

## Addressing Challenges and Enhancing Regional Economic Competitiveness through Regional Cooperation

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### ABSTRACT

This study discusses strategies for overcoming challenges and increasing economic competitiveness in a region through regional cooperation. We identify several challenges that may arise in carrying out regional cooperation, such as differences in interests, regulatory barriers, and cultural differences. However, with the right strategy, these challenges can be overcome and generate long-term benefits for the region. This research also discusses important enabling factors in regional cooperation, including political commitment, coordination between local governments, and private sector participation. In addition, we provide policy recommendations and concrete action steps that can be taken by the government and related stakeholders to increase regional economic competitiveness through regional cooperation. In conclusion, this study emphasizes the importance of regional cooperation in overcoming regional economic challenges and increasing competitiveness. Through strong regional collaborations, regions can optimize their economic potential and achieve sustainable growth.

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## **INTRODUCTION**

In an era of globalization and increasingly strong dependence between countries and regions around the world, regional cooperation has become one of the effective strategies in overcoming challenges and increasing regional economic competitiveness. Regional cooperation refers to collaborative efforts between several countries or regions that have a common goal of achieving economic, social, and political progress. One of the major challenges faced by the region is the changing global economic landscape. Increasingly complex international trade, rapid technological innovation, and shifting global consumption patterns significantly affect regional economies. In the face of these challenges, regional cooperation can be a powerful tool to deal with global pressures and enhance economic competitiveness.

Through regional cooperation, regions can mutually strengthen economic strength with various resources, knowledge, and experience. By forming regional alliances, regions can reduce dependence on the single market and diversify economies. In addition, regional cooperation also allows collaboration in the development of critical infrastructure and economic sectors. Regions can work together to build efficient transportation networks, develop industrial parks or improve access to sustainable energy. This will not only strengthen regional connectivity, but also create an environment conducive to investment and economic growth. In addition to economic benefits, regional cooperation can also help in addressing social and political challenges. Through dialogue and cooperation between countries and regions, common problems such as security, migration, or the environment can be solved collectively. This allows for better understanding between regions and strengthens stable political relations.

Overall, through regional cooperation, regions can overcome challenges and improve their respective economic competitiveness. In this era of globalization, regional cooperation has become increasingly important in facing common challenges and taking advantage of existing opportunities. With regional cooperation, regions can strengthen and support each other, so as to achieve more sustainable and inclusive economic growth. One important step in improving economic competitiveness through regional cooperation is the establishment of a free trade area. Through free trade areas, regional members can remove or reduce trade barriers such as excessive tariffs, quotas, and regulations. This will encourage trade growth between regions, increase market access for local businesses, and encourage foreign investment. In addition, cooperation in the fields of trade regulation, harmonization of standards, and protection of intellectual property is also important to create an environment conducive to fair and equitable trade.

## **THEORETICAL REVIEW**

### **Competiveness**

The ability to compete and succeed in local or international markets is known as competitiveness it can be delivered by countries (Rangkuti, 2018), companies or individuals, These include elements such as productivity, creativity, efficiency, quality of products or services, production costs and

availability of resources and markets (Adetunji & Owolabi, 2016). A nation or company can thrive and produce better results in a competitive and highly competitive operating environment (Ada et al., 2013).

### **Regional Economy**

According to (Abdillah, 2016) Regional economy refers to the economic activities, interactions, and systems that occur in a particular region or geographical area, it focuses on the production, distribution and consumption of goods and services in the region. Regional economies can vary in size and scope, from small local economies to larger regional units spanning multiple cities or states (Fattah & Rahman, 2013).

### **Regional Cooperation**

According to (Jaffer, 2016) Regional cooperation means cooperation and interaction between countries or entities located in a specific geographical area to address common challenges, achieve common goals, and promote common benefits. It includes various forms of cooperation, agreements, and initiatives aimed at strengthening economic, political, social, and cultural ties between participating countries or regions (Kozma, 2019).

## **METHODOLOGY**

Qualitative methods are used by discussing the concept of regional cooperation, relevant types of cooperation, as well as case studies of regions that have successfully implemented this strategy. Through regional cooperation, regions can gain access to greater resources, including broader markets, cutting-edge technologies, and investments that can support economic growth. We identified several challenges that may arise in carrying out regional cooperation, such as differences in interests, regulatory barriers, and cultural differences.

