

# THE SMOKOL PHENOMENON IN MALAYSIA- INDONESIA CROSS-BORDER INFORMAL TRADE AT SEBATIK ISLAND

Fauzie Sarjono,<sup>1\*</sup> Kartini Aboo Talib @ Khalid,<sup>2</sup> Rachel Chan Suet Kay<sup>2</sup>

First & Corresponding author

<sup>1</sup>Faculty of Social Sciences & Humanities

Universiti Malaysia Sabah

<sup>2</sup>Institute of Ethnic Studies, Universiti Kebangsaan Malaysia

(fauzie@ums.edu.my, k\_khalid@ukm.edu.my, rachelchansuetkay@ukm.edu.my)

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## Abstract

In the context of border trade on Sebatik Island, the governments of Malaysia and Indonesia have signed a series of agreements involving cross-border activities. The implementation and overlap of cross-border activities trigger various polemics, problems, and connotations, especially from trade concept manipulation, borderline manipulation, resource dependence, ethnic border manifestations and local economic integration. The main purpose of this article is to elevate local discoveries to the global stage, especially in understanding the *Smokol* phenomenon that occurs in cross-border informal trade activities. For this purpose, the 'presence in the field' methodology is used to obtain information. A total of six (6) economic actors in Sebatik Island, with three (3) different locations, were used as key informants to identify the background of the community and economic activities of the border community through ethnographic methods and interviews. Meanwhile, 101 economic actors were used as face-to-face questionnaire respondents to identify population, demographics, and perceptions about borders and border trade. The research results found that all the main informants and respondents perform economic activities by applying the *Smokol* phenomenon. This concept creates an arena of integration as a 'multi-location market', a form of the market created by society without government regulation. The implications are huge to justify the governments of both countries to understand the social reality of border communities as border actors in implementing policies related to the interests of the country and its citizens. This study's main contribution is applying the *Smokol* phenomenon concept in cross-border informal trade activities in Sebatik Island, Malaysia - Indonesia.

*Keywords: Smokol, cross-border informal trade, Sebatik Island, Malaysia-Indonesia*

## Introduction

The *Smokol* phenomenon is a phenomenon that existed before modern geopolitical boundary lines were produced. The local phenomenon arising from cross-border informal trade activities is an economic system of border communities supported by the relationship between countries and dynamic economic markets. The complexity of relations between countries and the economic market complexity of these border communities are created and intertwined because of the foundation of economic needs. The actors who underlie this phenomenon create space, opportunities, and even threats due to the unstable, uncertain, marginalised border region, which is full of danger and threats to cross-border crime.

This diverse and complex phenomenon is often seen as an economic integration practised on the Malaysia-Indonesia border that has been established for so long. It is not tied to geographical location, country, or even rules and regulations and is unique and exclusive. Noboru Ishikawa (2010, p. 4) argues that a boundary area provides a useful perspective for studying the territorial origins of a state, the evolution of state space and the relationship between the two.

Peter Chalk (1997), in his book *Gray Area Phenomena in Southeast Asia, Drugs, Trafficking and Political Terrorism* emphasises the dominant conflict situation in an area of obscure nature. This is also stated by Florian Weigand (2020) in his book entitled *Conflict and Transnational Crime, Borders, Bullets & Business in Southeast Asia*. Weigand gives a connotation to the border composition by saying that the Sulu Sea and the Celebes Sea are on the Malaysia-Indonesia-Philippines border as a 'Smuggling Paradise' or paradise for smugglers. What is clear, however, is that the benefits of overlap, ambiguity, and fluidity about this boundary space are exploited and sometimes lead to polemics of a top-down and bottom-up nature.

This is because the differences regarding the social realities that occur in the daily lives of border communities override the rationale of government action regarding the existence of a border. On the other hand, these border regions also provide various interpretations that invite polemics of interest between countries, economic markets, and border communities. Thus, these interpretations of border communities sometimes and often invite various issues about crossing borders and creating border spaces based on the social realities of the community. The rational clash of government actors and social actors in providing definitions of boundaries sometimes brings various polemics, problems and even benefits in real-life realities, especially in space and economy.

Despite this complexity, this phenomenon's persistence is driven by various factors. For example, like an entire social network, the liquid ethnic composition in the backbone of kinship that affects the social, political, and

economic is a major factor in the phenomenon that continues to remain even thicker. The informal trade network that crosses the borders of these two countries is also augmented by a contextual look at the interests and economic motives because of the knots of kinship and ethnic fluidity in common. It is seen the ethnic network is the basis for the persistence of this phenomenon in the context of the limitations and complexity of the border region itself. This overlap of space, economy and society forms a related integration in various aspects that will be argued in this article.

## **Sebatik Island**

Sabah is one of the thirteen states in Malaysia, located in the Borneo archipelago. Strategically, the position of this region shares a border between Brunei Darussalam, the Philippines, and the Republic of Indonesia. Sabah's position at the center of the geo-political system of the border leads to dynamism in terms of the continuity of borders and sovereignty of a country in general Malaysia and the state of Sabah in particular. This continuity invites a variety of scenarios and phenomena unique to relations between countries. The dominant factor to this boundary composition is the strategic position. For example, according to Ramli Dollah, Wan Shawaluddin Wan Hassan, Diana Peters, and Zaini Othman (2016), Sabah covers 72,689 km of land, excluding the land of the surrounding islands, which is estimated to be 1,549 km. While the maritime area covers 54,360 km, making up 30 percent of the Economic Exclusive Zone (EEZ). Ramli Dollah et al. (2016, p. 179) say that this maritime area is formed from the South China Sea in the west and the Sulu Sea in the north of Kudat, as well as extending to the east coast region, which includes the Sulu Sea, and the Celebes Sea in the districts of Semporna and Tawau.



