East Kalimantan, which in this article is abbreviated to KALTIM-RA, bordering Malaysia. The position of the trading of North and East Kalimantan nowadays is less profitable, due to the implementation of reciprocal trade principle. Kaltim-Ra trades agricultural products which are still raw, with cheap selling price, and the level of price elasticity to income is low and negative through illegal trade, while Malaysian trades processed products, which already contain the added value, and the resale price is relatively more expensive (Rusdiansyah, 2012).

Illegal trade often occurs between the border region of Kaltim-Ra-Malaysia (Ekowarno, 2016; Kompas, 2011), i.e. crossing the illegal border as the entrance and exit of people and goods, as well as trading illegal arms, illegal fishing, women and child trades (human trafficking), illegal migrant workers, drug trafficking, fuel smuggling, mineral taking, that is very disadvantageous for both parties as well as the potential to result in prolonged conflict (Ekowarno, 2016). The circulation of Malaysian goods in Indonesia continues to increase and largely through smuggling. The circulation of goods is not limited in the border, but also in the urban areas. Malaysian food products dominate various shops, Juwata Airport in Tarakan, and Yupai Sembaring in Long Bawan Krayan. Indonesia and Malaysia have agreed Border Trade Agreement in 1970.

According to that agreement, every citizen in the border area is given border pass facility. The facility is in the form of easiness in buying daily need products of 600 ringgit (1.7 million rupiahs) per family per month in neighboring countries. The facility was used extensively by Indonesians not only to meet their daily

needs, but also to trade it back. However, the lack of control mechanism makes Malaysian products dominate the market. Food and Beverage Association, quoted by Kompas (2011), describes the distribution of food and beverage products which are illegally smuggled around 60 billions rupiahs per year, about 10 percent of the total income of food and beverage industry. Most of the border regions in Indonesia are underdeveloped area, with limited social infrastructure and economy.

According to Economy Watch (2010), illegal trade is a trade that does not meet the prevailing regulations, or does not meet the tollbooth formality. Illegal trade is not recorded in the formal economy. Illegal aspects can be caused by illegal products (such as: drugs, endangered animals, weapons, drugs or stolen goods) or illegal distribution channel (to avoid taxes).

Smuggling according to Lopa (1990) is: "Importing, transporting goods by not meeting the prevailing laws and regulations or by not meeting tollbooth formalities (*douaneformaliteiten*) established by legislation". While Martin (2002) gives the definition of smuggling as: "The offence of importing or exporting specified goods that are subject to customs or excise duties without having paid the requisite duties. Smuggled goods are liable to confiscation and smuggler is liable to pay treble their value or a sum laid down by the law (whichever is greater); offender may alternatively, or additionally, receive a term of imprisonment". Smuggling is the act of carrying goods or people illegally and hidden, like out of a building, in prison, or through the borders between countries, or on contrary to laws and other rules.

Black Market is the purchase and sale of products and services taking place illegally. Black market is known as several names, including black economy, underground market, shadow economy, underdog and parallel economy. There are various goods which are traded in this market, and items in black market which are most commonly traded are: weapons, currency, electronics, watches, fashion goods (perfume, jewelry and bags), clothes and accessories, pirated media (CDs and DVD for music, movie and software), drugs, alcohol, and tobacco. Grey Market involves the purchase and sale of goods and services which are not illegal, but the channels used in their distribution is either invalid or not official. The good example is

the trade of raw oil by an individual. Gray market includes services that typically the registration is used to avoid taxes. Legal jobs such as maid, nanny, part-time worker of beauty clinic and freelancers, may not be registered. It is also difficult to detect that, the punishment usually light (Economy Watch, 2010).

Related with the international trade activity, illegal trade eliminates the aspects of allocation (such as taxes) or control (such as security, economic, environmental, social and cultural risk). The price of certain goods which are sold in the illegal market can be lower than the price of legal market because: the good is swag, do not pay taxes and can offer an advantageous price for the customer. On the other hand, the price of particular products which are sold in black market can be higher than the normal price. This usually occurs when there is a shortage or there is a high risk involved in getting the goods to customers. Illegal products (such as: drugs, endangered animals, weapons) can raise the price of goods far above the price of production because of the legal risks in the distribution process.

