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Dear Editor

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I have submitted my paper today entitled “**Free Trade Integration Effect On International Relation through Cross Border Entrepreneurship : A Study from Indonesia and Malaysia International Business Perspective**” for your reviewing to be published in your journal.

Your Sincerely

Hadi Prabowo

Free Trade Integration Effect on International Relations through Cross Border Entrepreneurship: A Study from Indonesia and Malaysia International Business Perspective

Abstract

In the modern age, the trade free integration has become an integral part which is playing a significant part for the international relations. For enhancing cross border cost-effective accomplishments, the free trade integration role is an important which could help to enhance the international relations. Therefore, the research aim is to investigate the free trade integration and cross border entrepreneurship role in development of international relations. To get this objective, the relationship among free trade integration (FRTI), financial integration (FII), cross border entrepreneurship (CRBE), bilateral trade (BIT), and international relations (INR) was being inspected. The data was collected through self-administered questionnaire from the 200 from Indonesia and 130 from Malaysia by using purposive sampling technique. The research design was quantitative, and research approach was quantitative, and applied partial Least Square (PLS)-Structural Equation Modeling (SEM). The key outcomes shown that FRTI has positive and significant effect on FII, BIT, CRBE and IR. In the same vein, the key findings also shown that BIT and FII also significantly and positively effect to CRBE. On the other hand, it was also further found that BIT, FII significantly and positively mediated between the relationship of FRTI and CRBE. The further findings shown that CRBE also significantly mediated between the relationship of FRTI and INR. All these accepted hypotheses added a body of literature in the extant literature that could add a body of literature in the extant literature that could become a new research area in future. This is a reason the current research has a valuable contribution in the literature through the relationship among FII, BIT, CRBE, FRTI and INR.

Introduction

From the last two decades, cross-border business operations between diverse countries have increased (Ogalo, 2010). The cross-border economic operations assist countries in a variety of ways. Such operations play a favorable part in encouraging economic activities, and greatly aid in the growth of a successful economy (Smallbone et al., 2012). This results in an improvement of people's well-being and has a favorable influence on the gross domestic product (GDP) (Emontspool et al., 2017). Therefore, cross-border entrepreneurship (CRBE) has an important contribution to improving economic relations among countries (Emontspool & Servais, 2017). Economic relationships among countries may perform a constructive impact in promoting economic indices (Kurowska-Pysz, 2016). Numerous countries, like Malaysia & Indonesia, are seeking to develop economic activity among countries that has beneficial results in the form of international connections with various other countries.

The impact of commercial integration in promoting Malaysian and Indonesian foreign ties with many other nations that cannot be overstated. For this purpose, Free trade integration (FRTI) (FRTI) has an essential part in promoting CRBE (Baier et al., 2019). Past researches have also shown that FRTI in international level may perform a crucial influence in international relations (Goncalves et al., 2017; Swastiningtyas, 2017). FRTI has a significant impact on CRBE activities, which might result in international relations (Baier et al., 2019). As a result, this is critical for Malaysia and Indonesia to promote entrepreneurship through FRTI. Prior international relations research has not attempted to address this issue (Beine et al., 2007). FRTI seems to have the ability to improve financial integration (FII), and bilateral trade (BIT) which helps to improve the CRBE among states that play an important role in international relations. In addition, the previous studies were mainly focused on direct effect of FRTI on international relations (Carranza, 2017) while there was little attention on indirect effect through CRBE. Moreover, the previous studies were mainly focused on direct impact of FRTI on CRBE (Kepaptsoglou et al., 2010) while there was little attention on effect of CRBE through indirect FII and BIT. In addition, the previous studies were mainly focused on other countries (Kepaptsoglou et al., 2010) while there was little attention on Indonesia and Malaysia. Therefore, research along with FRTI, BIT, FII, CRBE and IR relationship is needed that is not being tested in previous studies. Based on previous gaps, the research objective was to check the impact of FRTI and CRBE effect on international relations (INR) of Indonesia and Malaysia business.

Literature Review

Cross-border operations are becoming more prevalent across countries. Cross-border operations could be motivated by a variety of organizations, including interest groups and political parties. Such activities seem to be more significant in developing connections between nations with diverse interests. Those connections might be founded by political willingness. Politics between countries is expanding as well as impacting the entire world in a variety of activities in the contemporary environment (Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015). This interaction among nations in terms of commercial operations is critical. The significance of trade in developing economic links among countries is critical. The greater the volume of trade and commerce that takes place between two nations, the closer they will get. Trade-related operations like export and import (Hameiri et al., 2019) are critical for relationship building. Under this regard, FRTI plays a critical role in fostering strong linkages among nations by economic activity. The current paper indicated that FRTI could strengthen bilateral relations by different economic activities like CRBE.