**Map 1: Sebatik Island Malaysia-Indonesia**

(Source: Digital Map Sebatik Island. Center for Geography Information System, CeRGIS-UMS [2019].)

Behind the complexity of these borders, one island has a direct border with Malaysia and Indonesia in general, and Sabah and North Kalimantan in particular, namely Sebatik Island. Malaysia and Indonesia own Sebatik Island, so it got the nickname of the local community as *Pulau Dua Negara*. The district boundary refers to Tawau in Malaysia and Nunukan in North Kalimantan Province in Indonesia.

Zaini Othman, Kntayya Mariapan and Ismail Ali (2010) say that the demarcation of the boundary line historically refers to the Anglo-Dutch treaty convention of 1891, known as the London Convention and in 1915, referred to as the London Protocol. The boundary stone (in Indonesia known as Patok Beton) that still exists today is proof of the result of the convention. The convention also outlines the demarcation of sea and land boundaries between England and the Netherlands based on an astronomical system on a vertical lat line. - north of DM 4°10' (Suburi, 2010, p. 119). This places the northern part of Sebatik Island as fully owned by the British, while the southern part belongs to the Dutch (Abubakar, 2006).

## Literature Review

The border trade began to gain the attention of researchers around the 1990s. Research related to cross-border trade from various perspectives, such as globalisation, cross-border migration-related, and capital globalisation, is beginning to receive attention regarding the implications of border research. For example, Basch, Schiller and Blanc (2005, p. 305), Lee Boon-Thong and Tengku Shamsul Bahrin (2018, p. 5), Smith and Guarnizo (1998, p. 29), Newman and Passi (1998, p. 187), Crush and McDonald (2000, p. 18) often imagine about the impact of changes in the process having an impact on the borders of a declining country. It is as if the border space is said to not exist within the same ethnic and cultural boundaries. Whereas from an economic point of view, imagining the border is just a modern geo-political separation that puts the perception of the existence of a border.

The emergence of the process of globalisation opens a new chapter on the movement of capital, commodities, resources, technology, markets and so on in understanding the concept of the modern economy. This process is no exception to what happens at the border. Cross-border informal trade invites debates from academic and political perspectives (Koff, 2016, p. 2).

For example, Lisa E. T. Mwakisale and Magai (2015, p. 1524) interpret informal cross-border trade as legally produced goods and services that escape government institutions' regulatory framework, avoiding certain tax and regulatory burdens, either in whole or in part. Other interpretations see cross-

border trade as the exchange of goods and services across international land borders within a range of up to 30 km (Kiminski & Mitra, 2012, p. 18).

However, this interpretation becomes very limited due to the difficulty of recording border transactions and the small scale of trade performed. Although border trade accounts for only a small fraction of total international trade, it has an important impact on the economic development of border regions. It plays an important role in regional integration in rural areas (Neuwirth, 2012, p. 124).

Lombard (2005), Reid (1999), and Hefner (1999) (cited in Lenggono [2012, p. 93]) have researched the economic role of archipelago communities in trade in Southeast Asia. They noted that by the 15th century, a global trade network in the maritime areas of the archipelago that crossed national borders had existed. The existence created the phenomenon of cooperation in trade and improvements in marine technology, which eventually created the most prosperous trade phenomenon in the world at that time. Lenggono also mentioned Pinto, a Portuguese who stated that rice commodities exported from South Sulawesi since 1511 could meet the Portuguese's demand in Melaka. This trading activity connects the region of South Sulawesi to the international monetary economic system network by using coinage transactions (silver and gold) with Portuguese real estate (Pelras, 1996, p. 119). This statement by Lenggono (2012) and Pelras (1996) is seen as a scientific justification for border trade that occurred much earlier before modern geo-political boundaries that are completely different in terms of practice.

Ackello-Ogutu (1996, p. 3) defines cross-border informal economic activity as economic activity based on the movement of commodities across national borders through informal trade routes without the inspection of border officials. This definition of informal economic activity thus opens space for cross-border economic research in various dimensions. The earliest research on cross-border economic activity in Southeast Asian countries involved the countries of Kampuchea, Greece and Guangxi Zhuang in China, Laos, Myanmar, Thailand, and Vietnam conducted by Asian Development from 1998 to 2009.

Then, some researchers like Maneepong (2003), Maneepong and Wu (2004), Tsuneishi (2009), Set Aung (2009), and Vakulchuk and Irnazarov (2014), Choen and Routray (2015), Lee (2015), Nshimbi (2020), Kahiya and Kadirov (2020) conducted research that focused primarily on a country's border towns as well as the potential of border towns as catalysts to economic growth in backward suburban districts.