The availability of legal goods may also encourage illegal market. Products that are not available in the legal channels or products which are much more expensive in the legal channel will also encourage the illegal trade. The condition also can increase prices of certain products in black market, as well as increase the possibility of loss for bidder, the seller, and the entire brokers. According to the theory of supply and demand, shortage of offer makes the products rarer, so it will raise the price. Similarly, the activity of good restriction will also raise the price of goods for the same reason (Lovely and Nelson, 1995).

There are three fundamental aspects of the characteristics of illegal trade, namely (Lovely and Nelson, 1995): actors, technologies and activities to control smuggling (enforcement) by the government. Smugglers may be foreigners who smuggle foreign products which are imported for domestic consumption, and can also be local residents who smuggle domestic products which are exported to other countries. In the first case, the income from smuggling activity is consumed in other country, there is no domestic resource which is used, and it also reduces import duty revenues. In the second case, the revenue

from smuggling activity is consumed in the country, by using domestic resources, as well as reducing the export duty revenue. If it is seen from technology, Bhagwati and Hansen (1973) explain that illegal trade produces products below market prices, but the products will lose some fraction in each shipment (eg: access of contacts/warranty if there is an error of product). The final element of the behavior of smuggling is related to the role of the government in controlling smuggling activities. Given that smuggling is illegal, the probability of detection and clear punishment are important aspects of the economic environment.

If we see from the approach of economic theory of criminal behavior (Becker, 1968), it can be explained that the behavior of illegal goods suppliers will increase if the opportunities/benefits which are obtained from illegal trade activities is greater than the risk of loss, examination and punishment. If we see from the behavior of consumers, consumers prefer to buy goods from the legal market even though the advantages of price offered by illegal market for certain goods is higher due to the following reasons: 1) black market cannot provide the proper documents (invoice, license, instruction manual), 2) reluctance to support action which is unlawful, 3) place to turn to if a product does not perform as promised, 4) fake brand, 5) there is no after-sales support. Thus Lovely and Nelson (1995) also explained that people can keep buying legal products, for a number of reasons: 1) Consumers feel that the suppliers of black market do business immorally (unlawful), 2) consumers more trust the official suppliers because they are easier to be contacted if there are errors in the product and more accountable.

This study aims to determine the factors that cause the occurrence of illegal trade in the border region of Kalimantan with Malaysia and its implications for AEC 2015 by using descriptive analysis method, which is a method that makes a picture systematically, factual and accurately, about information on facts and also look for explanation how a problems occur.

The benefits of this research are as inputs for the government in making decisions related to various aspects of illegal trade in the border region of East Kalimantan-ra-Malaysia.

RESEARCH METHOD

The method used in this research is the Qualitative Research Method, in which this method gives more emphasis on the use of researcher as a tool. The researcher is required to reveal the social phenomena in the field by mobilizing all sensory function. Thus, researcher must be received by the respondents and the environment, so that he/ she can uncover the hidden data through speech language, body language, behavior or expressions which are developing in “the world and the environment” of respondents.

The technique used in data collection was questionnaires, which would be filled by the respondents, and also indepth interview. This study used a two-step administration of questionnaires, which is posted first, and then face to face was performed as a crosscheck on filling out the questionnaires. While the types of questions (response) of questionnaires is closed and open (combined). “Closed” means several questions (statement or question) with a number of alternative answers that have been determined, whereas “open” is marked by a number of questions that ask for short or long answers from the respondents. The interview technique used was unstructured interview or also known as in-depth interview, intensive interview, qualitative interview, etc. This technique was chosen because it is expected to be more flexible and more like an informal conversation, and respondents expected to be more open in answering questions, so that the important information inside (not just on the surface) can be obtained.

The determination of samples to be taken is based on a purposive random sampling approach (purposive random), at the Department, Agency, Sub-district, Village and citizens in the border region in 3 Regencies in the border region of Kaltim-ra.

FINDINGS AND DISCUSSION

General Description of Border Region in East Kalimantan

East Kalimantan is a province in Indonesia which directly borders with neighboring country, Malaysia. Border area of East Kalimantan (Kaltim) Province

and North Kalimantan (Kaltara) Province reaches area of $\pm 44605.26 \text{ km}^2$, the area stretches along 1.038 km, from the south around LasanTuyan in Mahakam Ulu Regency, to the north around SebatikNunukan Regency. The border line includes 2 provinces (“after the split”), namely East Kalimantan Province in Mahakam Ulu Regency and KaltaraProvince in Malinau Regency and Nunukan Regency, with 19 districts as the spearhead of a direct border with Malaysia (Sarawak and Sabah). Most of the border region of East Kalimantan and North Kalimantan is a land border with Malaysia, while the sea border is just around Sebatik and Nunukan.

