



**Short Communication**

## **Development Synergi city of coastal areas dealing ASEAN integration in Riau province**

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### **Abstract**

*ASEAN as an organization of countries in Southeast Asia want to realize a solid economic region, and be calculated in the international economic arena. One important milestone is how to become a unitary territory of markets and production bases. In the country of Indonesia the ASEAN integration has been welcomed by the enactment of Law no. 6/2014 on the Village and some economic policies of the Indonesian government (2015-2019). The problem of this research is "how the important pillar implications of market integration and production base occur in the forefront and hinterland in Riau Province?". This research is a qualitative research that describes the social potential of economic sector in the area of the district that directly face the area of Integration of Economic Community Asean. This research uses secondary data analysis and has been done since August to October 2016 in Pekanbaru. The research findings are on the agricultural sector not yet the synergy of policies and practices between the front and the hinterland areas, especially the production of sago commodity crops. Likewise on the trade aspect of Institutional Small and Medium Enterprises Cooperatives as providers. In the transportation sector where the transportation network of the sea connections in the outermost areas of the district of Meranti and in the hinterland region that is in Siak district also found not synergized policy between the two. The economic policy of the government welcomed the ASEAN Integration in the form of a package of economic policies not yet seen and downgraded into the policies of the provincial and district level. enhancement of added value of the region's superior potential which seeks to increase its quantity and added value, connecting growth centers with buffer zones, building regional infrastructures, increasing human and science capacity and technology, formulation of regulation for improvement of investment climate and business climate not implemented yet, his thesis is "Synergy of coastal development policy; leading areas and hinterlands in Riau province in the setting of the ASEAN Economic Community has not occurred".*

**Keywords:** MEA Synergi city, government, private, people, Hintreland's leading territory, Riau province.

### **Introduction**

Riau Province is located on the island of Sumatra, which is the region of Central Sumatra. One third of the area is a plateau, two-thirds are natural peat swamp forests, including river and lake and swamps. This agrarian aspect gives the province of Riau a natural wealth that has been known since the Dutch colonial era up to the time of this independence. It is bordered by the East coast of Sumatra island, facing international territories such as Malaysia, Singapore, Brunei and Thailand, so that it is in direct contact with the ASEAN Economic integration region.

ASEAN countries<sup>1</sup> as a state organization in Southeast Asia is committed to realizing a solid economic region and is taken into account in the international economic arena, effective December 31, 2015. ASEAN unites itself in a market-based unified region, so the traffic commodity production, service and investment as well as large amounts of capital, including skilled labor, are not hampered from any country in the region.

ASEAN integration in Indonesia is welcomed by Law no. 6/2014 on the Village and a number of packages of government economic policies of Indonesia Package I-XIII. With such enthusiasm indicates that i. the superiority and potential of a region requires a just policy to accelerate the social and economic development of its people. ii. The certainty of the presence of the ASEAN economic community, especially in the penetrating, growing and developing commodities in the rural areas, will inevitably be affected by the presence of the ASEAN Economic Community's system, mechanism and procedures. Important questions in this study are; How do the important implications of the Asean Economic Community (MEA) pillars of market integration and production base occur in the leading and hinterland areas of Riau Province?". This study aims to: i. Know the form of presence or penetration of MEA capitalism to economic sectors and sub-sectors of regional growth in the area of direct access and not directly (Hinterland) with the state border. ii. Finding administrative synergicisms as well as sectoral development on policy construction needed to strengthen the economic community facing the MEA based on the potential of the forefront and hinterland region to face the MEA.

This research is a qualitative research that describes the social potential of the regional economic sector in the district that is directly opposite to the activities of the MEA. Using secondary data analysis and has been conducted since August to October 2016, in Pekanbaru.

As according to Shin et al<sup>2</sup> explaining the phenomenon of economic integration, such as MEA, has two main dimensions of mobile factors and non-mobile factors. The first dimension focuses on the pillars of investment. The ease of technology and banking integration make capital move quickly. Meanwhile, in the second dimension, the quality of non-mobile factors such as public sector responses to service improvement challenges, infrastructure acceleration and regulatory harmonization are crucial to determine where mobile mobiles move. Meanwhile, neoliberalists in his argument assume assumed that the movement of goods, services or capital that is not controlled by any regulation so as to generate maximum economic growth. The existence of a free market is believed to be able to take care of itself, so it does not require state intervention. Neo-liberal economic policy has a goal to; i. the development of individual freedom to compete freely in the market; ii. private ownership of recognized factors of production; iii. the establishment of market prices by the state through the issuance of Law<sup>3</sup>. In accordance with the principle of liberalism, the existence of the state must be at the lowest level. So it can be said that the state is the enemy of the neo-liberal, the implication of all economic activity and the other is determined by the market mechanism and for the market.