The development of international relations could be significantly aided by the participation of business entities. A link between two firms may be strengthened via the process of collaboration. The foundation for a nation's long-term relationship with another is built on the prosperous exchange of goods and services. When nations maintain prosperous commercial operations, they gain multiple benefits, including an increase in revenue, which has a significant impact towards the general well-being of population. Because CRBE operations (Castanho, 2020; Hutasuht et al., 2018) could encourage activities that generate revenue for people, which in turn leads to the well-being of individuals, these activities can promote CRBE.

Free Trade integration Effect on International Relations

Trade seems to be a fundamental economic concept that connects the purchase and sale of commodities and services, including payment made by a purchaser toward a seller, and the interchange of numerous items and services among various parties. Inside an economy, such trading transactions might actually occur between producers and customers. Trade activity might be carried all over the country. Manufacturers and customers may be from separate nations. Consumers and manufacturers may have various countries of origin. International trade refers to trading between nations (Sifneos et al., 2015). International trade is presently expanding across nations to conduct economic operations for benefit of countries. "Free trade integration Mechanism (Kepaptsoglou et al. 2010)" is the result of international trade operations.

Free trade integration, Financial Integration and Bilateral Trade

There is a link between free trade integration (FRTI) and bilateral trade (BIT). When products are exchanged across two nations on a bilateral basis, both commerce and investment are encouraged. Tariffs, import quotas, export restrictions, and many other trade restrictions would be reduced or eliminated between the two countries in order to promote trade as well as investments. Its effects on industry of BIT are significant. Even though past studies have shown, bilateral trade plays a significant part in the commercial operations of businesses (Garcia-Duran Huet et al., 2018). There is a link between international FRTI and BIT

Free trade integration effect on Cross Border Entrepreneurship

The link between FRTI and cross-border entrepreneurship (CRBE) cannot be overlooked when looking at this connection inside this latest research. Economic activities such as entrepreneurship were heavily impacted through trade policies of the involved countries (Stoica et al., 2020). Associations like this one are critical to the global community. CRBE and FRTI are inseparable, with one supporting the other. International trade may be a powerful tool for encouraging the growth of new businesses and jobs across borders. Eliminating of trade barriers among nations allows investors to invest in other countries and launch entrepreneurial operations across the boundaries. Entrepreneurship has a number of benefits for both economic development and international relations

Financial Integration, Bilateral Trade and Cross Border Entrepreneurship

Value may be created or extracted through entrepreneurship in terms of monetary gain. An entrepreneur is someone who takes a risk above what is typically involved in beginning a company establishment that could include values more than just financial ones.

Cross Border Entrepreneurship effect on International Relations

Many types of international relations exist, but economic links are the most important and have generated a wide range of other relationships. To improve international relations, it is essential to encourage trade. An increase in international cooperation is possible because of entrepreneurship activities performed by businesses. As a result, CRBE activities play an important role in fostering international cooperation.

Research Framework and Hypothesis Development

The previous discussion has become the research framework discussion. The research framework consists of three types of variables. The free trade is an independent variable and bilateral trade, financial integration and cross border entrepreneurship were used as a mediating variables and international relations was used as dependent variable. These variables are predicted in the following Figure.1 below.