Geographically, land border region is located in the rural area and the most areahas been included in the protected forest area (heart of Borneo). On the other hand, from the aspect of demography; this area has a relatively low population density, only ± 3.15 inhabitants/ km^2 , with uneven population distribution in 235 villages. Most population live in Nunukan Regency, especially in sub-districts which are located in Sebatik Island (there are 5 sub-districts: Sebatik; North Sebatik; Middle Sebatik; East Sebatik; West Sebatik). Sub-Districts in Sebatik Island is relatively more advanced than other districts in the border region, both in terms of socio-economic of the society, the availability of basic services and the infrastructure.

East Kalimantan region directly borders with Sabah along 1.038 kilometers across 256 villages in 9 sub-districts and 3 regencies, namely Nunukan, Mahakam Ulu, and Malinau. From those three regencies in East Kalimantan, there is only 1 (one) official border gate in Nunukan Regency in East Kalimantan. Nunukan has Custom, Emigration, Quarantine, and Security (CIQS) facility with relatively good condition, while CIQS facility in other places is still simple and not yet supported by good accessibility due to poor street conditions. Other border regions such as in Nunukan, Malinau and Mahakam Ulu Regency still have no official border gates and are still under construction. According to the agreement with Malaysia in Socio-Economic Malindo forum, actually it has been agreed to open some border gates gradually in some border regions in those regencies. However, people in border regions are already using illegal border gates since long time ago as traditional lines for the sake of relationship or

kinship. Security and defense posts provided along the traditional lines are still very limited, the same thing also occurs in the security patrol activities, which are still facing obstacles such as lack of transport facilities and infrastructure.

Economic activities in the border region of Indonesia-Malaysia in East Kalimantan, especially in the sector of agriculture and plantation (oil palm, rubber and cocoa). Other dominant sectors are trade and industry. The potential of natural resources in the border region of East Kalimantan and Kaltara which is very dominant is the potential of forestry. Forest wealth in addition to various types of high-valued timber, there are also non-timber forest products and a wide range of biodiversity. Protected Forest in the border region of East Kalimantan-Malaysia has status as Krayan Mentarang National Park (Nunukan and Malinau Regency). Currently, some certain forest areas that have been converted are changed into plantation areas carried out by national private companies in collaboration with Malaysian plantation. Along with the lack of supervision and the law enforcement in that region, then the range of illegal activities occur such as timber theft or illegal logging carried out by people from the neighboring country in cooperation with Indonesians. Illegal logging activities Indonesians are triggered by poverty and low level of prosperity of the society around the border region, as well as the lack of supervision and law enforcement in that region. In addition to private estates, there are plantation of society with some leading commodities such as pepper, coffee, and cocoa. Another potential is water resource, in which the border region of East Kalimantan is upstream of major rivers such as the Mahakam. Border region also has enough reserves of minerals such as petroleum, coal, uranium, gold, mercury, gypsum, talc, antimony, mica, and calcite.

The utilization of industrial technology in increasing the value-added of natural resource potential throughout the border region that has the abundant wealth of natural resources is not optimum yet. Potential of land border area is dominated by a lot of forest products and minerals. But unfortunately the abundant natural resource is not accompanied with adequate knowledge and skills to perform optimal processing of resources. The development of

processing industry that develops in the border region is still constrained by lack of knowledge and the infrastructure supporting the industry processing itself. Limited skill and the use of traditional processing methods cause the processing industry in the border region in producing excellent potential in the downstream industry still stagnant. Counseling and assistance of efficient technology tools (TTG) are required in producing and processing the results of the excellent potential to increase the productivity and value-added production.