In addition, Abdul Rahim Anuar and Azhar Harun (2018) conducted cross-border town research on Sadao Town-Bukit Kayu Hitam, Thailand and Malaysia Border. Meanwhile, Abdul Rahim Anuar (2015) also conducted research

on the economic transformation of the Malaysia-Indonesia border town, Tawau-Pulau Nunukan. Malaysia-Indonesia cross-border economic research features researchers such as Robert (2004), Nurul Barriyah, Lau Evan and Shazali Abu Mansor (2004), Husnaidi (2006), Ramli Dollah and Ahmad Mosfi Mahmood (2007), CB Herman (2007), Kasim Hj. Mansur & Mori Kogid (2008), Dendy Kurniadi (2009), Endi Haryono and Ratnawati Y. Suryandi (2012), Saru Arifin (2012), and Thirunaukarasu Subramniam, Evelyn S. Devadason, and Sivachandralingam Sundaraja (2013). All the researchers discussed the potential of border towns as agents of change to the growth of sustainable economic regions and aspects of defence and security that are more of a major focus than developing border towns.

Interestingly, informal economic activity at the border grows because of inequality between one country and another bordering country. 'Borderlanders' have a no-burdensome attitude and seek various methods to meet their needs by utilising the liquid border composition (Rudiatin, 2012, p. 2). This phenomenon depends on the interaction of economic development between the bordering countries. Therefore, interdependence brings a new level of cross-border economic activity.

The phenomena and uniqueness of the border region and the cross-border economic space are tied to each other in the survival of a country. This phenomenon creates various overlapping dimensions in terms of political-legal, socio-economic, and even security-defence system, cross-border crime, conflict and so on, giving the title of the border region of Celebes Sea and Sulu Sea as 'The Smugglers Paradise' (Weigand, 2020, p. 112).

Nevertheless, despite the linkages between border phenomena and the continuity of cross-border economic activity, it generally gives an interesting connotation. These activities benefit labour on both sides of the bordering country. The unique composition of borders opens opportunities for market access, sources of supply and ownership, capital, labour and even technology sharing. This phenomenon depends on the interaction of economic development between the two countries. Interdependence brings a new level of cross-border economic activity. The level is seen as a contributor to the prosperity and development of an area, as a mechanism to develop the border economy, thus removing the community from the shackles of poverty (Blatter, 2000; Muzvidziwa, 2001; Titeca, 2009).

The border economy and society are directly and indirectly related to their own social system. The vast economic space and dimensions, with the overlap of various state systems, create space and dimensions to be penetrated by the actors in the informal economy. It is said that this phenomenon of the cross-border informal economy is a catalyst for the continuation of social transformation within

border communities which cross the border between the countries themselves. The undeniable fact is that this phenomenon also goes beyond the principles of nationalism of a country. Reliance on resources for survival further encourages this phenomenon to grow across borders. Coupled with world economic trends that create global and traditional segregation and segmentation in today's economic space. The sudden development and increase in the informal economic system evidence the separation. In fact, it seems as if the informal economy is becoming a new paradigm replacing the increasingly narrow formal economic space.

A formal economy based on capital accumulation and regulation of industries with large capital, prioritising skills, as well as global integration in new economic challenges driven by the process of market globalisation ultimately put an option for border communities to create economic space without limitations and capital influence nor the government.

The author (Sarjono, 2020) states that the transaction process in the border economy in Sebatik Island is so unique that it is difficult to distinguish between legal and illegal economic practices. For example, the demand of the people of Pulau Sebatik, Indonesia, for daily products from Malaysia, such as gas barrel gazettes by the government as Import Prohibited Goods (Jabatan Kastam dan Eksais DiRaja Malaysia, Cawangan Tawau, 2001, 2005: Refer to Tables 1 and 2 KPDNHEP) goes beyond the concept economy marked by national legislation based on legitimate economic rules. This concept of legitimate and illegitimate economic practices dominates the border economy, accompanied by the complexity of the border as well as the existence of the local market as the destination field of economic transactions. This economic concept has also been described as an illegal practice such as smuggling, no longer just a mere economic action but has become an activity that invites economic threats to a country. Economic activities on the Malaysia-Indonesia border are subsistence activities that meet the necessities of life. The concept of trust, ordering goods and bargaining process has dominated the phenomenon of trade on the Malaysia-Indonesia border for centuries.

The author (Sarjono (2021) & Sarjono, et.al. (2021) also argued that the Malaysia-Indonesia border on Sebatik Island is about sharing a common environment between two or more countries, which creates a grey area of power referred to as a 'grey area' among the bordering neighbouring countries. The tendency of territorial expansion can lead to conflicts between countries in the interest of their country. Ironically, the importance of borders in defence and security, as well as socioeconomics, also plays an important role in the survival of national sovereignty.

The literature review above shows that most studies that have been conducted still use the perspective of border trade. Based on the transnational nature of the border area, a more integrative approach is needed involving the two countries. In those studies, the author has initiated an integrated approach through analysis of local communities 'daily interpretations of cross-border trade activities. Therefore, this study differs from previous studies because it uses a local approach that is a unit of knowledge analysis of the daily interpretation of society 'Everyday-Defined' on local phenomena referred to as *Smokol* Phenomenon in cross-border informal trade activities. In other words, although Sebatik Island is divided sovereignly, it can be economically integrated, which is local but staged in the form of global integration.

## Methodology

Following the *Smokol* phenomenon that occurs in cross-border activities on Sebatik Island, the objectives of the study are to analyse the local understanding of the *Smokol* phenomenon in informal trade activities across the Malaysia-Indonesia border and examine the trade pattern on the global stage. In getting appropriate data, this study uses a qualitative approach with exploratory methods of 'presence in the field', 'placing oneself into a border society', 'experience of placing researchers as actors' of informal cross-border trade and 'understanding access to trade routes' to understand better the phenomenon of *Smokol* in Sebatik Island Indonesia and Malaysia in detail.

