



Munich Personal RePEc Archive

## **Economy of Kalimantan: a Snapshot**

idris, rafiq and mansur, kasim and marso, marso

Universiti Malaysia Sabah, Universiti Malaysia Sabah, STIE

30 August 2019

Online at <https://mpra.ub.uni-muenchen.de/95899/>

MPRA Paper No. 95899, posted 19 Sep 2019 14:44 UTC





Studies on

**THE ECONOMY OF SABAH &  
KALIMANTAN**

*Towards Greater Economic Interaction in Borneo*

**Editors: Rafiq Idris and Kasim Mansur**

© IPB PRESS. 2019

Publisher: IPB Press

The Economy of Sabah and Kalimantan / Editors Rafiq Idris, Kasim  
Mansur and Rizal Zamani Idris

Bibliography: p.

ISBN: 978-602-440-805-3

**Book Title:**

**Studies on The Economy of Sabah and  
Kalimantan**

**Towards Greater Economic Interaction in  
Borneo**

**Editors:**

**Rafiq Idris, Kasim Mansur and Rizal Zamani  
Idris**

**Cover Design and Layout:**

**Andreas Levi Aladin**

# CONTENTS

Preface.....	x
CHAPTER 1: .....	1
Introduction .....	1
CHAPTER 2: .....	3
Economy of Kalimantan: .....	3
a Snapshot .....	3
CHAPTER 3: .....	21
Exploring South Kalimantan's Economy .....	21
CHAPTER 4: .....	35
Infrastructure Upgrading, Enhancing Connectivity & Bold Steps Needed to Better Connect with China Via Belt & Road Initiative .....	35
CHAPTER 5: .....	40
Entrepreneurship in the Borderland of Sebatik Island: the Emerging Issues .....	40
CHAPTER 6: .....	56
Public Facilities in.....	56
Tarakan, Kalimantan Indonesia and Tawau, Sabah Malaysia .....	56

CHAPTER 7: .....	86
Some seaweed farmers in the divided island of Sebatik are technically more efficient than others. Why? .....	86
CHAPTER 8: .....	100
Urgency of Regulations for Special Economic Zone (SEZ) Establishment .....	100
in the Border Region of Northern Borneo .....	100
CHAPTER 10: .....	120
Concluding Remarks & Recommendations.....	120