However, with the right strategy, these challenges can be overcome and result in long-term benefits for the area. The study also addresses important contributing factors to regional cooperation, including political commitment, coordination between local governments, and private sector participation. In addition, we provide policy recommendations and concrete action steps that can be taken by the government and relevant stakeholders to enhance regional economic competitiveness through regional cooperation.

## **RESULTS**

### ***Types and Factors Supporting Relevant Regional Cooperation***

In essence, a nation cannot stand alone without the help of other nations. Likewise with humans as social creatures who also happen to live in nations. Thus, it is very possible for a country to establish economic cooperation between countries. In addition, economic cooperation is undoubtedly to improve the living standards of the general public. Economic cooperation is very important, especially for developing countries such as Indonesia, in order

to advance the welfare of the people and achieve the goals of the 1945 Constitution.

Regional cooperation is a form of international cooperation in the economic field carried out with countries in a particular region. Certainly regional cooperation between many countries in a region involves objectives that Of course, improving the economies of member countries is the main goal. *Ilmugeografi.com* also noted the following additional objectives to achieve this global economic cooperation:

- a. To strengthen regional stability and increase trade between member countries.
- b. To promote the products and services of the member countries of the association.
- c. To develop good relations with member states.
- d. To obtain the required supplies, especially if the state is unable to do so.

There are different categories of regional cooperation. Regional cooperation can take several types, depending on the goals, reach, and level of commitment of the countries concerned. The following are some types of regional cooperation universally:

- a. Tradin Block

This cooperation aims to increase trade and investment between member countries. Trade blocs are also facilitators in the establishment of regional economic bodies. The European Union (EU), the Association of Southeast Asian Nations (ASEAN), and the ASEAN Economic Community (AEC) are examples of well-known economic blocs.

- b. Union Currency

Countries that have the same currency or have similar monetary policies are involved in this cooperation. The European Monetary Union (EMU), where a number of EU member states use the Euro as their currency, is an example.

- c. Defense Alliance

The defense and security of certain areas are intended to be strengthened by this cooperation. Examples that come to mind are the Shanghai Cooperation Organization (OCS), the South Pacific Alliance (ANZUS), and the North Atlantic Treaty Organization (NATO).

- d. Political Cooperation

Through this collaboration, countries work together to advance political stability, democracy, and conflict resolution within their borders. The Association of Southeast Asian Nations (ASEAN), the United Nations (UN), and the Caribbean Community (CARICOM) are examples.

- e. Economic Integration

Economic integration will undoubtedly result from this regional economic collaboration. If many countries in a region choose to establish free trade initiatives among member countries, economic integration in regional cooperation will occur. The collaboration seeks to foster stronger economic integration among member countries by removing trade barriers, coordinating economic strategies, and harmonizing

legislation. The North American Free Trade Agreement (NAFTA), the Common Market Union (MERCOSUR), and the Asia-Pacific Economic Community (APEC) are well-known examples.

In fact, there are various forms of economic integration in regional cooperation, including the following: (Ardiprawiro, 2014)

a. Free Trade Area

This economic integration will occur if a collection of countries in a particular region agree to remove various trade barriers, such as tariffs and quotas, among member countries. During the process, each country may be empowered to impose certain restrictions on countries that are not members of the region.

Thus the member states benefit from free trade activities as a result of this economic integration. For example, customs rates of AFTA member countries may be reduced.

b. Custom Unions

The customs union is the agency in charge of supervising, collecting, and administering import and export customs affairs. In this customs union, members participating in regional cooperation will eventually apply the provisions of free trade tariffs and import tariffs, as well as the same quotas to non-member countries.

Indonesia, Singapore, and Thailand, for example, have formed customs unions. Then trade between the three countries will be free and without any obstacles, such as tariffs or quotas. However, when Indonesia, Singapore, and Thailand import certain products from non-member countries, all three will apply the same tariffs to those products.

### ***Common Market***

The Common Market represents economic integration in broader regional collaboration. This economic integration will take the form of a common market, where fellow member countries will have unlimited flexibility to drive the factors of production, particularly capital and labor. The European Community (EC) is an example of how this Common Market is implemented.

### ***Economic Union***

Economic integration, also known as Economic Unity, is the ultimate form of regional collaboration. The countries that make up this economic union will always have a uniform or similar economic policy. Economic policy includes monetary, fiscal, and trade policies. The application of a single currency in the Eurozone known as the European Currency Unit (ECU) with the Euro currency is a true form of Economic Unity.

### ***Cultural and Social Cooperation***

The collaboration aims to increase cultural, educational, and social contacts among member countries. The ASEAN University Network (AUN),

the Educational, Scientific, Cultural, United Nations (UNESCO), and the Non-Aligned Movement are examples.