**Table 1: Informant Demographics**

Profil	R1	R2	R3	R4	R5	R6
Age ( <i>Umur</i> )	62	54	65	55	48	47
Gender ( <i>Jantina</i> )	Male	Male	Male	Male	Male	Female
Origin ( <i>Asal</i> )	Indonesia	Malaysia	Indonesia	Indonesia	Malaysia	Indonesia
Address ( <i>Tempat tinggal</i> )	Kg. Sg. Melayu (Malaysia)	Desa Sei Aji Kuning (Indonesia)	Rancangan Bergosong (Malaysia)-/Desa Sei Limau (Indonesia)	Desa Sei Aji Kuning (Indonesia)	Kg. Sg Limau (Malaysia)	Desa Sei Panchang/Desa Sei. Nyamuk (Indonesia)
Race ( <i>Bangsa</i> )	Bugis	Bugis	Bugis	Bugis	Bugis	Bugis



Citizenship ( <i>Warganegara Dominan</i> )	Malaysia	Malaysia	Indonesia	Indonesia	Malaysia	Indonesia
Identification Document ( <i>Dokumen Pengenalan</i> )	<i>Dual</i>	<i>Dual</i>	<i>Dual</i>	<i>Dual</i>	<i>Dual</i>	<i>Dual</i>
Social Status in Society ( <i>Status Sosial dalam Masyarakat</i> )	<i>Pa'dang kang, Orang Kaya Baru</i> Highly Ranked	<i>Pa'dang kang, Orang Kaya Baru</i> Highly Ranked	<i>Pa'dang kang, Orang Kaya Baru</i> Highly Ranked	<i>Pa'dang kang, Orang Kaya Baru</i> Highly Ranked	<i>Pa'dang kang, Orang Kaya Baru</i> Highly Ranked	<i>Pa'dang kang, Orang Kaya Baru</i> Highly Ranked
Education ( <i>Pendidikan</i> )	Educate	Not educate	Not educate	Educate	Not educate	educate
Length of Participation ( <i>Tempoh Penglibatan</i> )	22 years	15 years	13 years	15 years	10 years	8 years
Type of Cross Border Economic Activities ( <i>Jenis Aktiviti Ekonomi Rentas Sempadan</i> )	Trading: Supply the product from Malaysia to Indonesia. Own the trading Premise, Jongkong and Vessel in Malaysia & Indonesia	Trading: Supply the product from Malaysia to Indonesia. Own the trading Premise in Indonesia	Trading: As a middle man/porter for Barter Trade Activities. Supplier from Pulau Sebatik Malaysia – Pulau Sebatik Indonesia	Trading: Supply the product from Malaysia to Indonesia. Own the trading Premise, Jongkong and Vessel in Malaysia & Indonesia	Trading: Supply the product from Malaysia to South Sulawesi, Indonesia.	Trading – Small Premise: Supply the product from Malaysia to Indonesia

(Source: Researchers' study data.)

An important indicator in determining these key informants is based on demographics. That is, in terms of the actors of informal cross-border trade and the community of Pulau Sebatik, whether Pulau Sebatik Malaysia or Indonesia. But interestingly, the determination of this main informant was also assisted by other informants to determine the informant. This is because only those in the

environment who are more knowledgeable know who, what, and where these actors operate and, at the same time, know the local economic system that is informal and cross-border.

**Table 2: Number and Location of Respondents**

No.	Location	Male	Female	Total
1	Pasar Tanjung Tawau	51	3	54
2	Jeti Persendirian Logpond, Tanjung Batu, Tawau	13	5	18
3	Desa Sei Aji Kuning, Pulau Sebatik Indonesia	7	0	7
4	Desa Sei Nyamuk Pulau Sebatik Indonesia	7	1	8
5	Kampung Sungai Melayu/Tanjung Saima Pulau Sebatik Malaysia	14	0	14
Total		92	9	101

(Source: Researchers' study data.)

In addition, the researchers also used a quantitative approach in the form of face-to-face questionnaire method to 101 respondents who were identified as a sample and target groups that could potentially be categorised as actors of informal cross-border trade. The face-to-face questionnaire technique was used to document the demographics of cross-border informal trade actors. This technique was applied to understand the community's daily interpretation of the trade patterns, border economic integration and respondents' perceptions of the existence of *Smokol* phenomenon in cross-border informal trade activities.

### Data Collection

The researcher's experience of obtaining ethnographic information in such a complex research location gives the researcher the understanding to adapt to life and become part of the research subject. The continuity of this *Smokol* phenomenon also leads to the creation of dual identities as a guaranteed document for this activity to continue. Yet, at the local level, the sentiment of nationhood is not a symbol of the self-existent boundaries that transcend modern geo-political boundaries today. On the contrary, daily social and economic activities provide a perception of ethnic boundaries central to border economic integration that has been assimilated with economic, political, and social.