The three main ideas of neo liberalism are to free private companies from government interference, stop subsidies to the people because they conflict with the free market prizes; abolish the ideology of "common welfare and communal ownership, because it has been deemed to inhibit growth, the management of natural resources should be given to the experts. United Nation Conferences on the Trade Development (UNCTAD) defines economic integration as an agreement made to facilitate international trade and cross-country production of factors of production.

Pelkman defines economic integration as an integration characterized by the elimination of economic constraints between two or more countries. These economic barriers include all the restrictions that cause the mobility of goods, services, factors of production and also the flow of communication. As Hirschaman A.O.<sup>5</sup> realize that economic functions will vary in intensity at different places. Economic growth is prioritized on its original base before being deployed to other places. He uses the term growth point or growth center.

In the sutau country there are several growth points, where industries are grouped in that place, because it derives some benefits in the form of savings and easiness. Investment opportunities, employment and wage labor is relatively high in the growth centers of the back. The center and the back are

dependent on the supply of goods and labor. The most powerful influence is the migration of the population to the big cities will be able to offset the skilled workforce and others will reduce the subtle unemployment in the rear.

If strong complementarity will occur the process of spreading the development of rural areas (trikling down) and vice versa if the weak complementarity will happen polarization effect<sup>6</sup>. If the polarization effect is stronger than the effect of the development spreading, then there will be a dualistic society, that is, besides having the characteristics of modern urban areas also has the backward region of rural<sup>7</sup>.

While<sup>8</sup> uses the term Backwash effect and Spread Effect which means exactly similar to polarization and trikling down influence. However, in the emphasis of the discussion and conclusion there is a considerable difference. The Myrdal analysis gives the impression of pessimism, He argues that polarization arises more strongly than the spread of development, the demand for factors of production will accumulate in the urban areas that provide benefits to it, and vice versa in unfavorable rural areas will be depleted.

According to Myrdal's view, the core areas of the economy are the magnifying magnets of progress. Myrdal suggests that once growth begins at the chosen location in a free economy, labor flows, skills, capital and commodities develop spontaneously to support it. But this current includes the backwash effect, the inequality between the developing regions and other regions. Emerging areas affect other areas through two opposing forces, according to Myrdal's model called Effect backwash and spread effects and backwash effects. Disseminating effects show favorable effects of affluent areas on less prosperous areas, including: increased demand for primary commodities, investment and diffusion of ideas and technology. In many underdeveloped countries, the effect of dissemination is limited to regional areas around the last urban centers<sup>9</sup>.

In relation to the role of the core region in spatial development, there are five main prepositions, as follows; i. The core area governs the interconnectedness and dependence of adjacent areas through the supply, market and administrative systems; ii. The core area systematically pursues the innovations of the surrounding areas within its sphere of influence; iii. Up to a certain point the growth of the core area tends to have a positive influence in the spatial system development process, but it may also have a negative effect if the spreading of the core region's development to the surrounding areas is not succeeding in increasing the connectedness and dependence of the surrounding areas on the core area be reduced; iv. In a spatial system, the hierarchy of the core areas is defined on the basis of their respective functional positions including their detailed characteristic characteristics and accomplishments; v. The possibility of innovation will be enhanced throughout the spatial system area by developing information exchange.

Although the core-periphery regional relationship as the basic framework of regional development policy and planning is considered rude and simple, it can be used to explain the interconnectedness and interdependence between the center and the surrounding areas. Then Friedman develops the classification of core areas and suburbs into metropolitan areas, development axes, frontier regions, and depressed regions.

The border region belongs to the category of periphery, and in it there are small centers that have the potential to develop into larger centers in the future. Several important developmental directions can be expressed, hyper urbanization, modern development centered only in a few cities, whereas outside areas may be said to be remote from social and economic changes, unemployment and underemployment, and poverty, persistent food shortages, the inhuman life of the inhabitants of the agricultural regions, and the dependence on the outside world.

Friedman advocated the formation of agropolises or towns in the fields. This meant not encouraging the movement of villagers into the big cities, but encouraging them to stay where they were. With the development of agropolitan districts, the eternal contradictions between cities and villages can be mitigated, especially in developing countries.

## Methodology

This research is a combination of qualitative research that is survey. The survey describes the reality of MEA capitalist penetration to the development sectors in the leading districts and hinterland districts. This study approach seeks to capture the social and economic development conditions of society in different areas of excellence and potential. The research was conducted in July 2016 in Pekanbaru, while the object of the research studied was on the segment of agriculture sector, trade or SMEs and transportation sector of River, Lake and Sea located in Meranti and Siak District in Riau Province. Specifically, to find Synergi city, either administratively or sectorally, the development of policy construction necessary for economic strengthening of coastal communities facing the MEA and its sustainability is to deconstruct the concept of development that has been implemented in development in areas where the socio-economic progress rate is growing and developing.