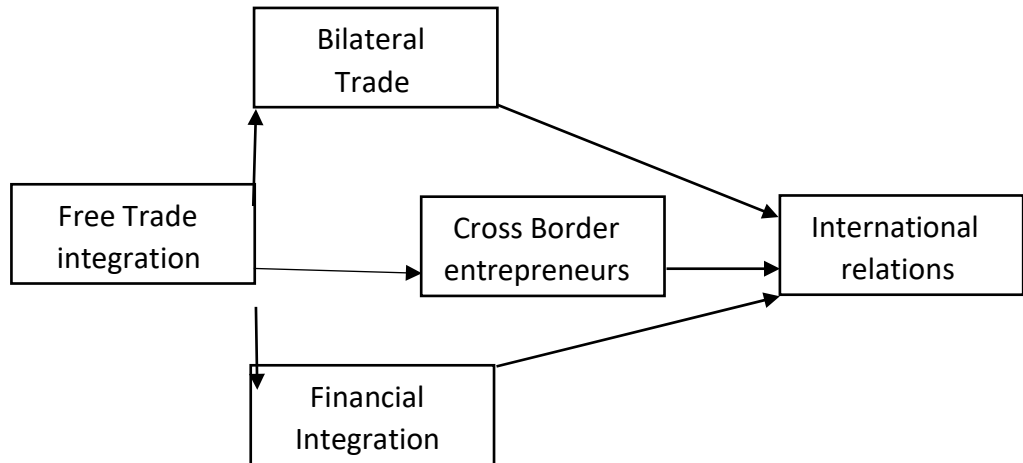


Figure 1: Conceptual Framework

- H1.** Free trade integration significantly and positively effect to international relations.
- H2.** Free trade integration significantly and positively effect to bilateral trade.
- H3.** Free trade integration significantly and positively effect to financial integration.
- H4.** Free trade integration significantly and positively effect to cross- border entrepreneurship.
- H5.** Bilateral trade significantly and positively effect to cross-border entrepreneurship.
- H6.** Financial integration significantly and positively effect to cross boarder entrepreneurship.
- H7.** Cross-border entrepreneurship significantly and positively effect to international relations.
- H8.** Bilateral trade significantly mediates the relationship free trade integration with cross boarder entrepreneurship.
- H9.** Financial integration significantly mediates the relationship free trade integration with **cross**-border entrepreneurship.
- H10.** Cross-border entrepreneurship significantly mediates the relationship free trade integration with international relations.

Research Methodology

The remainder of the article explained the present study's strategies, which was used in the current investigation. In this study, the positivist research technique was applied, as well as quantitative research method. According to the academic research, quantitative research is widely considered as more effective than qualitative research. In addition, a cross-sectional research method was also adopted in the present study. Because the nature of this connection is dependent on firsthand experience, and primary data was gathered through survey questions (Bowling, 1999). Therefore, the information was gathered by using self-administered survey questionnaire primary data. The survey questionnaire was considered a tool for primary data collection. The instrument was adopted from the previous studies where it was used, therefore research instrument has more reliability and validity. The instrument was measured on five-point Likert Scale from 1 for strongly disagree and 5 for strongly agree. The population of the study was the business organization which were in Malaysia.

Data Analysis and Interpretation

The current study was founded on variable relation of developing international relations. The nature of relationships is defined through the fundamental facts. Consequently, Partial Least Squares (PLS)-Structural Equation Modeling (SEM) is effective data analysis method for investigating the relationship between variables. Therefore, PLS was used in the current study, which was suggested in a number of previous studies on data analysis techniques (Hair Jr et al., 2016b). The construct validity and accuracy are regarded as critical before to the study's model assessment (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014). In order to achieve this aim, the researcher initially evaluate the validity and discriminant validity of the measurement model. The measurement results are presented in the following table. From the convergent validity perspective, the factor loading recommended value should always be more than 0.5, as this is essential to demonstrate the indicator's dependability. Furthermore, the minimum necessary value for Cronbach's alpha should greater than 0.70, composite reliability (Goncalves et al. 2017) should be greater than 0.70, and average variance extracted (AVE) should be greater than 0.5 (Hair Jr et al., 2016a). All of these numbers are anticipated in Table 1 and meet all of the previously established criteria.

Structural Model

The measurement model findings have shown that construct fulfill the criteria of reliability and validity which helps to do further analysis for hypothesis. For the hypothesis testing, structural model was run through using 5000 resampling bootstraps to the relationship among the exogenous, mediating and endogenous variables. The Table 3 and Figure 2 predicted values shown that free trade integration (FTRI) has a positive and significant impact on international relations (INR) which supports to proposed hypothesis 1. In the same vein, it is also further found that FRTI also has a positive and significant impact on bilateral trade (BIT) that is also supporting to proposed hypothesis 2. The FRTI also has significant and positive effect on financial integration (FII) that also supported to proposed hypothesis 3. On the other hand, FRI also has positive and significant effect on cross-border entrepreneurship (CRBE) that also supports to proposed hypothesis 4

Table 1: Reliability and Construct Validity

	Code	Loadings	Composite reliability	average variance extracted
Bilateral Trade	BIT1	0.812	0.894	0.748
	BIT2	0.529		
	BIT3	0.822		
Cross-Border Entrepreneurship	CRBE1	0.754	0.832	0.619
	CRBE2	0.775		
	CRBE3	0.806		
	CRBE4	0.702		
	CRBE5	0.583		
	CRBE6	0.925		
Financial Integration	FII1	0.768	0.916	0.722
	FII2	0.878		
	FII3	0.756		
	FII4	0.739		
International Relations	INR1	0.783	0.912	0.674
	INR2	0.831		
	INR3	0.798		
	INR4	0.822		
	INR5	0.761		
Free Trade Integration	FTRI1	0.762	0.837	0.791
	FTRI2	0.792		
	FTRI3	0.747		

Note: FRTI-free trade integration, INR-international relations; BIT-bilateral trade, FIF- financial integration, CRBR-cross boarder entrepreneurship.