## **List of Contributors**

### **DR RAFIQ IDRIS**

Senior Lecturer

Faculty of Business, Economics and Accountancy  
Univerisiti Malaysia Sabah

### **PROF DATUK DR KASIM MANSUR**

Professor

Faculty of Business, Economics and Accountancy  
Univerisiti Malaysia Sabah

### **ASSOCIATE PROF DR WONG HOCK TSEN**

Associate Professor

Faculty of Business, Economics and Accountancy  
Univerisiti Malaysia Sabah

### **DR JAMES ALIN**

Senior Lecturer

Faculty of Business, Economics and Accountancy  
Univerisiti Malaysia Sabah

### **DR YAHYA AHMAD ZEIN**

Lecturer

Faculty of Law  
Borneo Tarakan University

### **DR FZLINDA FABEL**

Senior Lecturer

Faculty of Business, Economics and Accountancy  
Univerisiti Malaysia Sabah

**DR MOCHAMMAD ARIF BUDIMAN**

Lecturer

Politeknik Negeri Banjarmasin

**DR MARSO**

Senior Lecturer

Department of Management

Sekolah Tinggi Ilmu Ekonomi Bulungan Tarakan

**DR ARIF @ KAMISAN PUSIRAN**

Senior Lecturer

Faculty of Business, Economics and Accountancy

Univerisiti Malaysia Sabah

**DR SIDAH IDRIS**

Senior Lecturer

Faculty of Business, Economics and Accountancy

Univerisiti Malaysia Sabah

**DAYANGKU ASLINAH ABD RAHIM**

Lecturer

Faculty of Business, Economics and Accountancy

Univerisiti Malaysia Sabah

**HENDRA**

Lecturer

Fakultas Ekonomi dan Bisnis

Universitas Lambung Mangkurat

**DATU RAZALI DATU ERANZA**

Lecturer

Faculty of Business, Economics and Accountancy

Univerisiti Malaysia Sabah

**DR RIZAL ZAMANI IDRIS**

Senior Lecturer

Faculty of Humanities, Arts and Heritage

Univerisiti Malaysia Sabah

**KAMARUL MIZAL MARZUKI**

Lecturer

Faculty of Business, Economics and Accountancy

Univerisiti Malaysia Sabah

**ROSLINAH MAHMUD**

Lecturer

Faculty of Business, Economics and Accountancy

Univerisiti Malaysia Sabah

**MAXI SONDAKH**

Lecturer

Department of Economics and Development Studies

Sekolah Tinggi Ilmu Ekonomi Bulungan Tarakan

**DEWI NURVIANTI**

Lecturer

Faculty of Law

Borneo Tarakan University

## Preface

Slightly higher per capita income (in North and East Kalimantan), bigger market size, the potential freer movement of capital, investment and skilled labors under the ASEAN Economic Community (AEC) framework among others are indeed important justifications to consider in building necessary infrastructure for connectivity with Kalimantan. As argued in our previous book in 2018, it is time to consider the idea of having road link with Kalimantan without ignoring the possible adverse effects.

This book is a continuous effort to provide readers with an overview on the economic potentialities of Sabah and Kalimantan in general. Many studies are available with regard to both economies but at times, language barrier has made it to be less accessible for many readers. In recent years, Universiti Malaysia Sabah, headed by Prof Dr Rasid Mail has made important collaboration with higher learning institutions in Tarakan, North Kalimantan to stimulate research on Sabah-Kalimantan. In addition, the editors together with Society Empowerment and Economic Development of Sabah (SEEDS) headed by the late Datuk Badil Zaman have organized a series of round table discussions that were held in Kota Kinabalu, Tawau and North Kalimantan involving various stakeholders such as business chambers representatives, authorities and academicians among others.

It is hoped that this book will be beneficial for policymakers, academicians, students and other stakeholders. We would like to thank Universiti Malaysia Sabah (UMS), Society Empowerment and Economic Development of Sabah (SEEDS), Sabah Economic and Education Society, the late Datuk Badil Zaman, Datuk Seri Panglima Abdul Rahman Dahlan, the writers and all who have contributed to the publication of this book.

Dr Rafiq Idris, Prof Datuk Dr Kasim Mansur and Rizal Zamani Idris

# CHAPTER 1:

---

## Introduction

*Rafiq Idris, Kasim Mansur and Rizal Zamani Idris*

The ASEAN Economic Community (AEC) is an initiative to establishing a single market where there will be freer movement of goods, services, capital and skilled labors that will be implemented gradually. The main objectives are to facilitate the movement of investment, capital, goods, services and skilled labor within ASEAN in order to enhance ASEAN's trade and production networks, as well as establishing a more unified market for its consumers and firms.

In achieving the aims of the AEC, many challenges and issues faced by the ten member countries of ASEAN. Issues such as the effects of freer capital movement, mismatch labor qualifications and labor mobility among others have become matters of concern.

In this connection, several salient questions arise. In addition, many other questions arise: How will this integration affect the economy of the Borneo island? Will it help in stimulating the economy?

In a recent development, President of the Indonesian Republic, Joko Widodo (Jokowi) had announced that the capital city of Indonesia will be shifted from Jakarta to Kalimantan Timur (KALTIM). This development raises the question on the potential effects for Kalimantan Timur and its neighboring provinces, including Sabah.

This book will discuss various aspects of economy in the Kalimantan and Sabah. Some of the chapters are not based on a study but on some secondary datas and conceptual views of the authors. The chapters are based on various authors' contribution that come from different academic background such as Economics, Entrepreneurship, Law, Business and Tourism among others.

In the previous book, some work was done on various aspects of the economy. For example, see Rafiq I. (2018a); R. Idris (2018b); R. Idris (2018c); R. Idris (2018d); J. M. Alin

and D.R.D Eranza (2018), R.Z. Idris and R.Idris (2018); R. Idris and K. Mansur (2018); R. Idris, K. Mansur, R.Z. Idris, Z,Jamrin and Marso (2018); R.Idris and A.A. Majid (2018).

It is hoped that there will be more research to be undertaken by academicians and policy makers in the future as there are still huge research gap to be filled in. Many new issues are arising that require attention. The editors are optimistic that in the future various stakeholders would be willing to fund research projects similar to these topics.

