

# The Role of Social Capital on International Trade Transactions at Wini Market, In Realizing Social Harmonization of Indonesia-Timor Leste Border Community

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**Abstract:** May 20, 2002, East Timor was internationally recognized as an independent country by the name of Timor Leste with extraordinary support from the United Nations and thus officially became an independent state separate from Indonesia. One of the border areas that were selected as the research site was the Wini border, North Central Timor Regency, East Nusa Tenggara Province. In the Wini region, there is a market called the Wini market. This study aims to explain the role of social capital in international trade transactions in the Wini Market because it involves different citizens from Timor Leste and Indonesia. The research used a descriptive approach and qualitative research method. Theories used are Social Capital theory, Classical Economic theory, and the concept of Cross-Border Trade. The research shows that the people from Timor Leste conduct economic transactions, in this case, shopping at the Wini market every Monday to meet their food, clothing, and other needs. For border communities, the interactions in the Wini market are not only for trade transaction but also to interact with their relatives and others. The results of this study may contribute to the knowledge of the relationship between the science of International Relations and Sociology. From a practical point of view, a border policy can be applied in the economic sector and in the mechanism of mutually beneficial trade transactions between citizens of different countries. The elements of social capital such as trust, norms, and networks have functioned in the process of trade transactions. The application of social capital in international trade economic practices in the Wini Market is what keeps social harmony in the context of international trade transactions in the Wini Market.

**Keywords:** Social harmony, social capital, international trade, border, Indonesia, Timor Leste.

## INTRODUCTION

The people of Timor Leste in the majority chose independence or independence from Indonesia following the referendum on August 30, 1999. The UN-sponsored agreement between Indonesia and Portugal ultimately resulted in Timor Leste becoming a state that stands independently of Indonesia. On 20 May 2002, it was internationally recognized that Timor Leste was an independent country. With this full power, the new East Timor government changed the name of East Timor to Republica Democratica de Timor Leste. Timor Leste decided to conduct financial transactions using the US dollar as the official currency in circulation. The Tetum language is obliged again in addition to the Portuguese language as the official language. For this reason, people living in Timor Leste must change the use of money into US dollars and also use everyday language. After independence, people at the border must change their way of interacting in the social, political and economic fields. They are no longer free as before they were separated into 2 different countries. A concrete example of the results of an interview with Ms. Leni (6 August 2019), she now lives in Oecusse, but often goes to Wini because her

extended family is in Wini, indeed at Wini we use Indonesian but in Oecusse we are asked to use Tetun and Portu.

The administrative separation of the people of East Timor did not necessarily separate kinship and social relations between them. Phenomena that exist on the border, such as in Humusu Wini village, Insana Utara Village, North Central Timor Regency, East Nusa Tenggara. Those using the red passport facility or the Cross Border Post passport can make visits. Judging from the historical aspect, actually, the people of Timor, be it the Tetun, Marae (Bunak), Kemak, and Dawan tribes have a family relationship that has been passed down from generation to generation. Thus, the kinship relationship between two citizens of different countries cannot be separated sociologically (Raharjo, 2018). It is inevitable that people on the border that are kinship and also culturally have this attachment, so even though they are separate administratively and politically in the state, they still carry out joint activities. One of them is trade transactions in meeting their basic needs. One of the transaction locations is the Wini market, which is located in Humusu Wini village, Insana Utara district, North Central Timor district (TTU), East Nusa Tenggara (NTT) Province. Wini Market was completed in 2020 at a cost of approximately 12.82 billion (Pos-Kupang, 2018), now 92.3% has been realized. As shown in Figure 1 below:

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**Figure 1:** Wini market after renovation.

Source: Ribeiro *et al.*, 2020.

The market is not yet open for transactions. Until now, trade transactions are still in the old location adjacent to the new building. What distinguishes it is that the market which is still in use does not have a permanent roof. As shown in Figure 2 below:

Figure 2 shows that the seller is an Indonesian citizen and the buyer is a citizen of Timor Leste. They carry out basic needs economic transactions using US dollars which have been exchanged for rupiah. As shown in Figure 3 below:

It can be seen that citizens of Timor Leste who are going to shop at Wini market, make transactions to exchange US dollars for Rupiah first before shopping. When people there exchanging their dollars, they just trust the seller. There was no mutual bargaining and not even a conflict. This phenomenon is interesting because there are no criminals and scammers in doing

this money exchange transaction. According to Bakharev (2014), the condition of the population has something to do with crime as well as socio-economic development. Therefore, the phenomenon on the border where the residents there mix and meet each other may prone to crime. However, it was the opposite. This phenomenon is appealing to research. Why is there social harmonization between communities or residents of different countries?