## Results and discussion

**The penetration of capital of economic integration in the context of MEA to the forefront and hinterland in Riau Province:** In agriculture sector cultivation of superior commodity that is sago plant, where not yet programmed reserve of land specifically for sago cultivation of the farmers who pursue the sago plant.

In the trade, marketing and distribution sector where sago processing industry belonging to Small and Medium Enterprises processing sago raw material into sago lacute has increased

significantly, but it is still done partially by each Small and Medium Enterprises at Household Business level. Sago cultivation into sago flour subsequently become semi-finished material from sago, in doing business is still scattered, not in a collection of economic enterprises called cooperatives.

Their semi-finished goods are collected by merchant traders and collecting merchants market and distribute them to entrepreneurs waiting by ship in the middle of the sea. Furthermore marketing and distribution network is what gives the new brand, so farmers and the households do not have a brand of semi-finished goods sago from meranti farmers. There is no local government policy such as; increase the added value of the region's superior potential by trying to encourage the increase of quantity and added value of regional superior potentials.

In the transportation sector, the transportation network of maritime relations to the outer regions of the region, namely in the district of Meranti and Hinterland, namely in Siak regency of Riau province also found no investors either in the form of direct investment and indirect investment in the forefront and Hintreland.

From aspects of penetration of MEA economic integration capital in districts in the foremost areas, the outermost of Meranti district in the trade economy sector shows that intra and inter trade is not significant. This means that it still runs as before the concept of economic integration is launched, there is no direct or significant increase of direct investment. Whether it is for the leading agricultural sector of Sago food crops, as well as in the transport and trade sector which includes marketing and distribution.

**Sinergi city of administrative as well as sectoral development about:** In the agricultural sector, there has been no Synergi city of administrative and sectoral development between the foremost region and the hinterland area in the aspect of the production of the superior crop potential ie Sago food commodity.

There is no policy that unites the vision to meet the economic integration of MEA, especially in establishing the common area as the center of Sago plant development, although the land criteria for mining are relatively similar, and administratively also directly adjacent.

In the trade sector of Small and Medium Enterprises and Cooperatives, marketing and distribution of the leading agricultural commodities of Sago, the local government of Meranti district has entered into promotion and cultivated breakfast with superior food such as Mie Sagu in hotels and other official banquet, added by striving to increase the quantity and value added of the region's superior production, human resources and science and technology capacity building, the preparation of the regulation for improved investment climate and unfinished business climate.

In the transportation sector, namely the transportation network of the outer sea connections of the outer regions, namely in Meranti and Hinterland districts, in Siak regency of Riau province also has not found synergy policy between them. Connectivity between growth centers with buffer zones, infrastructure development of the region. The thesis is "Synergy of coastal zone development policy; leading and hinterland in Riau Province has not yet demonstrated the integration of agricultural production base, SME trade and transportation sector between Kepulauan Meranti district and Siak regency in Riau province.

**The construction of the policy required for the strengthening of the economy of the leading and hinterland communities:** To seize the opportunity of MEA presence in accommodating the entry of foreign capital and the threat of foreign workers, both Meranti and Siak regency governments immediately formulate MOUs and cooperative actions between regions in benefiting from MEA.

## Conclusion

Based on the findings of research analyzed in chapters IV and V of this study, it can be concluded: i. The penetration of MEA capitalism in this connection integrates the market into the wider ASEAN market in the coastal areas of the Tebing Tinggi sub district of Meranti district on the development aspect the region has not been seen, because the region is still growing stagnant. Regional development theory that is Sutami, is considered suitable to explain the existing condition where the natural resources physical condition of land or land is very necessary for the development of the region. While theories of regional development and other regional development, it is not relevant in explaining the conditions of accelerating economic development and infrastructure in this region; ii. In the coastal area of Riau province, precisely, Meranti districts have established an economic and infrastructure strength based on the condition and ability of their society, natural resources, the condition of the physical rock of land from the main island rock becomes the very determining variable of the development of regional infrastructure. The variables of state intervention in this relation of local government policy have not shown any significant impacts and impacts on increasing the capacity for the development of this region; iii. Although there is a

difference of physical condition of land and infrastructure with its area of Siak Regency precisely Dayun sub district, but penetration of capital into sub sector of development is relatively invisible; iv. There has been no policy Synergi city in administrative or sectoral development concerning policy construction needed for economic strengthening of society facing MEA based on potency of region and hinterland in Riau province.

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