## **REFERENCES**

Rafiq I. (2018a). The Effect of Common Border on Export. In Rafiq Idris and Kasim Mansur (ed). Collection of Studies on Sabah-Kalimantan Economic Relations (2018).

J. M. Alin and D.R.D Eranza (2018). Rafiq Idris and Kasim Mansur (ed). Collection of Studies on Sabah-Kalimantan Economic Relations (2018).

R.Z. Idris and R.Idris (2018). Malaysia-Indonesia Relations. In Rafiq Idris and Kasim Mansur (ed). Collection of Studies on Sabah-Kalimantan Economic Relations (2018).

R. Idris and K. Mansur (2018). Sabah in ASEAN under the initiative of AFTA, BIMP-EAGA and AEC. In Rafiq Idris and Kasim Mansur (ed). Collection of Studies on Sabah-Kalimantan Economic Relations (2018).

R. Idris, K. Mansur, R.Z. Idris, Z,Jamrin and Marso (2018). Sabah-Kalimantan Road Connectivity: Effect of Cultural Affinity on Sabah's Export Rafiq Idris and Kasim Mansur (ed). Collection of Studies on Sabah-Kalimantan Economic Relations (2018).

R.Idris and A.A. Majid (2018). Malaysia's Consumer Products in North Kalimantan, in Rafiq Idris and Kasim Mansur (ed). Collection of Studies on Sabah-Kalimantan Economic Relations (2018).

## CHAPTER 2:

---

### **Economy of Kalimantan: a Snapshot**

*Rafiq Idris, Kasim Mansur and Marso*

This chapter aims to give a snapshot of the economies in Kalimantan provinces. Salient factors such as sharing common border with North Kalimantan, Kalimantan as Sabah's backdoor neighbor with huge market size of over 4 times than Sabah and the relocation of Indonesia's capital from Jakarta to Kalimantan, have stimulated the interests of many analysts to research on the structure of Kalimantan's economy in general.

Table 1 depicts the Gross Domestic Regional Product (GDRP) at Constant 2010 Market Price by Province in 2017. It clearly indicates that East Kalimantan recorded the highest Gross Domestic Regional Product throughout Kalimantan, followed by West Kalimantan, South Kalimantan, Central Kalimantan and North Kalimantan. The GDRP of Kalimantan is the seventh largest in Indonesia.

**Table 1: Gross Domestic Regional Product at Constant 2010 Market Price by Province (billion Rupiahs) 2017**

<b>Kalimantan Provinces</b>	<b>2017</b>
West Kalimantan	124,306.74
Central Kalimantan	89,565.10
South Kalimantan	121,863.85
East Kalimantan	452,847.48
North Kalimantan	54,535.51

*source: derived from BPS (2018) various issues*

*note: very temporary figure*

Table 2 depicts the percentage distribution of gross regional domestic product at (%) in 2017 for all the provinces in Kalimantan. The information clearly shows that mining and quarrying are the most important contributors to the income of the provinces with exception to Central and Western Kalimantan. In Central and Western Kalimantan, agriculture,

**Table 2: Percentage Distribution of Gross regional Domestic Product at Current Market Prices (%), in 2017 for all the provinces in Kalimantan**

<b>Industry</b>	<b>North Kalimantan</b>	<b>East Kalimantan</b>	<b>South Kalimantan</b>	<b>Central Kalimantan</b>	<b>West Kalimantan</b>
<b>Agriculture, Forestry and Fishing</b>	16.32	7.96	14.59	20.7	20.3
<b>Mining and Quarrying</b>	27.38	46.31	20.75	11.44	5.4
<b>Manufacturing</b>	9.98	19.07	14.39	16.67	16.21
<b>Electricity and Gas</b>	0.05	0.05	0.13	0.08	0.1
<b>Water Supply, Sewerage, waste Management, Remediation Activities</b>	0.06	0.05	0.4	0.09	0.12
<b>Construction</b>	12.45	8.07	8.01	9.78	12.8
<b>Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles</b>	11.36	5.3	9.68	12.22	14.13
<b>Transportaton and Storage</b>	6.99	3.62	6.48	7.02	4.57
<b>Accomodation and Food Service Activities</b>	1.55	0.93	1.97	1.91	2.31
<b>Information and Communication</b>	2.26	1.26	3.47	0.96	3.73
<b>Financial and Insurance Activities</b>	1.14	1.53	3.6	3.28	3.69
<b>Real Estate Activities</b>	0.79	0.88	2.21	2.12	2.88
<b>Business Activities</b>	0.25	0.21	0.66	0.04	0.44
<b>Public Administration and Defence; Compulsory Social Security</b>	5.22	2.03	5.94	6.2	6.94
<b>Education</b>	2.48	1.55	4.58	4.58	4.01
<b>Human and Social Work Activities</b>	1.03	0.59	1.93	1.89	1.4
<b>Other Services Activities</b>	0.66	0.62	1.22	1.02	0.98