This trade practice involving citizens of different countries is international trade practice, but in reality, in Wini market it can be categorized as informal cross-border trade. They only transact like traditional markets in general. What distinguishes only market players are politically different citizens. Producers or sellers are citizens of Indonesia and consumers or buyers are citizens of Timor Leste. From the results of an interview with Mr. David on August 5, 2019, he stated that he



**Figure 2:** Wini Market which is used for Buying and Selling.

Source: Ribeiro *et al.*, 2020.



**Figure 3:** Dollar to Rupiah exchange counter.

Source: Suwartiningsih & Purnomo (2020).

had been selling cassava and vegetables at Wini market for 7 years. If you offer the merchandise, the price is not too high because it will be trusted by buyers who are relatives of the same tribe, namely from the Dawan tribe. When serving the buyer, the seller also delivers the goods according to what the buyer needs, if they have to weigh it, they also weigh it correctly. Meanwhile, the results of the interview with Liro, August 5, 2019, said that in the Wini market there was no crime.

Indonesia is a country that has several border areas. In a press statement to journalists via messages per cell phone received in Jakarta on Thursday (28/5/2015), the Home Affairs Minister of Indonesia, Tjahjo Kumolo, stated that the management of the border area is one of the keys to advancing Indonesia. He said that the President also paid attention to build the competitiveness of community members at the border to be able to balance the socio-economic activities of neighboring communities and infrastructure development in the border areas of Indonesia. For that reason, every activity at the slightest border is also a concern for the state. For example, the trading activities in the Wini market, which is a place for buying and selling of people from two different countries.

Based on the aforementioned background, it is appropriate to research the role of social capital in international trade transactions in the Wini market, North Middle East, East Nusa Tenggara, on the Indonesia-Timor Leste border. The purpose of this study is to explain the role of social capital in

international trade transactions in the Wini market, the border between Indonesia and Timor Leste. To analyze the results of the research used the theory of social capital, classical economic theory, and the concept of cross-border trade. Thus, can be obtained an explanation of the role of social capital in international trade in the Wini market, in realizing social harmonization of the community at the border between Indonesia and Timor Leste.

## LITERATURE REVIEW

In this study, Social Capital Theory, Classical Economic Theory, and the concept of International Trade are used as analysis or discussion tools.

### Social Capital Theory

The theory of social capital used refers to Riddell (1997), that there are three parameters of social capital, namely trust, norms, and networks. As will be described below (Suharto, 2007):

- a. Trust. As expressed by Fukuyama (1995), trust is an expectation that grows in a society which is indicated by honest, orderly, and cooperative behavior based on shared norms.
- b. Norm. Norms consist of understandings, values, expectations and goals that are shared by a group of people. Norms can come from religion, moral guidelines, as well as secular standards such as professional codes of ethics.

- c. Network. As part of social capital, there is a dynamic infrastructure of social capital in the form of networks of cooperation between people. The created network facilitates the creation of communication and interaction, which in turn creates the growth of trust and strengthens cooperation (Putnam, 1993).

Several previous studies have also proven that social capital is an element in economic activity. The element of social capital, such as social, is an important element in economic activity. As the results of research from Chalid (2012) which states that trust in business is a fundamental element in business success. Businesses need social interaction and networking. In addition, research from Yuliarmi *et al.* (2012) states that social capital owned by community groups informally can create economic value for themselves as well as for other groups who use it. The use of social capital for groups in need will increase their economic activities.

From previous theory and research, it can be seen that research conducted on the role of social capital in international trade transactions is also relevant to research, because previous research was limited to the level of national economic activity, but in this study the study was on the subject of research carried out by different citizens. country or at the international level.

### **Classical Economic Theory**

Big changes occurred in the economic field, because of classical thinking. In classical thinking that the macroeconomy will grow and develop if the economy is left to the market. In the case of the Government, according to this classical economic thinker, it is stated that the role of government is limited to the issue of law enforcement, maintaining security, and infrastructure development. The government does not have to regulate transactions and price-fixing. This is what drives the development of the Liberal economy as well. One of the ideas of the classics that greatly influenced the world in the era of globalization was the idea of international trade. International trade between countries will carry out transactions with rules created by market players, not by state intervention.

Some of the classical economic figures such as Adam Smith (1723-1790), Thomas Robert Malthus (1766-1834), Jean Baptiste Say (1767-1832), David Ricardo (1772-1823), Johan Heinrich von Thunen (1780-1850), Nassau William Senior (1790-1864),

Friedrich von Herman, John Stuart Mill (1806-1873) and John Elliot Cairnes (1824-1875) received the honor of Karl Marx (1818-1883) for their superiority in presenting economic problems that are considered to be insubstantial. Trade has been an important issue since the days of philosophers who have questioned whether the trade is morally acceptable or not (Kates, 2020). This study was analyzed using Classical Economic theory because the problems raised were about international trade and the reality of state transactions did not intervene in it.

