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Relocation of capital city: contemporary research on impact on Borneo's economy

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Short Communication

ABSTRACT

Borneo economy refers to the economy in the island of Borneo. Borneo island politically administered by three countries which are Malaysia, Indonesia and Brunei. There are two states of Malaysia located in Borneo and they are Sabah and Sarawak. For the Indonesian side, there are five provinces in Kalimantan, Borneo. They are North Kalimantan (KALTARA), East Kalimantan (KALTIM), Central Kalimantan, South Kalimantan and West Kalimantan. The market size is reported to be over 20 million population for the whole of Borneo. Economy of Borneo has a huge potential if being fully utilized and integrated. Good road, sea and air connectivity within Borneo has the potential to stimulate and enhance economic interaction within Borneo. Recent announcement made by Indonesian government to shift capital city to Kalimantan indeed gives a lot of hope to Kalimantan and neighboring countries. A preliminary survey involving 50 individuals in North Kalimantan was undertaken to understand the view of various stakeholders. The findings in general find that the capital city relocation has the potential to benefit North Kalimantan at least in the long run. It also has the potential to produce positive effects on neighboring provinces and nearby states.

Keyword: relocation of capital city, Kalimantan, Sabah, Borneo, economy, impact

INTRODUCTION

Borneo economy refers to the economy in the island of Borneo. Borneo island politically administered by three countries which are Malaysia, Indonesia and Brunei. There are two states of Malaysia located in Borneo and they are Sabah and Sarawak. For the Indonesian side, there are five provinces in Kalimantan, Borneo. They are North Kalimantan (KALTARA), East Kalimantan (KALTIM), Central Kalimantan, South Kalimantan and West Kalimantan. The market size is reported to be over 20 million population for the whole of Borneo. Figure 1 is the map of Borneo island.

The economy of Borneo is well diversified. In the Malaysian side, petroleum, palm oil and tourism sector are among the key sectors for their economy. In the Indonesian side, coal, and agricultural products are among the important one.

Figure 1: Map of Borneo island



Economy of Borneo has a huge potential if being fully utilized and integrated. Good road, sea and air connectivity within Borneo has the potential to stimulate and enhance economic interaction within Borneo. Recent announcement made by Indonesian government to shift capital city to Kalimantan indeed gives a lot of hope to Kalimantan and neighboring countries.

LITERATURE REVIEW

There are many studies on Borneo economy has been undertaken. Specific studies on various sectors of the economy are found in many studies in Malaysia and Indonesia. With regard to economic interaction between countries in Borneo, studies are not that that many. Studies on

impact capital city relocation are also limited. However, the literature is growing. Table 1 summarizes some of the studies found on Malaysia-Indonesia economy specifically in Borneo.

Table 1: Contemporary studies on Borneo Economy

Author (s) and Year	Research Area
Rizal Idris and Rafiq Idris (2018)	Malaysia-Indonesia Relations
Rafiq Idris and Kasim Mansur (2018)	Sabah in ASEAN under the initiative of AFTA, BIMP-EAGA and AEC
Rafiq Idris (2018)	Potential Benefits of Sabah-Kalimantan Road Connectivity: the Effect of Common Border on Export
Rafiq Idris, Kasim Mansur, Rizal Zamani Idris, Zuraida Jamrinand and Marso (2018)	Sabah-Kalimantan Road Connectivity: Effect of Cultural Affinity on Sabah's Export
Rafiq Idris and Azmi Majid (2018).	Malaysia's Consumer Products in North Kalimantan
Rafiq Idris and Kasim Mansur (2018)	Sabah-Kalimantan Road Connectivity: Potential Benefits
Rafiq Idris, Kasim Mansur and Marso (2019)	Economy of Kalimantan: a Snapshot
Rafiq Idris, Rizal Zamani Idris and Sidah Idris (2019)	Infrastructure Upgrading, Enhancing Connectivity and Bold Steps Needed to Better Connect with China via Belt and Road Initiative
Rafiq Idris (2019)	Relocation of Indonesian Capital City: Road Connectivity with Kalimantan Has the Potential to Make the Impact to be Significant for Sabah
Rafiq Idris, Kasim Mansur, Rizal Zamani Idris and Zuraida Jamrin (2017)	The Potential Benefit of Road Connectivity with Kalimantan from International Trade Perspective: The Effect of Cultural Affinity.
Rafiq Idris (2018)	Food Security in Sabah: An Overview for Rice Self Sufficient Target. Scholars
Rafiq Idris (2015)	Sabah In 1962 and 2011: A Snapshot of Its Foreign Trade and Comparative Advantage. Asia Pacific Journal of Research . Jil. 1. XXXVIII. 192-199
M. J. Lord and S. Chang (2017)	Pre-feasibility study of Sabah-North Kalimantan cross-border value chains

