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Local Economic Interactions in Border Areas (Study of Local Community Economy on the Sota-Papua New Guinea Border)

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Abstract

This study aims to analyze the driving and inhibiting factors of local economic interaction in the border area of Sota (Indonesia) and Papua New Guinea (PNG). The focus of the study is directed at identifying internal and external factors that influence the economic activities of local communities on the border. The study uses a descriptive qualitative approach through field observations, in-depth interviews with local communities, traders, and government officials, and secondary data documentation. The results of the study indicate that local economic interaction on the Sota-PNG border is driven by several internal factors, namely the mutual needs of the community for basic necessities, social relations and kinship across countries, and the community's ability to adapt in exchanging goods. From the external side, the availability of traditional border markets, significant differences in the price of goods between Indonesia and PNG, and the existence of traditional cross-border permits are the main drivers. However, this economic interaction also faces various obstacles. Internal inhibiting factors include limited business capital, minimal local economic infrastructure, and dependence on supplies from outside the region. Meanwhile, from external factors, the main obstacles include regional restrictions by security forces, geographic conditions and extreme weather that complicate transportation, fluctuations in currency exchange rates, and limited border infrastructure. The conclusion of this study confirms that local economic interaction in the Sota-PNG border area has an important role in meeting the needs of the community, although it still faces various challenges that require attention from the governments of both countries.

Keywords: Local Economic Interaction, Border, Sota, PNG.

Introduction

Each border area has different conditions from each other. The border area in Kalimantan borders Malaysia, whose people are more prosperous. The border area in Papua has a relatively equal society with the people of PNG, while with Timor Leste the Indonesian border area is still relatively better in terms of infrastructure and welfare (Setiawan, 2010). Several border areas of Indonesia with other countries are located very far from the center of regional government, let alone the central government. The economy of the region certainly depends on which country's center of government is closer. Some of the obstacles are the difficulty of transportation, inadequate infrastructure and high prices of basic necessities.

One of the provinces that borders land and sea with other countries is South Papua, which has a direct land border with Papua New Guinea (PNG) and a sea border with Australia. The same conditions are faced by Meruake Regency which borders directly with PNG and Australia, but close interaction occurs on the border in the land area with PNG because it is on the same land with the same local community (Imelda, 2023). The local community in the PNG border area, both in PNG and Indonesian territory, is one tribe, namely the Kanume Tribe. The local community does not recognize any formal official territorial boundaries such as state borders that indirectly separate the series of kinship relationships (Yogie, 2017).

The relationship or interaction that occurs is described according to Djohan and Herry Yogaswara (1996) as follows, that "Cross-border relations between the Republic of Indonesia and Papua New Guinea, have basically been going on for a long time, stemming from cultural relations such as similarities in language, marriage, subsistence economy, and mythology, thus forming a network of population mobility in the border region. However, it is also related to the dynamics of political history in the Sota region. This resulted

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in the movement of people from the Indonesian region to the PNG region. The movement was carried out in 1969-1970, 1977 and 1984-1985 which were generally political in nature".

The economic interaction carried out by the Kanume Tribe as border crossers from Sota Merauke to PNG and vice versa, actually carried out an activity called mobility. According to Pressat in Bandiyono (1998), mobility is all events related to the movement of people, both geographically and socially. Population mobility from one region to another occurs for various reasons such as economic, social, political and geographical which are interrelated.

One of the purposes of PNG border crossers visiting Sota Village and vice versa is socio-cultural (attending a series of traditional ceremonies, visiting sick family members, helping to open gardens and plant crops, helping to harvest, bringing garden produce and souvenirs for family, and commemorating the independence day of each country).

This socio-cultural activity provides space for economic interaction around the border between the two countries. Sota Village is a village in Merauke Regency that feels the most positive impact from the economic interaction that occurs at the border. Where border crossers from PNG bring various garden or hunting products and sell them to kiosks in Sota Village. The proceeds from the sale are used to buy necessities. There are two payment systems that apply in the Sota-PNG border area, namely traditional payments with a barter system and payments using money. The currency used by border crossers in PNG is the PNG currency, namely the Kina. The current exchange rate of the Kina to the Rupiah is around Rp. 4500. The barter system is usually carried out by fellow Kanume people, both those living in PNG and those living in Indonesia. Transactions with currency are used between Kanume people and immigrants.