Generally, the infrastructure condition in the border region is in the category of poor. This condition is seen on the availability and quality of service in Border Region of Kaltim - Malaysia. Related with infrastructure, the roads are generally experiencing problems related to road conditions and access to modes of transport to reach the villages on the border area. For example, in the villages in Long Apari, Mahakam Hulu, which are still isolated, so it becomes the base of difficulty in meeting basic needs and requirements of society people, which should be brought from other regions. In addition, there are infrastructure issues which are still very poor to encourage the development of community activities. The challenging physical condition of nature requires appropriate infrastructure transportation, so that the mobility of people and goods can be effective and efficient. The network of road and land or sea transportation is still very limited, which leads the difficulty in the development of border area because it does not have social and economic attachment with other regions. Condition of Electricity, Telecommunications and Water in Long Apari in East Kalimantan is in the poor condition. It is characterized by low availability of electricity, telecommunications and water. Condition of the infrastructure and AECNs of communication such as transmitters or transmission of radio and television and telephone facilities in the border region are generally still relatively minimal. Limited AECNs of communication and information makes the society in border area know more information about the neighboring country than the information and insights on Indonesia. The availability of basic social and economic facilities such as health center, school, and market is also very limited. This makes the border region difficult to grow and compete

with the neighboring countries. Facility of clean water is also still limited. In general, people use river water for various purposes, for shower, washing and cooking. At dry season or when water in a calm condition is possible to be used optimally, but during the rainy season or during a flood, the river water becomes cloudy and dirty so it is difficult to be used, and even gives bad influence on health.

Related with the condition of Education and Health Facility on the border region, East Kalimantan provincial government gradually continues to improve health care services for people on the border region. At village in border region, the need of facilities and infrastructure such as education and health is already fulfilled, but improvement related to the service quality is required. The lack of this is related to the provision of facilities, service coverage and quality of service. There is an improvement of education access in the border region, as in Mahakam Ulu (Mahulu) Regency, particularly in Long Pahangai and Long Apari Sub-districts, where primary education, the Early Childhood Education and Kindergarten (TK) has been running well, as well as Elementary School (SD), Junior High School (SMP) or Senior High School (SMA) is also already running. For Long Apari Sub-District, there are five units of early childhood education or kindergarten and primary schools and one unit of Junior High School and Senior High School, everything is going well. Nevertheless, in the implementation of education, there is still shortage of teachers with the status of civil servants. The status of most teachers are still Temporary Employees (PTT) than teachers with status of civil servants.

The ethnicity, language and culture of the society of border region are relatively similar to Malaysia. The society access to the information easier from neighboring countries through television, radio, and direct interaction with the people in neighboring countries rather than from Indonesia, so that the orientation of the daily life of the society in the border region refers more to Malaysia compared to Indonesia. This condition is certainly not very good against a sense of nationhood. The life of the people in the border regions with poor infrastructure and do not have good accessibility, in general, is strongly influenced by socio-economic conditions in neighboring countries. In the border area in East

Kalimantan and Kaltara, the social and economic life of society is generally oriented to the territory of neighboring countries. This is due to better infrastructure or stronger socio-economic influence from the territory of neighboring countries. In the long term, the development gap with neighboring countries has the potential to invite insecurity in politics.

Close kinship in the border region as an opportunity for cooperation between countries is due to the close kinship between the communities in the land border area. But on the other hand, close kinship can also be bad influence for all the problems of cross-border activities which are done by foreign community, because in the end will be pursued the way of family and participation of society in law enforcement will be weak. Opportunities for economic cooperation (trade, agro-processing, tourism) and cooperation of education across borders will be more open, in addition to the problems associated with cross-border activity, especially activity that is illegal, supervision is required to be improved.

Pulling and Driving Factors of Illegal Trade in Border Region Perdagangan Ilegal Perbatasan Weak Supervision

Weak supervision mechanisms (limited infrastructure and facilities, personnel, control mechanisms, the lack of cooperation) gives opportunities to do illegal trade in the border region. Monitoring aspects at border gates is due to weak supporting infrastructure and facility across borders. The border of Kalimantan with Malaysia is very long, while there are only a few official border gates available alone and there are hundreds of traditional lines in border area which are unguarded. The rise of illegal activities is due to weak supervision of defense and security, and law enforcement on the land border area. Illegal activities in land border areas become a common phenomenon. Land border region is closed to neighboring countries with greater level of vulnerability to illegal activities compared to sea border area.

The lack of AECNs and infrastructure of security personnel at border region is also factor that facilitates illegal activities. The vehicles for patrolling in border area of Indonesia is still poor, compared to neighboring countries. The neighboring country patrols by using

vehicles which are equipped with advanced safety technologies, while the patrolling activity in the land border area of Indonesia is still done by walking. Currently, operational a vehicle is not comparable with the condition of the length of the border region. The lack of safety and security personnel increases the criminal acts, one of which is the smuggling of narcotics and also massive deportations of migrant workers due to illegal immigrants' visas.