Data collection is rooted in a series of fieldwork visits of researchers to research sites in 2016, 2017, 2018 and 2019 to understand better the location of

informal cross-border trade defined by local communities as the 'Smoke Phenomenon' as well as the jetties used in Tawau district for unloading merchandise. Bonding, or the family bond between the researcher and the main informant, is the basis for researchers to be more careful about the sensitivity in obtaining data and information in the field. Therefore, researchers feel to place this research is based on research in a natural way. This is because, initially, researchers have stated about dual identity, social status as the New Rich and the degree of *pa'dangkang* inherent in key informants for guarantees to conduct cross-border economic activities.

Thus, the researcher refers to Genzuk's (2003, p. 3) argument about nature in conducting research of an ethnographic nature. Genzuk's argument allows researchers to rely on the concept of non -attachment to a plan in formulating strategies for obtaining data and information. This is because understanding the lives of actors and actors of this trade is very complex and time-consuming, as well as a strong bond of trust to ensure trust in them (informants) to continue their daily activities.



**Figure 1: Researchers with informants perform *ma'passoko* activities (unloading of merchandise) and handle Jongkong to be sent to Kampung Sungai Melayu - Desa Sei Panchang Pulau Sebatik**

(Source: Researchers' study data - Longpond Private Jetty Tanjung Batu Tawau.)

This is evidenced by 'assurances' from informants who regard the investigator as family, allowing the investigator to be along the location of the activity taking place. Through the experience of the researcher placing himself among these economic actors and actors, the researcher finally understands the various terms

used especially in the Bugis language itself. This ethnic pride in its language gives researchers an understanding and speaks to the local community.

Understanding this language facilitates the process of daily interviews and conversations to take place smoothly. For example, *ma'passokso* means an activity or the process of unloading and unloading goods from a boat or any other transport. The term 'doi' or also understood in Malay as money. Terms such as 'kombe' or the Army or enforcement agencies also attract the attention of researchers in understanding their daily lives in cross-border activities that are constantly faced with inspections at sea, especially in Malaysia.

### **Findings and Discussion**

The term *Smokol* is a local interpretation referring to the word 'smuggling' or 'smuggle'. This is because informal economic activities mostly avoid paying taxes, even though the local community sees it as an activity that has become ingrained in daily life. In addition, the local community considers the term *Smokol* to refer to their daily economic activities based on the trade of sending goods to Sebatik Island. This sense of familiarity has led to any activity involving transactions at the border already considered a 'common allergen' ingrained in the border community's daily life.

The concept of *Smokol* explains the relationship and integration of informal economic activities based on the concept of informal cross-border trade. The concept of a cross-border informal economy in Sebatik Island is in accordance with the grey area phenomenon, which describes the trade activities and transactions in the black market context. The continuity of this situation is influenced by and adapts to space, identity, cultural values, and markets without ever-changing locations. This grey area phenomenon makes it difficult for the authorities in both countries to act due to the existence of voluntary transactions through the provision of pocket money as a smooth cross-border trade.

### **Pa'dangkang as the Actor in the *Smokol* Phenomenon**

The actor behind the *Smokol* phenomenon is known as 'Pa'dangkang'. The term 'pa'dangkang' or trader in this context provides a deep understanding to researchers in discussing cross-border informal trade activities in more detail. 'Pa'dangkang' or traders in the context of informal cross-border trade in Sebatik Island suggests the existence of different categories. The first category is the people of Sebatik Island who have the status of Malaysian citizenship, that is, those who have a Malaysian Identity Card, but at the same time, they are Indonesian citizens and citizens who have a Resident Identity Card (KTP). The possession of these two

official identities allows them to move across the Malaysia-Indonesia border without restrictions and barriers. This facilitates the continuous movement of these cross-border informal trade activities across international borders.

In addition, this category also handles economic affairs that are dual identity and dual economy. The dual economy meant bringing merchandise on demand and orders from Tawau to Indonesia while also operating and owning boats as the main transportation of this activity continued. All key informants observed fall into this category. In addition, the boat or ingot is sometimes done by the owner himself; some even employ workers to operate the boat if it involves many boats and merchandise. In addition, this category also explains that they also have employees who are taxed or hired or paid according to the stipulations of a certain day when the boat is fully operational. However, tax labourers are primarily interested in those with the same ethnicity and possess both identities, as stated for this category.

The first category is often and usually those who are given the title of the New Rich. Because the results of this trade are the result of a process of social transformation that changed their lives. This also makes this group the main cause of society's dependence on obtaining resources for the economy. Apart from being the economic link to the need for goods, this group is also the reason for employment in other downstream industries. For example, this economic system creates other types of jobs such as boat or boat operators, baggage workers or freight workers, porters or agents in Indonesia, truck drivers or four-wheel drive, agents or porters selling goods in Tawau district, marketing agents, retail traders, storekeepers, boat keepers, suppliers of goods, and operators of Figures (shops/markets). Thus, the economic network, which is interconnected with the concept of supplying goods from Tawau to Indonesia, which is centred on informal cross-border trade, creates a continuous local economic system.

The second category is considered a two-way platform. That is, those who own their boat but do not operate the boat. On the other hand, they handle the affairs of passengers who want to go to Tawau or from Tawau at once, along with merchandise. The concept of substitute merchandise is also an option for ordering merchandise handled by agents or porters responsible for the matter. However, the complexity of this concept makes the first category a choice for most actors and economic actors on Sebatik Island. This will be stated more clearly in the next line.