In addition, economic interactions also occur at the border market, which is held in PNG. The border market is only open on Sundays, located around the Indonesia-Papua New Guinea border monument area. The traders consist of PNG people who had arrived a few days earlier in Sota Village. Various handicrafts from PNG people are sold at the market such as toware, necklaces and bracelets made of beads, deer antlers, honey, garden produce, and so on. In addition, there are also Sota Village residents consisting of local people and immigrants who also sell there. The Indonesia-PNG border monument and the border market are always busy with domestic and foreign tourists. The economic activities that occur in Sota Village as a border area have a positive impact on the income of the Sota community. Various types of economic sectors are developing rapidly to support cross-border trade (Imelda, 2024).

The existence of the Sota State Border Post (PLBN) also functions as a new economic growth center designed to increase trade activities and social interaction between the two countries. Where it is hoped that it can attract the interest of people from Merauke and its surroundings to visit, as well as provide opportunities for local residents to start businesses that meet the needs of tourists and cross-border travelers.

This condition was followed up by the Merauke Regency Government by launching 4 pioneering tourist villages, namely Wasur Village, Yanggandur Village, Rawa Biru Village and Sota Village. Where it is expected to build a tourism development strategy in the Merauke Regency border area as a leading sector to improve the local economy, and then can be designated as a tourist village by the Ministry of Tourism and Creative Economy of the Republic of Indonesia. The development of tourist villages is a government strategy in encouraging tourism, so that the management of potential becomes a separate attraction for these four villages to become leading destinations, so that it will increase which has a good impact on local revenue (PAD) and the economy of the community in the tourist village.

Economic interaction in the Sota border area has had a positive impact, both in economic and social aspects. With the existence of integrated facilities and increased trade activities, this border area has become a new center of economic growth that contributes directly to the welfare of local communities and the development of bilateral relations between Indonesia and Papua New Guinea. However, challenges remain in the economic development of this border area. There are still issues such as uncertainty in trade regulations, as well as the need for closer collaboration between the Indonesian and PNG governments to

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regulate business activities on the border. The meeting between government officials of the two countries indicated the need to evaluate existing policies and procedures, in order to create a more conducive environment for economic growth.

Thus, the progress of economic issues in the Sota border region depends not only on physical infrastructure, but also on cross-border cooperation and strengthening the capacity of local communities to adapt to the ever-evolving economic dynamics.

Research Method

The social research method is a scientific method used to obtain objective, valid and reliable data, with the aim of finding, testing and developing science, so that it can be used to understand, explain and solve problems in the social field (Sholahuddin, 2021). This study uses a qualitative descriptive research method with interactive data analysis techniques. To obtain accurate information and data, researchers conducted observations, interviews, and limited discussions, with the object of study being the social reality of Marind-Kanum interdependence with the PNG community in the border area, and the conditions of socio-economic interactions of cross-border communities, as well as factors that drive and inhibit the interdependence that occurs. The informants directly involved were 12 informants (Regent of Merauke Regency, Head of the Sota PLBN, Head of the Tourism and Culture Office, Head of the Sota District, Head of Sota Village, Kanume Tribe Traditional Leaders, Kanume Tribe people living in Indonesia, and those living in PNG.

Result and Discussion

The object of this research is the Kanume Tribe as Sota-PNG border crossers. One of the activities carried out by border crossers (Kanum Tribe) is economic interaction activities. This study discusses local economic interactions in the border area (Study of Local Community Economic Studies on the Sota - Papua New Guinea Border) which is very specific because it only focuses on the analysis of economic dynamics that occur in the Sota border area, which is located in Merauke Regency, South Papua Province, Indonesia, and directly borders Papua New Guinea. This location is very strategic, not only because of its position as a state border, but also because of the cultural and economic diversity that exists.

Kanume Tribe

Malind Anim is one of the tribes in southern Papua, precisely in Merauke Regency. The Malind Anim tribe's territory is divided into 14 (fourteen) regions, and one of them lives in the border area, namely the Kanume tribe. The Kanume tribe itself lives in Sota Village where its customary territory extends to PNG. The Marag owned by the Kanpume tribe consists of 7 (seven) clans, namely Mbanggu, Ndimar, Ndiken, Sanggra, Mayuwa, Gelambu, and Kul. Most of the livelihoods of the Kanume Tribe are hunting, gardening, and catching swamp fish. There is also a small portion of the Kanum tribe whose livelihood is as coastal fishermen, namely those who live in Onggaya and Sota Villages (Winara et al., 2010).