The supervision is not optimum due to low infrastructure and facility and technology of supervision of defense, security, and law enforcement. Weak supervision in the supervision of land border area is often due to the lack of support of facilities and infrastructure that should be equipped with advanced technology and information in the land border area. The phenomenon of illegal border crossers in the area of land borders not only can be prevented by conducting patrols around the area, but also the need of more sophisticated technology of supervision such as security cameras which are put in a special land line which is frequently passed by illegal border crossers, such as in Long Apari (East Kalimantan), which is also not supported by adequate facility of technology for supervision. Supervision with more adequate technologies is required to facilitate the monitoring and to anticipate the possibility of cross-border illegal activities related to crime.

Cooperation between countries to overcome the lawlessness in the border regions such as illegal logging, illegal fishing, timber smuggling, violation of the state border, and various other types of violations have not been overcome optimally. In the waters of Kalimantan, many foreign fishermen, especially from Thailand and the Philippines conduct fishing activities without a license because of the ignorance of a maritime boundary between the two countries. Bilateral talk to solve the problems associated with neighboring countries needs to be done, considering the resources that have been stolen so far gives great disadvantage for the country. This illegal activity is well organized, so that the good coordination and bilateral cooperation is required to overcome it.

Economic Motives

The availability of domestic basic needs encourages the illegal trade at the border region. The

residents in border areas are physically very far away from the capital city, Jakarta, as well as isolated from the capital sub-district, capital regency and the provincial capital. Conversely, it is closer to the neighboring countries. Geographic conditions and limited physical infrastructure give a negative effect on the economic activity in the border region. The lack of infrastructure also leads to high logistic cost, high transportation cost, and indirectly affects the fulfillment of the limitation of everyday basic needs. For this time, there are not many products of daily basic needs in the country at the border region, while the products of neighboring countries are more easily found (Kompas, 2011). The condition makes the society at border region depend on the neighboring countries. The issue of the dependence of border society on the neighboring countries is the indicator of the existing close cross-border economic interactions. The closeness and the condition of neighboring countries lead to the chain of dependency in meeting everyday basic needs. There are many land border regions which are closer to the neighboring countries than to the capital/ major areas in East Kalimantan and Kaltara.

Geographical condition and the lack of infrastructure become the driving factor of sales of agricultural products, plantation and the results of local industries to the neighboring countries than to the local market. Limited infrastructure also makes the sales of the commodity of processing industry only reached the neighboring countries due to the very limited accessibility and raw materials which are easily damaged. Based on these conditions, there are consequences obtained by society in the border region, which is the selling price traded is offered cheaper than the normal price. Marketing aspects of production is a constraint that cannot be resolved the solution, so that the most products are more marketed to the neighboring countries. Marketing in the country is hampered by the lack of facilities/infrastructure of transportation, thus it gives impact on the high price, due to additional transport costs. It is influenced by geographical condition of border region, sea border is relatively better economically than its land border area, as well sea border, which transport and mobility is easier and cheaper. While land border area only can be accessed via air and river transportation, which is very

dangerous and time-consuming. Low level of population density, with isolated geographical conditions, cause the constraints of the ease of transportation; which ultimately leads to less optimal utilization of economic potential, so everything is resulted in the constraints to improve the welfare of the community.

Price advantage due to no tax charge encourages illegal trade at the border region. Goods acquired illegally can get one or two price levels. They will probably be less expensive than the market price (officially) because the bidder did not hold the usual price of production or pay the usual taxes. Alternatively, illegally supplied products may be more expensive than the normal price, because they are difficult to obtain and may not be available officially. Society in the border area interact/do cross-border economic activity independently in order to meet basic needs and to seek additional personal profit. This phenomenon certainly does not give added value to the increase of revenue of the border region nor to the neighboring countries. All cross-border economic activities should be managed in order to provide added value for the benefit of society at the border region also. There are found many cross-border economic activities such as goods barter and goods smuggling for personal benefit. Close distance to the border villages and easily accessible by people from neighboring countries lead to great likelihood of illegal cross-border economic interactions. There are some illegal trades, with commodity of basic food and fuel, which are smuggled by society at land border area.