### **Multi-Location Markets' Transactions in the *Smokol* Phenomenon**

Sei Nyamuk Village is the main town on Sebatik Island. A network of paved roads, piping systems, banking, hospitality, employment agencies, government agencies and centres, markets, etc., connect the island with Bambang Village to Nunukan.

This is because Nunukan is the administrative centre and the main gateway to Indonesia based on the need for cross-border documents such as passports. However, in daily life, informant one (1) stated that Kampung Sungai Melayu is also used as a gateway that is not a gazette to enter Indonesia. This is because geographical factors, distance and time are at stake and what is interesting is the possession of two valid identification documents, namely the Malaysian Identity Card and the Republic of Indonesia Citizenship Card. Possession of these official identity documents is the main access for border communities across the borders of these two countries. So, it is not surprising why non-tradable products and goods, controlled and subsidised goods from Malaysia can be found in any market, especially in Desa Sei Nyamuk.

Informant (2) confirmed this fact, who is also the Chairman of Rukun Tetangga (RT) for Sei Panchang Village. He is also among the second-generation an actor and perpetrators of informal cross-border trade. He owns an LPG and merchandise storage store as well as a grocery store to market the goods. Here, he stated that the role of agents or called porters by the local community and suppliers is very important to launch supplies and orders as well as the demands of the people of Sebatik Island, Indonesia, to be met. Interestingly, two (2) informants also revealed how these trading activities were carried out.

On each weekend, informants (2) list the types of demand goods and orders received through eight (8) porters, namely the contact contacts responsible for managing the demand and order of goods covering the surrounding area and nearby villages. Then, this order will be given to informant one (1) to get supplies from Tawau on Monday and Wednesday to be taken to the storage store in Sungai Melayu village. Then, from Kampung Sungai Melayu, every Tuesday and Thursday, as early as 2 am, one (1) informant will unload the goods into 8 different boats (ingots and fibreglass) to be sent to a storage store located in Desa Sei Pancang before being brought at about 5-6 am to be sent to the two (2) informant storage store. Here the transaction process takes place at three different stages before reaching the end user, starting from one (1) informant storage store in Sungai Melayu village, then to one (1) informant storage store in Desa Sei Pancang (first transaction). The value of goods here is determined based on trust and the price of goods, including transportation costs and wages of adopted labour. The second transaction applies from one (1) informant storage store to two (2) informant storage stores in Sei Pancang Village. All these supplies are transported by land transport, namely Lorries.

This second transaction involves two (2) informants and the agent/porter who handles the request or order. The third transaction occurred from two (2) informant storage stores, whether through a certain market, house, and private or

up to Bambangan, Nunukan, then boarded a motorboat (KM Lambelu or KM Bukit Siguntang) to be taken around Kalimantan or even to Sulawesi.

The price of this commodity every time a transaction process takes place, there is an ever-increasing price difference gap. For example, the subsidised selling price for Green Gas Barrels (Petronas) was around RM26.60 in 2015 in Tawau city. However, this price had become RM35.00/per barrel when the first transaction took place. In the second transaction, the price of this product will be RM80.00 to be traded to porters or residents around Sebatik Island, Indonesia. In the third transaction, the cost of this product increased to RM120.00 when it reached the end user in Nunukan.

### **Integration of the Value of the Malaysian Ringgit and the Indonesian Rupiah in the *Smokol* Phenomenon**

The price influence for this product is about distance, transportation cost, challenge, courage for suppliers to meet demand, product presence in the market, labour cost, and most importantly, the product reach to the consumer is more important. Mutual trust between suppliers and consumers is also a social capital bet for this activity to survive.

This is because it is understood, according to informant one (1), informant two (2) and informant three (3), to get such products are impossible to obtain from around Nunukan, Balikpapan, Tarakan, which has a border with Sarawak Malaysia, want pun Sulawesi. The distance factor that takes weeks also makes Tawau a strategic choice for survival and obtaining daily supplies and necessities. More interestingly, there is a shop '(grocery store) that directly gives the name to the shop/market as Pasar Dua Negara. This market markets product from Malaysia and Indonesia. This draws the attention of researchers in understanding trade transactions in this context. It turns out that the use of dual Currency is a bet in the daily transactions of border communities.

However, informant one (1) stated that the value of MYR (Ringgit Malaysia) is preferred over IDR (Indonesian Rupiah) because the Malaysian Currency has a large value and purchasing power if transacted elsewhere. Interestingly, the researcher's observation of this phenomenon is that the local exchange rate on the transaction between MYR and IDR has been unchanged and remains from then until now, which is RM10.00 at an exchange rate of IDR30,000.

### **Undesignated Route**

The entire data is sketched in the map below, also based on the researcher's field notes in using the methodology of 'presence in the field', 'placing oneself in border

communities,' experience of placing researchers as actors' informal cross-border trade and 'understanding access to routes trade'.



**Map 2: Path Sketch of the *Smokol* Phenomenon**

(Source: Researchers' study data.)

These findings prove the trade pattern for the *Smokol* phenomenon in economic activities associated with traditional routes. However, these routes are not gazetted as cross-border trade routes for economic activities using legitimate practices. This route's focal point explains Tawau as a major economic market. Tawau became an economic asymmetry to merchandise determined based on the traditional concept of a market without a location and trade transactions according to local regulations. Access to this route is centred on the social realities of a network of ethnic identities as well as values and cultures. In addition, the factor of proximity and adaptability to the need to master the environment also makes this route well integrated into the daily life of the community.