The customary land of the Kanum people is partly in Indonesian territory and partly in PNG territory. The customary rights they have are in the form of sago hamlets and fields for gardening. Their gardening system is traditional (shifting cultivation by slash and burn). Its nature is still a subsistence economy, namely meeting one's own needs, although sometimes the harvest is sold at the border market or to the community. Each stage of farming is carried out together and helping each other, starting from the land clearing process to harvesting the garden produce. The garden produce will be distributed first to the tribal chief, and to the brothers who help. These customary, mythological, and kinship ties are the main factors in the emergence of cross-border activities from PNG to Indonesia and vice versa. The Kanum tribe from Sota Indonesia went to Morehead PNG to help with gardening. Conversely, the Kanume tribe in Morehead PNG went to Sota Indonesia for gardening. The land clearing carried out by them has gone through a customary deliberation process, there are provisions that must be adhered to in order to protect the forest environment where they live.

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In 1895 the British-Dutch government came and divided the territory along the Torasi River. People who chose Australia lived and settled in the hamlet of Wa (now Waiber village, PNG), while people who chose the Netherlands lived in the hamlet of Keme (the border between Sota and Waiber). Many Keme people then started farming in the hamlet of Sota, so that many people lived and settled in Sota. Based on this background, the Sota people, especially the Kanume people and the PNG people in the Morehead Wariaber district, acknowledged that they came from one ancestor (Alomau, 2012). The division of state borders had an impact on the separation of the Kanum people's customary unity. The Kanum people in PNG have hamlets in Sota and vice versa. This factor then caused many border crossings from PNG to Indonesia and vice versa.

Economic Interaction

Humans live in a group that forms a system. A system can be simply defined as the interaction, connection, or relationship of smaller elements forming a larger and more complex unit. The economic system is the interaction of small units (consumers and producers) into larger economic units in a particular area.

The community economy is an economic system based on the economic strength of the community. Where the community economy itself is part of the economic activities or efforts carried out by most people who independently manage any economic resources that can be cultivated. The purpose of the economy is to prosper and meet the needs of the community, and to achieve convenience and satisfaction. By fulfilling the needs of the community, a productive life will be created. In general, it can be concluded that economic interaction is the relationship between individuals, between groups of people and between countries where humans live in a group that forms a system.

According to Polanyi (1957) the economy in pre-industrial society is embedded in social, political and religious institutions. This means that phenomena such as trade, money and markets are inspired by goals other than seeking profit. Economic life in pre-industrial society is regulated by reciprocity and redistribution. Market mechanisms are not allowed to dominate economic life. Therefore, demand and supply are not the determinants of prices, but rather tradition or political authority. On the other hand, in modern society, the "market that sets prices" is regulated by a new logic, namely the logic that states that economic actions do not have to be embedded in society.

In discussing the embeddedness of the economy in society, Polanyi proposed three economic processes, namely reciprocity, redistribution and exchange. (1) Reciprocity refers to the movement between symmetrical groups that are interconnected. This occurs when reciprocal relations between individuals are often carried out; (2) Redistribution is an appropriation movement that moves towards the center and then from the center is redistributed; (3) Exchange is an economic process that takes place between "hands" under the market system. In the market, trading activities are carried out using money as a means of exchange and market mechanisms are determined by the market through supply and demand.

In the world of economics, "value" is a term that cannot be ignored. The concept of economic interaction value refers to the complex reciprocal relationships that occur between individuals, groups, or countries in the context of broader economic activities. This interaction includes various forms of exchange that are not only limited to transactions of goods and services, but also include the exchange of information, ideas, and social values that mutually influence the economic behavior of each party involved. In this process, each entity involved, be it an individual, group, or country, seeks to maximize the benefits that can be obtained from the economic relationship.