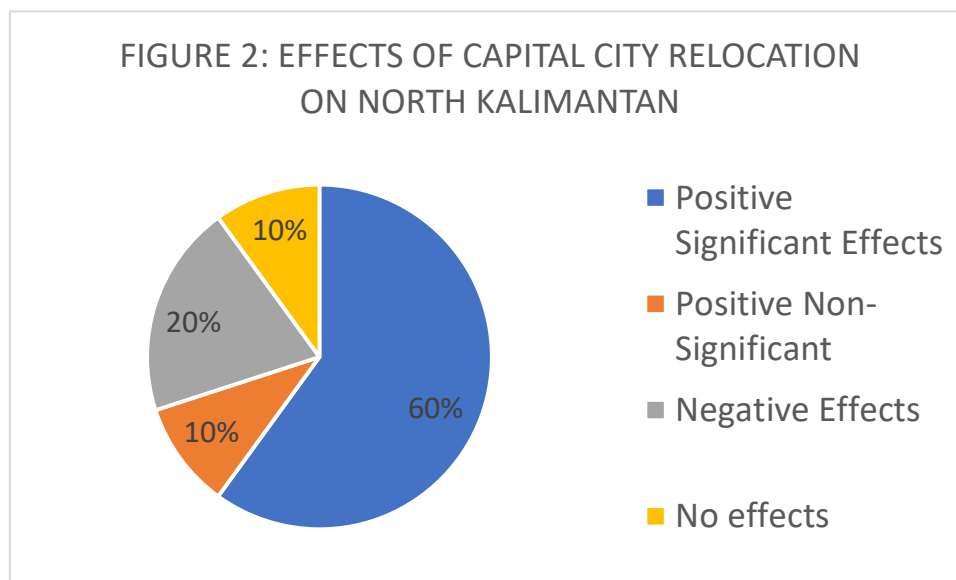
There are still many areas that need to be research to fill in the research gap. The proposed move to change capital city to Kalimantan is also another area that requires research.

METHODOLOGY

A survey involving fifty respondents have been conducted in North Kalimantan to have a general perception with regard to people’s view on the impact of capital city relocation on North Kalimantan.

RESULTS

Findings of the survey revealed that majority of the respondents look at the capital city relocation positively (Figure 2). Many believe that the relocation shall further increase the per capita income in North Kalimantan and other nearby provinces.



About 60 percent of respondents revealed that the relocation of capital city shall bring positive significant effects on North Kalimantan. 10 percent expresses that the capital city relocation will bring positive and around 20% express there will be negative effects. In general, 70 percent of the respondents believe that the effects will be positive for North Kalimantan and neighboring provinces/states. All the respondents highlighted that the Gross Domestic Product growth will be faster, per capita income shall rise and there will be improvement in public

infrastructure as a result of the development in East Kalimantan. It also expected to create multiplier effects to other provinces/states nearby. However, it depends on how much would be the spending be made to develop the new capital city and how soon if it materializes. The impact might be a long run impact.

CONCLUDING REMARK

A preliminary survey finding in North Kalimantan on the possible impact of capital city relocation indicated that over 60 percent respondents express their optimism that the proposed capital city relocation to East Kalimantan if materialize shall produce positive effects. It has the potential to increase economic growth, per capita income and improvement in infrastructure. It also expected to create multiplier effects to other provinces/states nearby. All these depend on how much would be the spending be made to develop the new capital city and how soon if it materializes. The impact might be a long run impact.

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