In the types of regional cooperation in general, of course, regional cooperation on the economy cannot be separated from supporting factors that affect the form of regional cooperation, including political commitment, coordination between local governments, and private sector participation.

**a. Political Commitment**

Commitment is often referred to as a "mandatory" condition in the development of cooperation. However, because the political world is full of interests and intrigues, keeping promises is very difficult. Many promises were broken because of each-masing partai politik dalam "Relationship" have vested interests (which lead to power and practical politics).

Therefore, it is expected that there will be a process of transformational political-economic transformation as a strong driving force for democracy and popular economic progress, so that there will be a generally balanced process of political-economic power division. This transition will undoubtedly accelerate the pace at which many societal demands require that sustainable economic development requires broader community participation. (Bhudianto, 2012). This has an impact on regional cooperation, especially in the economic sector. In increasing economic competitiveness, political commitment greatly influences the success of regional cooperation.

**b. Coordination Between Local Governments**

In the current era of globalization, governments should play an important role in advancing the economy, using all available means to generate new ideas or innovations, rather than acting as passive observers who leave economic development and growth to mechanisms of economic power outside the government. The government has significant power in improving the economy. Of course, it will accelerate the pace of various community demands that demand sustainable economic development requires coordination between local governments (Djadjuli, 2000).

Meanwhile, according to LAN (2004), cooperation between regions is possible at all levels of local government with autonomous rights. Inter collaboration can occur between: (Utomo, n.d.)

- 1) Provincial governments and other provincial governments;
- 2) City/regency government and city/regency government are in one provincial area;
- 3) City/regency governments and other city/regency governments are in the same provincial area;
- 4) Provincial government and city/district government within the same province;
- 5) Provincial government and city/regency government within the same province.

**c. Private Sector Participation**

There is an autonomy strategy that requires local governments to be more independent and less dependent on the central government. This

encourages local governments to increase regional potential, including natural and human potential, to maximize local original income to carry out development to improve people's living standards.

Private participation in regional cooperation should be strengthened. Realizing budget constraints, the government should encourage private participation by enacting several related laws regulating private participation in strengthening the economy between regions. To stimulate private sector involvement, the Indonesian government can create a favorable climate for the private sector, encouraging it to export its products and establish business relations with other countries through regional cooperation. This issue will be beneficial for Indonesia's economic development, especially in industries and regions directly involved in this cooperation (Pujayanti, 2015).

### ***Challenges in Regional Cooperation and Countermeasures***

In regional cooperation, countries will face several challenges that can hinder such cooperation. Differences in interests, regulatory barriers, and cultural differences are challenges that can affect the running of regional cooperation. Here are the challenges and coping strategies in regional cooperation:

#### ***a. Differences of Interest***

Conflicts or differences of interest are widespread in the lives of ordinary people. Conflicts arise organically in social life and are inseparable from humans. In some regions of the world today the paradigm of regional interests has evolved into regional cooperation, which will cause groups to take on the characteristics of regional/global interests (Yustika Citra Mahendra, n.d.).

In regional cooperation, a different interest of each country has different interests. This will hinder harmonious cooperation, even though regional cooperation must create good cooperation so that countries are not divided. The reason is, regional cooperation was created to form cooperation in improving the economy, and other sectors. If there are differences in interests through regional cooperation in the economic sector, there can be potential conflicts between countries that affect the economy.

However, this can be overcome by measures to deal with differences in interests are as follows: first, preparing a policy framework; second, identify conflict of interest situations; third, declaring or transparency of interests; and fourth, prepare a series of activities to deal with differences in interests.

#### ***b. Regulatory Barriers***

According to an economist (Kyla Malcolm, 2009), regulation is a field that focuses on the process of regulation, implementation, and supervision. Regulation is still defined from the point of view of public administration.

In regional cooperation, the presence of regulations to regulate the living order of the country or region, in general, regulations can control all sectors. Unfortunately, in economic upswing, regional cooperation is often seen as hindering. For example, MSME players in Indonesia are hit by various regulations so it is difficult to start the business to progress and develop. These

obstacles can prevent the community from "moving up" in developing their MSMEs in regional cooperation. Therefore, in overcoming these inhibiting factors, the government must make breakthroughs to reduce regulations that hinder the development and expansion of the economic sector.