Efforts to achieve maximum benefits, in turn, play an important role in increasing efficiency, productivity, and welfare in the economy as a whole. For example, in the context of the market, the interaction that occurs between producers and consumers produces dynamics of demand and supply that are very important in determining the price of goods and services, as well as the allocation of available resources. This process also involves the influence of market mechanisms, where information about consumer preferences and production capacity influences the economic decisions taken by each party. Thus, economic interaction is not only a series of material transactions, but also a broader process that includes

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the flow of information and exchange of values that can direct economic decision-making more efficiently and adaptively to developing conditions.

When discussing value, it is important to understand that value is subjective. Two individuals may have different views on the value of the same good or service depending on their individual preferences, needs, and the context in which the transaction takes place. Therefore, the price agreed upon by the buyer and seller reflects not only the cost of production, but also how the market is perceived. The four main factors that shape value are:

1. Demand

Demand is one of the most important factors in determining the value of a commodity. It describes the extent to which consumers have the desire and capacity to purchase goods or services at various price conditions. In economic analysis, demand is not only related to the amount of goods purchased, but also reflects the complex interaction between consumer preferences, purchasing power, and external factors that influence consumption behavior.

2. Utility

Usefulness, in the context of economics, refers to the level of satisfaction or benefit received by consumers when using a particular good or service. This concept plays a very important role in shaping demand, because it directly affects how consumers assess and appreciate the value of a product. The higher the level of utility offered by an item, the greater the consumer's desire to obtain the product even though the price tag may be relatively high.

3. Scarcity

Scarcity is a fundamental factor in determining the value of a good or service, which is closely related to the limited resources available in the market. This concept reflects a condition where the amount of goods or services that can be produced or supplied is limited, while the need or demand for the goods cannot be fully met.

4. Transferability (transferability/effective purchasing power)

Transferability, which refers to the ability to transfer ownership rights from one entity to another, is one of the main factors in forming the value of a good or service.

Economic interactions play a very significant role in the formation of norms, values, and institutions that regulate the dynamics of economic activities. Through this process, individuals, groups, and economic entities influence each other and shape policies, business practices, and ethical standards applied in daily economic activities. For example, social norms that develop in a society not only guide individual behavior, but also shape the way people transact, do business, and carry out other economic activities. When society prioritizes values such as fairness, transparency, and social responsibility, then the institutions that regulate the economy, whether in the form of financial institutions, markets, or government regulations, will be more inclined to create a system that is sustainable, fair, and able to pay attention to the common welfare. This leads to the creation of a more stable and crisis-resistant economic environment, because a solid foundation of values is formed in society.

In addition, economic interaction also reflects efforts to reduce social and economic inequality. When individuals and groups are involved in inclusive and democratic decision-making processes, the distribution of resources can become fairer and more equitable, providing more equal access to existing economic opportunities. This multi-stakeholder interaction process allows for the creation of policies that not only benefit certain groups, but can also address inequalities that occur in society. Therefore, the value of economic interaction lies not only in the material impacts it generates, but also in its contribution to broader social development. Increasing social solidarity, strengthening communities, and creating more harmonious

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relationships between groups are integral to the success of the economic system as a whole. As a result, societies that interact constructively in an economic context will be better able to build social resilience and create sustainable solutions to the social and economic challenges they face.

The study found that the local economic interactions in this border region are very unique because they are located on the border between Indonesia and Papua New Guinea, making it a strategic area for interactions between countries. This location displays unique characteristics where local communities must adapt to influences from both sides of the border. Differences in government systems, economies, and cultures between Indonesia and Papua New Guinea add to the complexity of the interactions that occur. The economy of the local community in Sota is heavily influenced by cross-border trade activities. Local residents are often involved in trade in goods and services, both formal and informal. This study provides insight into how communities utilize existing resources, as well as how they build mutually beneficial trade networks. For example, goods from Papua New Guinea entering Sota can become commodities needed by local communities, while local products also have the opportunity to be sold in the Papua New Guinea market.

Economic conditions in border regions are often characterized by dependence on cross-border trade. Sota is an interesting example where economic activities such as trade in goods, services, and natural resources take place with high intensity. The research here allows for a deeper understanding of how local communities leverage their geographic position to develop their economy, as well as the challenges they face in carrying out these trading activities, such as regulation, infrastructure, and security.

The border area of Sota (Merauke Regency, Indonesia) and Papua New Guinea (PNG) is an area with high economic dependence between the people of the two countries. Limited access to transportation, distance to the city center, and geographical conditions make cross-border economic interaction the mainstay of meeting people's living needs.