In addition, these traditional routes provide an overview of Malaysia's border region in Tawau and Indonesia on Sebatik Island. This Everyday-Defined interpretation proves that the network of social capital into economic capital makes this activity continue to run smoothly and grow because of the border space and economy centred on ethnic identity in society.

### **Phoenix in my chest, Tiger in my stomach (*Garuda didadaku, Harimau diperutku*)**

Moreover, at this phase, the slogan Phoenix in my chest, Tiger in my stomach, became the essence of this activity's continuity for the border community's survival. In the context of border community life, this slogan means that products



from Malaysia (Tiger) will remain a link to live. However, the identity remains the symbol of Indonesia (Phoenix).

This is because they assume that the development and policy of Indonesia developed the border area because of the Sipadan and Ligitan events which eventually became the property of Malaysia. Such a view is also driven by the perception of 'neglect' by the Malaysian government to develop Pulau Sebatik Malaysia. Finally, the identity is directed to see Indonesia as the basis of their identity. But in the context of social and economic relations, Malaysia-Indonesia sentiment is an exception.

In addition to ethnic sharing and family institutions, past historical factors regarding these ethnicities also serve as a backup to denying the boundary space to separate them. This is also compounded by the existence of a dual identity officially owned with the ownership of two Official Identities, namely the Malaysian Identity Card and the Indonesian Citizenship Card.

### **New Rich People (*Orang Kaya Baru*) in the Social System of Society**

This social bond provides satisfaction for researchers to understand the community's real life, sometimes called the New Rich for the local community or even the *Smokol* (smugglers) for outsiders, especially the government and powerful agencies. However, whatever the perceptions that arise from these interpretations, especially from the government, this community is still looking for space and opportunities with the existence of borders which are blurred until they reach an agreement that the border does not exist in Sebatik Island.

Thus, this intimacy creates space for researchers to approach these actors and actresses. The actors who are called 'pa'dangkang' are those who dominate this economic activity which involves Tawau-Pulau Sebatik Malaysia and Pulau Sebatik Indonesia-Tawau. Economic asymmetries centred on informal cross-border trade dominate almost all economic activities for the survival of border communities.

Informant four (4) is a Javanese mixed Bugis from Boyolali, Indonesia. The researcher's meeting with him brought about a social network that seemed to have been separated for so long. He considers the researcher as a child who has been separated far because it just so happens that the researcher has a kinship line in Indonesia, which is also from Boyolali, Indonesia. This meeting at once seems to provide researchers with a 'document of permission' for researchers to place themselves in border communities in general and cross-border informal economic trade activities.

This is because four (4) informants are also considered as pa'dangkang who carry the title of *Orang Kaya Baru*, which is dominant in the matter of

shipping goods from Tawau for the needs of the people of Pulau Sebatik Malaysia and Indonesia. The status of the pa'dangkang and the title of Orang Kaya Baru raised the dignity, and social status of the informant's family of four (4) and the community highly respected him among the Bugis, especially the Bugis bone in this village.

The researcher's experience of obtaining ethnographic information in such a complex research location gives the researcher the understanding to adapt to life and put to be part of the research subject. The continuation of this *Smokol* phenomenon also leads to the creation of dual identities as a guaranteed document for this activity to continue.

Yet, at the local level, the sentiment of nationhood is not a symbol of the self-existent boundaries that transcend modern geo-political boundaries today. Daily social and economic activities provide a perception of ethnic boundaries that are central to the existence of border economic integration that has been assimilated with economic, political, and social

### **Everyday-Defined of Boundaries**

In the social reality of border community life and economic space based on traditional local trade, the symbolic stone separating Malaysia-Indonesia does not exist. The existence of boundaries centred on physical separation is diluted in the context of ethnic boundaries that are often associated with non-physical elements. The ethnic boundaries created by these border communities lead to interpretations of the existence of ethnicities in the community space that are often related to their cultural and ethnic values and identities.

The data of this questionnaire also explains the respondents' perceptions about the boundary space, which is seen as blurred and as if it is almost non-existent. Border spaces are seen as blurred and invite cross-border activities based on the community's daily life. In Table 3, the item on 'Border community, Sebatik Island is economically interdependent with each other' and 'The grey area phenomenon being the basis of the existence of ethnic boundaries' give an interpretation to this respondent on the existence of ethnic boundaries as a result of the boundary space being considered blurred. The actors of informal cross-border trade fully utilise the space to meet the demands on the economic resources of the border communities. The data also clarified that; respondents did not see the blurred border space to trigger activities that lead to national security threats.