The poverty of society in border region encourages people to be involved in illegal economic activities in order to meet their needs. Poverty is the problem that happens in every region, both sea and land borders. It can be seen from the high number of disadvantaged families in the border region as well as the socio-economic gap with the people in the border regions of neighboring countries. This is caused by the accumulation of various factors, such as low quality of human resources, lack of infrastructure, low productivity and low utilization of public natural resources in the border region. Further implications of the poverty conditions of border communities encourage people to be involved in illegal economic activities in order to meet their needs. Besides breaking the law and potentially leading to insecurity,

it is also very disadvantageous for country. In addition to illegal economic activities, other illegal activities related to politics, economics and security aspect also occur in sea border areas such as the smuggling of weapons, ammunition and explosives.

Low capacity of human resources encourages residents to sell their products in the illegal market at a low price rather than to compete in the legal market. The low quality of human resources also influences the legal awareness. Most of the land border area in Indonesia is blessed with abundant natural resources. However, unfortunately the management is not accompanied with adequate processing capability of potential, both in terms of the availability of supporting infrastructure of processing industry and the limited knowledge of human resources. Activity of processing leading potential of land border region is still limited to upstream industrial activities. Increase of local leading commodity and social economy which is competitive in the land border region. To solve that, policies that can drive the increase of productivity management of leading potential in order to realize competitive socioeconomy in border region. The development of the processing industry in the border region is still many constrained by the lack of knowledge and the infrastructure supporting the processing industry itself. Limited skill and the use of processing methods which are still traditional cause the processing industry in the border region in producing leading potential in the downstream industry still stagnant. Counseling and assistance of efficient technology (TTG) are required in producing and processing the results of the excellent potential to increase the productivity and value-added production. Another obstacle which causes the difficulty of the enforcement of socio economy in the border area is the limited financial resources of the society and the lack of economic intervention of institution in the development of economic system. Access to capital provided by the local government should be realized more actively for the society in the border area in order to stimulate economic development. The intervention of economic institutions such as cooperatives and SMEs should be a major contribution to the society in border region. The policy on saving and loan and the provision of efficient productio tool is one way that can be done to support and strengthen

the economic activities in the border region. Weak regulatory system can encourage investment (investment incentives) in the border region. Wealth of natural resources owned by border region is a great potential that can be used as an opportunity for investment. Unfortunately, until now the intervention of government, both central and local government, has not been able to open opportunities to invest in the border region. Therefore, to create new sources of economic power, it is expected to create the relevant government regulations that could encourage and facilitate the making of investments in order to attract the private sector and other organizations to contribute to the improvement of economic sector in the border region.

Management Strategy of Cross-Border Trade in Supporting

Based on the Economic Theory of Criminal Behavior approach (Becker, 1968), the important aspects in the behavior of illegal trade are: 1) aspect of law enforcement, 2) economic aspects (cost-benefit). Based on that theory, the strategies and policies that can be taken in controlling illegal trade in the border of Malaysia and East Kalimantan and also to support AEC 2015 are through: a strategy of reinforcement of border area control mechanisms and development strategies to improve the welfare. Control of illegal trade in border region does not just rely on the traditional security approach that relies on the military approach (defense and security). Military approach remains important, particularly in dealing with sea border or a criminal offense in land border such as illegal logging, smuggling, or human trafficking. However, the traditional security approach (military) is not enough because the physical border problems are far more complex than military issues (goes far beyond military threat). Cases of illegal cross-border trade without going through the official line should be understood in the perspective of pursuing of economic security and also food security, rather than as a criminal matter. Therefore, in this context, the attention to non-traditional security approach in managing the border issues becomes very important. Strategies to strengthen control mechanism of border region are to control the behavior of illegal

trade in border region of Kaltim-ra - Malaysia through: strengthening regulation and supervision approach. Development strategy of border region is to increase the capacity (ability) of the border region as the front gate to be able to take advantage of opportunities in AEC. This strategy can be done through: the development of infrastructures in order to improve access of investment and product distribution, and public services, to strengthen the production and market access for products based on local resources, to increase the role of partnership through vertical and horizontal alliances.