The categories of economic interaction that occur in the local community (Kanume Tribe) are as follows:

1. Local economic interaction in the border area reviewed from:

a. Exchange of basic necessities

The results of the study show that the exchange of basic necessities in the Sota-PNG border area still takes place traditionally and reciprocally (barter), although some also use cash transactions. Goods exchanged between the Sota community (Indonesia) and PNG residents include: The PNG community brings a lot of garden and forest products, such as sweet potatoes, bananas, sago, wood, and rattan to be exchanged. Conversely, the Indonesian community provides basic necessities such as rice, sugar, coffee, soap, used clothes, and instant food products. This exchange is a survival strategy for border communities who have limited access to formal markets.

b. Payment/transaction patterns

Payment patterns found in economic interactions on the Sota-PNG border include two main patterns:

Barter:

- The barter system is still the main choice, especially for PNG people who do not have access to Rupiah or PNG Kina.
- 2. The exchange rate is determined based on mutual agreement and scarcity of goods.

Cash Payment (money):

1) Some people, especially Sota residents, use Rupiah for transactions.

- 2) However, the use of Kina is also found, although it is limited and often unofficial.
- 3) There is a pattern of installments or debts between local people if the goods exchanged are not balanced.

This payment pattern shows the existence of economic flexibility and social trust among cross-border communities.

c. Main supply of basic materials

The main supply of basic materials that supplies the needs of the community in the Sota-PNG border area comes from:

Indonesian region (Merauke and surrounding areas):

- 1. Basic necessities such as rice, sugar, coffee, cooking oil, instant noodles, soap, and clothing.
- 2. This supply enters Sota via land and is supplied by local traders, agents, and retailers.

Papua New Guinea (villages near the border):

- 1. Agricultural and forest products such as sago, vegetables, tubers, rattan, and wood products.
- 2. The PNG community tends to rely on Sota to obtain modern necessities.

However, access to supply is highly dependent on border security conditions, transportation availability, and government policies of both countries.

d. Demand for basic necessities

Demand for basic necessities in the Sota-PNG region is influenced by several factors:

- 1. The PNG community has a high demand for modern goods, especially rice, sugar, soap, clothing, and instant noodles, due to the difficulty of accessing the PNG domestic market.
- 2. The Sota community and its surroundings also have a demand for forest products and agricultural products from PNG, such as rattan, wood, and traditional foodstuffs.

The amount of demand will increase when:

- 1) A staple food crisis in PNG (often occurs due to distribution problems in the PNG region).
- 2) Harvest season for agricultural products in the PNG region, so that people come to Sota to exchange their harvests.
 - 3) Celebrations or traditional activities that require large quantities of staple foods.

In general, the demand-supply relationship in this region is unstable and highly dependent on seasonal conditions, security, and border regulations.

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Local economic interactions in the Sota-Papua New Guinea border area are still dominated by barter systems and traditional transactions. Limited access to formal markets makes people rely on cross-border cooperation to meet their daily needs. The exchange of basic necessities occurs naturally, reflecting economic dependence on each other. Despite obstacles in terms of regulation and security, people still maintain economic and social relations as a form of adaptation strategy for living in border areas.

2. Factors that drive and inhibit local economic interactions in border areas reviewed from internal and external factors.

The Sota (Indonesia) and Papua New Guinea border area is a strategic area that is the main route for economic interactions between border communities. Amidst limited formal infrastructure and facilities, people on both sides of the border depend on each other to meet their basic needs. However, local economic interactions in this area cannot be separated from various driving and inhibiting factors, both from within the community (internal) and from outside (external). Therefore, this study focuses on analyzing the factors that support and inhibit these local economic interactions.

Factors Driving Local Economic Interaction

A. Internal Factors

Mutual Needs between Communities

The Sota and PNG communities need commodities that cannot be met locally, such as:

- 1. The PNG community needs rice, sugar, clothing, soap from Indonesia.
- 2. The Sota community needs sago, rattan, smoked fish, forest products from PNG.

Close Social and Kinship Relations

- 1. Many border communities have cross-border family ties (either through tribal ties or marriage).
- 2. These relationships strengthen trust in economic activities such as bartering and borrowing goods.