### **Cross Border Trading Concept**

Cross-border trade is traditional trade in which goods that can be traded are goods that are produced or consumed daily by the border communities of the two countries with a maximum value determined in the regulations issued by the country concerned. Cross-border trade between Indonesia and neighboring countries has been going on for a long time and is carried out only to meet the daily needs of people at the border. To fulfill cross-border trade activities, it is necessary to have a border trade agreement. In this case, the state-issued Government Regulation No. 34 of 2019

The legal basis related to Border Trade activities can be seen in Article 55 and Article 56 of Law No. 7 of 2014 concerning Trade. To date, there have been several Border Trade Agreements or BTAs between Indonesia and neighboring countries, including Indonesia - Malaysia (24 August 1970); Indonesia - Philippines (08 August 1974); Indonesia - Papua New Guinea (11 April 1990); Indonesia - Timor Leste (11 June 2003). For cross-border trade between Indonesia and neighboring countries, there is a trade value limit that is enforced. The value of border trade between Indonesia and Timor Leste is still in the negotiation stage, and it is proposed to be USD 1,500/month/person. President Joko Widodo (Jokowi) has signed Government Regulation (PP) Number 34 of 2019 concerning Border Trade.

### **RESEARCH METHODS**

This research uses a qualitative approach and descriptive research type. According to Sangadji, (2010), descriptive research is a research method that seeks to describe and interpret objects as they are. The goal is to describe systematically the facts, objects, or subjects as they are. With this type of descriptive research, the units of observation of the

research are people from Oecusse and from Wini who carry out cross-border trade transactions or buying and selling transactions in the Wini market. In this study the authors used three data collection techniques, namely the interview technique and the observation technique and documentation. To obtain valid data, the authors conducted interviews with people who acted as sellers and buyers. The author also shopped at the Wini market, so that he could experience the real trade transaction process that occurred in the Wini market.

Interviews with participants were conducted in an unstructured manner, which was intended to inquire in-depth about the intentions, or explanations of key informants (Moleong, 2007). Interviews were carried out by snow balling, where until the information obtained by the researcher has answered the research objectives. In collecting data, the authors use mobile devices to record information provided by key informants. While the technique of collecting and collecting data is semi-structured, that is, with a question guide and is needed as a complement to the use of previous observation and interview techniques. The goal is to make the research results more credible or more trustworthy. The researcher used snow balling interview model which means that the interview was carried out until the information obtained by the researcher has answered the research objectives.

Secondary data is data obtained through literature studies from various books and other documents, which are used in building a theoretical foundation that, will serve as a benchmark for analyzing the results of field research data interpretation. Secondary data is obtained through literature studies from various books and other documents, which are used in building a

theoretical foundation that, will serve as benchmarks for analyzing the results of field research data interpretation (Narbuko & Achmadi, 2007). This research has been prepared since January 2019 and was conducted in July 2019. For further communication, WhatsApp and direct telephone were used. Data triangulation was carried out by using the source approach and question types. The author also communicates with parties who are considered to have valid data. The author also communicates with parties deemed to have valid data, including the village head, village police and border police, soldiers at the border, market guards, dollar currency sellers, market sellers, and market buyers.

## RESULTS AND DISCUSSION

Wini market is one of the markets located on the border between Indonesia and East Timor. This market is located in Humusu Wini village, Insana Utara sub-district, North Central Timor Regency, Timor Nusa Tenggara Province. The market, which is open every Monday from 7.00 to 10.00 am (WITA/Central Indonesia Time), serves the sale of necessities for buyers. The Wini market building can be seen in pictures 1 and 2 in the background. Traders who are Indonesian citizens peddle necessities such as food, clothing, and electronic goods. Food needs such as rice, cassava, sweet potatoes, vegetables, fruits, and others. As shown in Figure 4 below. The sale of sweet potatoes, cassava, and those that are ready to be purchased by consumers originating from Timor Leste.

It appears that buyers from Timor Leste are buying sweet potatoes from sellers from Indonesia. From the results of an interview with Mr. Mateus (5 August



**Figure 4:** Sales of sweet potatoes, cassava etc.

Source: Suwartiningsih & Purnomo (2020).

2019), he said that he always shopping at Wini market because the need for food can be bought here.

If you buy, Mr. Mateus doesn't bid because the sellers have given you a price that is not too high either. I just believe the price given, ma'am. Moreover, we used to be in the same country, only now I have to change dollars to shop here. So, we use custom rules that we have been persistently doing. The rule is that every time you want to spend money exchanged at the exchange counter, the exchange rate follows the officer opening the counter. We didn't go to the bank because it was far. Then we spend the money on merchants that we subscribe to when shopping.