*source: derived from BPS (2018) various issues*

*note: very temporary figure*

forestry and fishing sectors are the most important ones. For East, North and South Kalimantan coal is the important commodity under the mining and quarrying sector.

Table 3 shows the unemployment rate and labor force participation rate in Kalimantan provinces. The data indicates that unemployment rate ranges between 4.2 and 6.9 percent in 2017. Labor force participation is above 63 percent with South Kalimantan recorded the highest which is 70 percent.

**Table 3: Unemployment Rate and Labor Force Participation Rate in Kalimantan**

<b>Kalimantan Provinces</b>	<b>Unemployment Rate</b>	<b>Labor Force Participation Rate</b>
West Kalimantan	4.36	68.63
Central Kalimantan	4.23	67.74
South Kalimantan	4.77	70.06
East Kalimantan	6.91	63.75
North Kalimantan	5.54	68.24

*source: derived from BPS (2018) various issues*

In terms of cost of living, inflation rate is reported in table 4. Table 4 depicts that cost of living in the selected major cities in Kalimantan do not differ so much. It ranges between 2.5 and 3.85 and this is relatively low.

In terms of Human Development, the human development index are presented here to see the different levels of human development in Kalimantan. The Human Development Index (HDI) refers to a statistic of composite index which takes into account life expectancy, education, and per capita income. High HDI score implies longer lifespan, higher education level and higher gross national income GNI (PPP) per capita. Table 5 shows the HDI in Kalimantan provinces.

**Table 4: Inflation Rate (%) in Kalimantan (2017)**

<b>Selected Cities in Kalimantan</b>	<b>Inflation Rate (%)</b>
Pontianak (West Kalimantan)	3.85
Palangkaraya (Central Kalimantan)	3.11
Banjarmasin (South Kalimantan)	3.42
Samarinda (East Kalimantan)	3.59
Balikpapan (East Kalimantan)	2.45
Tarakan (North Kalimantan)	2.77
Tanjung selor (North Kalimantan)	2.4

*source: derived from BPS (2018) various issues*

Table 5 indicates that the HDI is above 65 in all the provinces. In addition, East Kalimantan recorded the highest in Kalimantan which is the third highest in the whole of Indonesia (BPS, 2018) that is after D.K.I Jakarta and D.I Yogyakarta.

In terms of poverty incidence, table 6 shows the poverty rate in Kalimantan. Table 6 reveals that poverty rate in Kalimantan is less than 8 percent. South Kalimantan recorded the lowest poverty incidence which is 4.7 percent.

**Table 5: Human Development Index in Kalimantan Provinces (2017)**

<b>Kalimantan Provinces</b>	<b>HDI</b>
West Kalimantan	66.26
Central Kalimantan	66.26
South Kalimantan	69.65
East Kalimantan	75.12
North Kalimantan	69.84

*source: derived from BPS (2018) various issues*

**Table 6: poverty Rate in Kalimantan (%) in 2017**

<b>Kalimantan Provinces</b>	<b>Poverty Rate (%)</b>
West Kalimantan	7.86
Central Kalimantan	5.26
South Kalimantan	4.7
East Kalimantan	6.08
North Kalimantan	6.96

*source: derived from BPS (2018) various issues*

### **References**

- BPS (2018). Kalimantan Barat Province in Figures 2018
- BPS (2018). Kalimantan Selatan Province in Figures 2018
- BPS (2018). Kalimantan Tengah Province in Figures 2018
- BPS (2018). Kalimantan Timur Province in Figures 2018
- BPS (2018). Kalimantan Utara Province in Figures 2018