Adaptability and Economic Creativity

- 1. Border communities have the ability to adapt in creating flexible exchange patterns (such as bartering).
- 2. Individual initiative to bring their own merchandise from the city center (Merauke or Vanimo)

B. External Factors

Availability of Traditional Markets on the Border

- 1. The Sota border market is a meeting point for Indonesian and PNG communities to transact.
- 2. This market facilitates the exchange of goods on a small and medium scale.

Significant Price Differences

- 1. The price of goods from Indonesia (such as rice, sugar, soap) is cheaper than similar goods in PNG.
- 2. This is a strong incentive for PNG people to come and shop in Sota.

The existence of a special border pass for border communities facilitates economic activities without a strict immigration process.

Factors Inhibiting Local Economic Interaction

A. Internal Factors

Limited Capital and Access to Goods

- 1. Small traders often lack the capital to buy goods in large quantities.
- 2. Not all people have direct access to Merauke City to pick up merchandise.

Lack of Local Economic Facilities and Infrastructure

- 1. Lack of permanent markets with complete facilities.
- 2. The absence of a storage warehouse or proper distribution place for goods.

Dependence on Foreign Goods

High dependence on products from Merauke causes supply vulnerability when distribution is disrupted.

B. External Factors

Territorial Restrictions by Security Forces

- 1. Tightening of border areas by officers (Customs, Immigration, TNI/Polri) under certain conditions hinders the flow of goods and people.
- 2. This policy is implemented to prevent smuggling or the entry of illegal goods, but has an impact on the community's economy.

Geographical Conditions and Extreme Weather

- 1. The road to Sota and access from PNG are often damaged due to bad weather (rain, floods, muddy roads).
- 2. This causes disruptions in the supply of goods, increases in prices, and decreases in economic activity.

Exchange Rate Fluctuations (Kina and Rupiah)

- 1. Differences in exchange rates and the instability of the Kina currency often make cash transactions difficult.
- 2. This complicates trade involving money, so barter is more reliable.

Limitations in Border Infrastructure

1. Lack of banking facilities, digital payment systems, and good communication access.

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2. This hampers the modernization of transactions and hampers opportunities to expand trade networks.

Conclusion and Suggestion

The conclusions that can be drawn from this study are (1) Local economic interaction in Sota-PNG is a survival strategy for border communities with minimal formal economic facilities. The barter system and mixed transactions (cash and debt) are the backbone of the local economy. The supply of basic materials is highly dependent on distribution from the city (Merauke) and forest/plantation products from PNG. The demand for basic necessities remains high and tends to increase during times of crisis, but is hampered by security and weather factors; (2) Local economic interaction in the Sota-PNG border area is dynamic due to the need to complement each other between communities. The main driving factors are basic needs, social relations, and traditional markets, while inhibiting factors come from limited capital, economic infrastructure, border policies, and natural conditions, and Although economic interaction is intense, dependence on supplies from Merauke and uncertainty of border access are serious challenges that must be solved together.

Economic interactions in the Sota border area have brought positive impacts, both in economic and social aspects. With integrated facilities and increased trade activities, this border area has become a new center of economic growth that directly contributes to the welfare of local communities and the development of bilateral relations between Indonesia and Papua New Guinea. However, challenges remain in the economic development of this border area. There are still issues such as uncertainty in trade regulations, as well as the need for closer collaboration between the Indonesian and PNG governments to regulate business activities on the border. Meetings between government officials from both countries indicated the need to evaluate existing policies and procedures, in order to create a more conducive environment for economic growth. Thus, the progress of economic issues in the Sota border area depends not only on physical infrastructure, but also on cross-border cooperation and strengthening the capacity of local communities to adapt to the ever-changing economic dynamics.

Suggestions that can be given by researchers are:

- It is necessary to strengthen legal and organized border markets to support cross-border economic 1) interactions.
- 2) The need for a bilateral agreement between Indonesia and PNG to facilitate the flow of basic
- The government needs to provide permanent border market facilities that can regulate barter and 3) transaction systems safely and orderly.
- It is necessary to strengthen capital and business training for local communities to increase trade capacity.
- 5) Development of permanent border markets with support for logistics and storage facilities.
- 6) Bilateral coordination between Indonesia and PNG to regulate a fair and safe local trade system.
- Improvement of road infrastructure, communications, and banking facilities in border areas to support the community's economy.

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