### *c. Cultural Differences*

Each country has its own set of cultural values. Differences in values can include attitudes towards authority, honor, individualism towards collectivism, and so on. It may be difficult for countries to make deals or follow through kebijakan yang sama dalam kerja sama regional jika nilai-nilai budaya yang berbeda ini tumpang tindih.

The influence of culture on economic performance is still a binding assumption in scientific economic analysis, particularly in neoclassical economic analysis. It is difficult to understand the influence of culture in the economy. In addition, due to the difficulty of measurement factors, culture is attached to everything, such as tastes, habits, and so on (Pratikto, 2012).

This cultural gap does not hinder regional cooperation. These differences, however, can be hurdles that must be overcome with effective techniques such as discussions between countries, understanding, and collaborative efforts to build mutually beneficial agreements for all parties.

### *Improving Regional Economic Competitiveness through Regional Cooperation*

Competitiveness is one of the metrics used to determine the success of a country and the achievement of higher goals in terms of wealth growth and economic growth. Competitiveness is determined by productivity issues, i.e. the amount of output produced for each input consumed. This increase in productivity is due to an increase in physical capital and labor inputs, as well as an increase in the quality of inputs used and technological improvements (Rusnita, 2022).

According to the Ministry of Home Affairs (2013), strategies to increase regional competitiveness include mapping regional potential, strengthening economic infrastructure, improving the quality of human resources, synergy between provinces and districts / cities, creating product innovations, and encouraging people's economy by using local products.

Regional economies really need regional cooperation in supporting the improvement of their competitiveness, this is due to the era of globalization which is increasingly rapid movement patterns. If you look at Indonesia in the past, development planning at that time was very centralized and lacked opportunities for regions to carry out comprehensive planning with initiative, creativity, and innovation. This is different from now, where people must collaborate with the government to improve advanced lives through a growing economic sector.

The content of Presidential Instruction No. 6 of 2014 and its relation to the strategy of increasing regional economic competitiveness through regional cooperation has been included in it, the content is coordinated and integrated instructed by the President of the Republic of Indonesia to improve national competitiveness and the implementation of the AEC (ASEAN Economic



Community) which began in 2015. Increasing competitiveness can be done continuously, especially by putting forward various basic tactics such as:

- a. National industrial development that focuses on the formation of priority industries to meet the ASEAN market; industrial development to ensure the local market. In addition, the development of small and medium-sized enterprises; human resource development and research; and the implementation of the Indonesian National Standard (SNI) is also a priority.
- b. Agricultural development, with an emphasis on increasing direct investment in agriculture and improving market access.
- c. Marine and fisheries development, with emphasis on strengthening marine and fisheries institutions and positions; increasing marine and fisheries competitiveness; expanding domestic markets; and expanding and expanding export markets.
- d. Energy development is focused on improving the electricity subsector and minimizing the use of fossil energy (BBM); new energy, renewable energy, and energy conservation subfields; and meningkatkan energy and electricity supply to compete with countries with stronger infrastructure.
- e. Other areas of development include infrastructure development, development of the national logistics system, banking development, investment, micro, small and medium enterprises, labor, health, trade, tourism, and entrepreneurship.

## DISCUSSION

Thus, regional economic development planning in the era of regional autonomy requires innovations to increase competitiveness that can be achieved through a synergistic strategy while still coordinating with the central and regional governments. Through regional cooperation, it can reduce fears of disintegration because collaborative experiences with cross-government and developed communication can help suppress regional temporary interests.

Transparency of procedures, open concept, is the implementation of all regional problems, so that each region can better appreciate its own advantages and disadvantages. This will increase the climate of openness and mutual understanding between regions, both sectoral and administrative, reducing distrust and "regional egoism" which are counterproductive to increasing regional economic competitiveness (Hartono, 2005).

## **CONCLUSIONS AND RECOMMENDATIONS**

Challenges that can hinder the performance of regional cooperation, namely differences in interests, regulatory barriers, and cultural differences that must be followed up in overcoming them. This can be overcome through regional cooperation that opens opportunities for regional economic actors to be more developed and develop sustainably. Regional cooperation will help the regional economy through coordination with the government, because in this era of rapid globalization has affected regional economic progress, so strengthening competitiveness through regional cooperation is very important. In addition, regional cooperation has the potential to increase state revenue, because the state can introduce regional economic products. As a result, through regional cooperation, regional economies must be able to increase economic growth and create economic prosperity in a sustainable manner.

This research is just a start, it is hoped that it can be continued by other researchers in the future.

### **FURTHER STUDY**

Results that can be used by other researchers as references or for institutions in need, and can be developed for other researchers in the future.

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