Cross-Border Defense and Security Strategy Approach

Cross-Border Defense and Security Strategy Approach is done through strengthening control mechanisms in an effort to control the illegal trade in border of Kaltim-ra, including aspects of reinforcement of inspection of the quality of infrastructure, personnel and institutional. The strategy needs to be aligned with the strategy No. 6 RPJMN 2015-2019, namely "implement institutional transformation across borders, namely Custom, Immigration, Quarantine, Security (CIQS) in accordance with international standards in an integrated management system", No. 10 RPJMN 2015 -2019, namely "increasing the import-export trade flows at the border region, cooperation in trade, social and cultural cooperation, and also cooperation of defense and security of border region with neighboring countries " and in line with the strategy of BNPP which was set out in BNPP Rule No. 1 of 2015. This strategy elaborated into derivative strategies in an effort to control the illegal trade in border region of Kaltim-ra in supporting AEC 2015 as follows:

1. Development of integrated management system PLBN which is the main system required by border area. The main function of PLBN is providing services in the field of immigration, customs, quarantine, security, and management administration. PLBN becomes the major system serving activities of society in border region, especially related to cross-border activity. Currently, the border area of Kaltim-ra does not have PLB according to international standard, so that

some cases of violations of the law in particular cases of illegal border crossers are still often found in several land border area. PLBN integrated system is expected to be able to estimate, prevent and firmly prosecute all forms of illegal trafficking cases in some areas of land border area.

2. Supporting the development and quality improvement of CIQS. Strategy to develop and improve the quality of CIQS is the main strategy given that the border region is an area that is prone to activity of exporting and importing goods as well as people from other countries. In some sea and land border regions, there is still checkpoint service that is not optimal even there are some border areas that do not have cross-border checkpoint. Border areas that do not have cross-border checkpoint will be very vulnerable of illegal border activity, which is disadvantageous for people who live on the border region. To minimize the vulnerable conditions of such illegal activities, the strategy to develop and improve the quality of cross-border checkpoint service can be applied across the sea and air border region.
3. Supporting the improvement of supporting facilities and infrastructure of cross-border checkpoint operational. The strategy to improve the quality of PLB is not only by increasing the quality of PLB services alone, but improving the condition of the building/supporting infrastructure of PLB is also required. In accordance with Permendagri No. 18 Year 2007, then supporting facilities and infrastructure of PLB are in the form of road, electricity, sanitation, communications, drainage channels, public health offices, employee housing, money changers, market/shopping malls, terminals and other facilities. Improving supporting facilities and infrastructure of PLBN aims to simplify and make the services effective, including immigration, customs, quarantine, security, and management administration services.
4. Supporting the improvement of quality and quantity of supporting personnel of CIQS facilities. The strategy to improve the quality and quantity of supporting personnel of CIQS facilities in the land and sea border area should be considered. There are still many land and sea border areas that do not have personnel supervising the border security. Border control personnels also need supporting infrastructure of border security supervision to facilitate the activities of supervising border security. In the implementation of strategy, incentives and disincentif for border security personnels will also need to be considered, so that the security personnel can serve the border communities and the border activities optimally.
5. Developing Clean and Green *Tasbara* (border crossing which is clean of smuggling and environmental). Border area is an area that is prone to all acts of lawlessness and environmental problems.
6. Securing transboundary of the country Line C (Shortcut) along the border region. Security strategy of cross-border line C (shortcut) along the border region is a strategy that should be implemented given that there are some Line C which is used as the entry access of traditional border passer into border area of country. Traditional border crossers use line C to enter the country without an entry permit. Besides, there are several cases of violations of the law such as the delivery of illegal goods (drugs, weapons, etc.) and trade of workers (human) using line C as access to go out of border area of country. State border security strategy in line C needs to be accompanied by the implementation of integrated supervision by recording total number of line C, consisting of existing line C and line C which are not identified previously. Besides, security strategy should involve security personnels in a sufficient number, so that law enforcement can be implemented optimally.
7. Supporting the improvement of cooperation between countries to overcome lawlessness in the border regions such as illegal logging, illegal fishing, timber smuggling, violation of the state border, and various other types of violations that have not been implemented optimally. In Kalimantan, there are many foreign fishermen, especially from Thailand and the Philippines, conducting fishing activities without a license because of the

ignorance of a maritime boundary between the two countries. Bilateral talk to solve the problems associated with neighboring countries needs to be done, considering that the resources that have been stolen so far give great disadvantages to the countries.

8. Supporting the improvement of cooperation of halkan and gakkum of neighboring country in land border region. Defense, security and law enforcement systems are also important for the creation and development of synergetic development of border areas. Those two things cannot be separated from the agreement between two countries which are bordering each other in order to apply the applicable law, so there are no law violations or illegal activities that threaten the defense and security in the border region. Strategies to improve security and defense cooperation, and law enforcement that can be applied at sea and air border region is a different strategy due to the different conditions between land and sea border regions. Law enforcement and defense and security in the border region more emphasizes on the land boundaries and inspection of land in land border area. While the law enforcement and the defense and security in the sea border area more emphasizes on the sea boundaries and the special zone which becomes an authority area of the country concerned.