**Table 3: Mean Value Scores Regarding Boundaries**

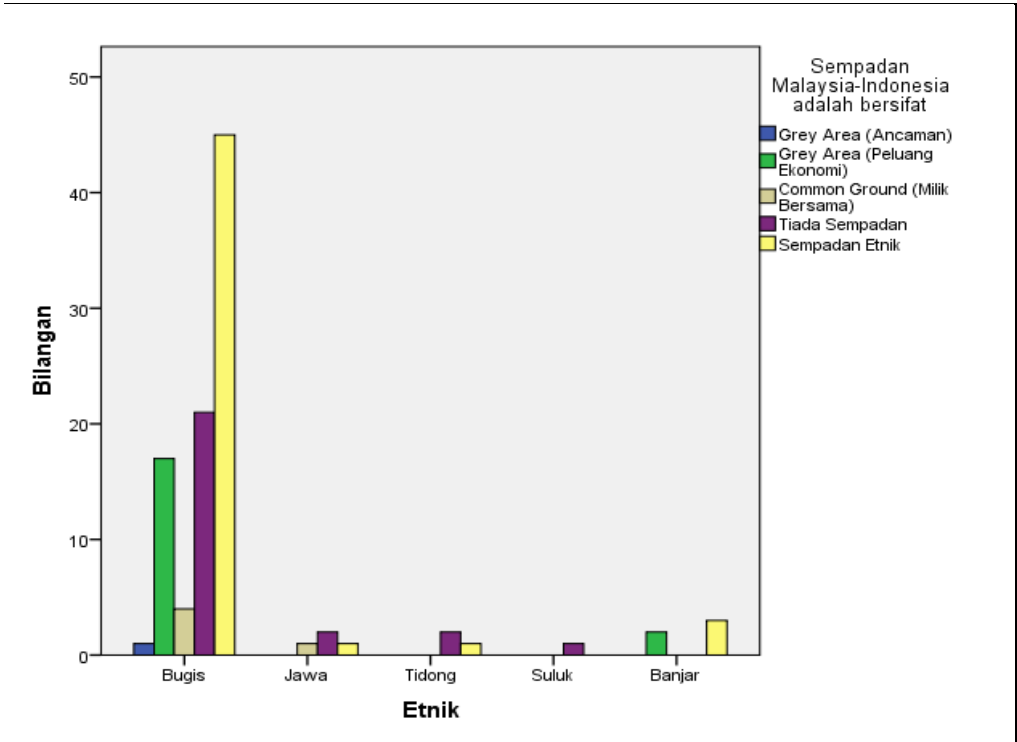
No.	Item	Mean Value
1	<i>Sempadan Malaysia-Indonesia, Pulau Sebatik dianggap sebagai 66awasan Grey Area</i>	2.8317
2	<i>Fenomena Grey Area menjadi penyebab kepada berlakunya insiden penculikan, penyeludupan dan pencerobohan</i>	1.6931
3	<i>Fenomena Grey Area sebagai ancaman kepada Laluan perdagangan rentas sempadan yang menjadi pintu masuk kepada penyeludupan barang tidak dicukai</i>	2.0000
4	<i>Fenomena Grey Area sebagai ancaman kepadaLaluan perdagangan rentas sempadan menjadi pintu masuk kepada penyeludupan barang yang diharamkan dan berbahaya</i>	2.0891
5	<i>Sempadan Malaysia-Indonesia sering berlaku ancaman maritim</i>	2.5149
6	<i>Fenomena grey area memberikan ruang dan peluang kepada aktiiviti perdagangan informal rentas sempadan terus berkembang</i>	4.0693
7	<i>Sempadan Malaysia-Indonesia, Pulau Sebatik merupakan satu potensi ekonomi yang pesat</i>	4.1188
8	<i>Masyarakat sempadan, Pulau Sebatik saling bergantung ekonomi antara satu sama lain</i>	4.1188
9	<i>Kelangsungan perdagangan informal rentas sempadan di Pulau Sebatik adalah berasaskan kepada kepercayaan</i>	3.9604
10	<i>Fenomena grey area menjadi asas kewujudan sempadan etnik</i>	3.9307

(Source: Researchers' study data.)

All these items explain the grey area phenomenon that places the border space as blurred, seen as not posing a threat to national security. But the space forms a form of the traditional understanding of ethnic boundaries that exist conceptually to border communities' cultural values, ethnicities, and identities.

Finally, these data clarify the respondents' understanding and perceptions in the field in this research on the boundary space in Sebatik Island, Malaysia-Indonesia. Based on Chart 1, respondents' perceptions of the boundary space were defined as 'Ethnic Boundaries', with 50 respondents representing 49.5% of the respondent population. While the rest think that the border is 'No border' 25.7%, and the border is a grey area that opens space for economic opportunities, which is 18.8% of the total population.

**Chart 1: Frequency of Respondents' Perceptions of Boundaries**



(Source: Researchers' study data.)

## Conclusion and Recommendations

Overall, this article describes the local understanding of the Smoke Phenomenon, which is hybrid in the context of the daily interpretation of society (Everyday Defined). This economic viability is strengthened through cultural, ethnic and identify indicators that have existed for so long. This habit makes the indirect support of the authorities that allow the smooth running of the phenomenon through economic activities with the concept of informal cross-border trade continue to occur. The *Smokol* phenomenon is the overall exploitation of the results of participatory observations, informant narratives and questionnaire findings that analyse each indicator to describe the socio-cultural reality and informal economic activities of the border communities in Sebatik Island.

The *Smokol* phenomenon introduces new concepts and operations based on the findings of the study, namely trade practices that have a relationship between family ties and generational heritage that existed earlier. Modern geopolitical boundaries have less influence on social and economic networks due to the unique social reality of dual nationhood. Economic asymmetry has

repositioned the borders by positioning Tawau as Malaysia as the main economic market and Pulau Sebatik as Indonesia based on demand and social sustainability. The authorities need to understand the societies that 'live along the border' before implementing any policies. These societies, either the actor or the people, have their perception of the border. Improvement in accessibility and abilities can develop people's knowledge and strengthen economic and state sovereignty.

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