From the results of the interview with Mr. Mateus, it is clear that the role of social capital is practiced in cross-border trade transactions, especially international trade in the Wini market. The buyer believes in the seller about the price, the seller also believes in the buyer in the money paid. The buyer trusts the money exchange officer about the exchange rate, so there is no bargaining. The norms that are carried out are not written but are based on existing habits so that they feel comfortable and safe in transacting in international trade because they involve foreign citizens. This is because they consider that even though they are from different countries, they used to be one family as Indonesian citizens and some even remain part of the family because of one ethnicity.

Networking is practiced because it is as if the seller and the buyer already understand each other's needs. Every Monday, the buyer will come to the same seller to buy their needs. The sellers and buyers already have their customers. From the context of Classical Economic theory, it can be proven that the state does not intervene in pricing in the market. The traders set their prices for merchandise. As stated by Ms. Y (*do not wish to be mentioned the real name*), she comes from Java and has been migrating to Atambua for 7 years. Ms. Y sells clothes and accessories. He said that the price he determines by taking into account transportation costs and profits.

For example, I bring clothes from Java to buy IDR. 50,000, - then here I sell IDR. 100,000. If you calculate the net profit, it is IDR 20,000 per shirt that sells. The price

also adjusts which one is selling, if the clothes have not been sold for 2 months, I will take them down, ma'am.

The price is left to the market.

In the process of exchange of US dollars to rupiah, no bank officer came to check. Even officer of Babinsa (*Bintara Pembina Desa/Village Leadership NCO*), who I took to tour the market during the research, also did not know how much the dollar exchange rate to Rupiah was that day. All entrusted to the money changer officer. Trust is a part of this transaction and prices are released to market actors. This is different from international trade transactions at the Indonesia-Malaysia border, namely at the Sirikin Sarawak Market. The reverse process occurs, namely that the seller is a Malaysian citizen and the buyer is from Indonesia. Indonesian citizens at the border do not purchase necessities at shops or markets in Jagoi Babang or Bengkayang because the prices are higher. They prefer to go to the Sidik market in Sarawak because the price is cheaper (Suwartiningsih et al., 2018).

The government in this case only provides infrastructure facilities, manageable rules, and does not intervene in price management and buying and selling mechanisms in the market. This means that it is following the understanding of Classical Economics theory. Whereas in the concept of cross-border trade, it is true that in Wini market, transactions of necessities are carried out by citizens of different nationalities. They use the PLB Card to enter Indonesian territory for Timor Leste citizens, and vice versa if there are traders from Indonesia who want to deliver their wares to the Oecusse area they also use the PLB Card (Cross-border Post).

Figure 5 below shows the condition of infrastructure and buildings on the Indonesian border, namely PLBN Wini. Some buildings handle passports, visas, customs, and security checks. Sellers and buyers must pass through this PLBN to get to the Wini market. On the other hand, sellers from Wini also have to pass through the PLBN to deliver their merchandise to Oecusse.

In the framework of harmonizing border communities through trade transactions in the Wini market, supportive state policies are very important, especially so that there will be harmonization. As stated by Bieback (1991), the results of research on social policy on the harmonization of society in Europe show



**Figure 5:** PLBN in Wini.

Source: Suwartiningsih & Purnomo (2020).

that social policy can provide space for social harmonization in communities in Europe. Social harmony in border communities between Indonesia and Malaysia, especially in Jagoi Babang District, Bengkayang Regency, West Kalimantan was also tied together by 4 other nodes, namely economy, education, social, and health (Suwartiningsih *et al.*, 2018).

## CONCLUSION

From the results of this study, it can be concluded that social capital plays a role in cross-border trade transactions in realizing social harmony in the community on the border between Indonesia and Timor Leste. The elements of social capital that play a role are trust implemented by the seller and buyer, the norms that are implemented, and the recognition of cooperation or networking. Thus, social harmonization is created.

This study also provides evidence that economic transactions can run peacefully and harmoniously with low crime rates due to low state intervention, people walk with their ideas and behavior in accordance with their customs as people who still have kinship even though administratively, they are from different countries.

Based on the results of this study, the state must be wise in giving regulations on restrictions on goods and buying and selling transactions at the border, because basically the community already has social capital that

is applied, because if it is not right it will cause conflict. State intervention is needed in the context of market infrastructure and facilities, however, the mechanism and model for trade in border communities has been carried out by applying social capital.

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## Interview

- Interview with Mr. David (5 Aug 2019).
- Interview with Mr. Mateus (5 Aug 2019).
- Interview with Ms. Leni (6 Aug 2019).
- Interview with Liro (August 5, 2019).
- Interview with Liro Ms. Y (do not wish to be mentioned the real name) (August 5, 2019).

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