Economic Development Strategy

The development strategy of border area is to increase the capacity (ability) of the border region as the front door to be able to take advantage of opportunities in AEC. This strategy can be done through: the development of infrastructure to improve investment access and distribution of products and public services, strengthening the production and market access for products based on local resources, increasing the role of the partnership through vertical and horizontal alliances.

The development of infrastructure to improve the access of investment and distribution of products and public services. Strategies for the policy of Improving land transport infrastructure policy refers to the strategy No.3 RPJMN 2015-2019, namely

“Building a connectivity of the main transportation of national strategic activity center with priority location of the border area and the surrounding sub-districts, the central activity of area (the regency capital), the center of national activity (capital of province), and connecting it with the neighboring countries “and in line with the strategy of BNPP which is set out in BNPP Rule No. 1 of 2015. This strategy is elaborated into derivative strategies in an effort to control the illegal trade in border region of Kaltim-ra in supporting AEC 2015 are encouraging the development of policies that encourage the acceleration of road and transport networks, Membangun/meningkatkan kualitas pelayanansimpultransportasidarat, Developing/improving service quality of land transportation, Developing/improving service quality of land road, Accelerating the development of the road, especially parallel roads, axis road, and non status road, and Establishing/enhancing land transport modes

The reinforcement of production and market access for products based on local resources. Strategies for the policy of Improving local leading commodity in competitive socio economic in land border area refers to strategy No. 1 RPJMN 2015-2019, namely “the development of central economic growth in the border area of country is based on the characteristics or area, the local potential, and consideration of market opportunities of neighboring countries supported with the development of transport infrastructure, energy, water resources, and information telecommunication “and also in line with the strategy of BNPP which is set out in BNPP Rule No. 1 of 2015. This strategy is elaborated into derivative strategies in an effort to control the illegal trade in the border region of Kaltim-ra in supporting AEC 2015 as follows are developing supporting facilities and infrastructure optimizing the utilization of local natural resources, developing innovation of increasing value added in the local potential, building marketing facilities of leading commodity, improving the quality of industrial product, improving and expanding access to capital, cooperatives, and SMEs in the land border region, developing in centive system of ease of licensing and tax relief, establishing/enhancing the traditional markets in the border region, establishing/improving AECns and infrastructure to support market, developing

Market Management Capacity, and meeting the Basic Needs of Border Society

Border region has the potential to be developed into a superior commodity that has added value to society and the country. Some of the potential natural resources owned by land border areas such as agriculture crops, plantations (oil palm, rubber and cocoa), and the livestock sector become one of the potential of leading commodity in the border region which can then be processed and exported to neighboring countries. Cross-border trade activity in the land border region is still within the scope of inter-individual scale. Cross-border trade activities of individual scale does not provide added value to the country, and it only gives the advantage for the individuals. AECnwhile leading commodities in border area which are processed, packaged, and then exported will provide greater added value to the society and the country. This policy aimsto make land border region develop cross-border economic activities with neighboring countries and other countries, in an effort to meet the basic needs of border communities and increase the income of the border area.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the approach of Economic Theoryof Criminal Behavior (Becker, 1968), important aspects in the behavior of illegal tradeare the aspect of law enforcement and economic aspects (cost-benefit). Based on that theory, the strategies and policies that can be taken in controlling illegal trade in the border region of Kaltim-Kaltara Malaysia as well as to support AEC 2015 are through a strategy of strengthening border guard mechanism (defense and security approach) and development strategies. Strategies to strengthen the monitoring mechanism of border region aimto control the illegal trade behavior in the border region ofKaltim-ra Malaysia through approach of law enforcement aspects (infrastructure [including regulation], personnel, control mechanisms, and co-operation).

Suggestion

The development strategy of the border area in order to increase the capacity (ability) of the border

region as the front door to be able to take advantage of opportunities in AECcan be done throughaccess to the distribution of public goods and services in the border region, especially items that are not economical in the production on local scale, development of industrial capacity based on local resources to meet the local, regional needs and even capture global opportunities, strategyare achieved through the development of infrastructure capacity (physical and non-physical), investments, partnerships, and vertical and horizontal alliances.

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