Table 2 Fornell and Larcker

	BIT	CRBE	FII	INR	FTRI
BIT	0.821				
CRBE	0.388	0.842			
FII	0.452	0.516	0.849		
INR	0.346	0.642	0.673	0.839	
FTRI	0.538	0.732	0.628	0.827	0.817

Note: FRTI-free trade integration, INR-international relations; BIT-bilateral trade, FIF- financial integration, CRBR-cross boarder entrepreneurship.

The BII and FIT also have significant and positive and significant effect on CRBE that supports to proposed hypothesis 5 and 6. In other words, CRBE also significantly and positively effect to INR that supports to proposed hypothesis 7. Moreover, along with direct effect, the indirect effect was using as a mediating effect by following the assumption of (Preacher et al., 2008). The mediating effect was tested as a FIT, BII between the relationship of FTRI and CRBE. This effect has shown that FIT and BII significantly and positive mediates between the relationship of FRTI and CRBE. Which supports to proposed hypothesis 8 and 9. The further mediating effect of CRBE also shown that FTRI and INR significantly and positively mediated which supports to proposed hypothesis 10. These results are predicted in the following Table 4 below

Discussion and Conclusion

In the modern age, the trade free integration has become an integral part that is an integral part for the international relations. For enhancing the cross border economic accomplishments, the foreign free trade integration role is an important which could help to enhance the international relations. Therefore, the research aim is to investigate the foreign free trade integration and cross border entrepreneurship role in development of international relations. To get this objective, the relationship among free trade integration (FRTI), financial integration (FII), bilateral trade (BIT), cross border entrepreneurship (CRBE) and international relations (INR) was being inspected. The data was collected through self-administered questionnaire from the 200 from Indonesia and 130 from Malaysia by using purposive sampling technique. The research design was quantitative, and research approach was quantitative, and applied partial Least Square (PLS)-Structural Equation Modeling (SEM). The key findings have shown that FRTI has significant and positive impact on BII. These findings indicate that increase in FRTI then BII also increased. This relationship is further supported in past studies (Shadlen, 2005). On the other hand, a strong relationship between FTRI and FII also found that is positive and significant. This result also shown that when the FRTI increase then the FII also increased. These relationship are further confirmed with the direct correlation between the two (Zouri, 2020). Additionally, FRTI has also a positive and significant impact on CRBE through its ability to improve it. CRBE can rise as a result of an expansion in the number of nations participating in FRTI.

Table 3: Hypothesis Results

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Decision
FRTI -> INR	0.288	0.288	0.041	6.996	0.000	Supported
FRTI -> BIT	0.195	0.201	0.054	3.636	0.000	Supported
FRTI -> FII	0.266	0.27	0.057	4.66	0.000	Supported
FRTI -> CRBE	0.273	0.279	0.05	5.424	0.000	Supported
BIT -> CRBE	0.102	0.102	0.026	3.907	0.000	Supported
FII -> CRBE	0.382	0.378	0.058	6.636	0.000	Supported
CRBE -> INR	0.568	0.569	0.041	13.862	0.000	Supported
FRTI->BIT->CRBE	0.217	0.216	0.041	5.323	0.000	Supported
FRTI->FII->CRBE	0.058	0.058	0.015	3.852	0.000	Supported
FRTI-> CRBE->IR	0.155	0.158	0.028	5.542	0.000	Supported

Note: FRTI-free trade integration, INR-international relations; BIT-bilateral trade, FIF-financial integration, CRBE-cross boarder entrepreneurship.

These findings are further supported by various studies who have same results. These findings are further supported by various studies who have same results (Aaronson, 2015). In addition, the relationship between FII was also positive and significant with CRBE which supported by various studies (Agénor, 2001; Kalemli-Ozcan et al., 2013). These findings indicates that companies with better FII enhances the CRBE benefits greatly. Trade in financial services among nations has an effect on CRBE. As a result, Malaysia and Indonesia's CRBE operations benefit greatly from BIT and FII. On the other hand, it was further found that CRBE also has a positive and significant impact on INR.

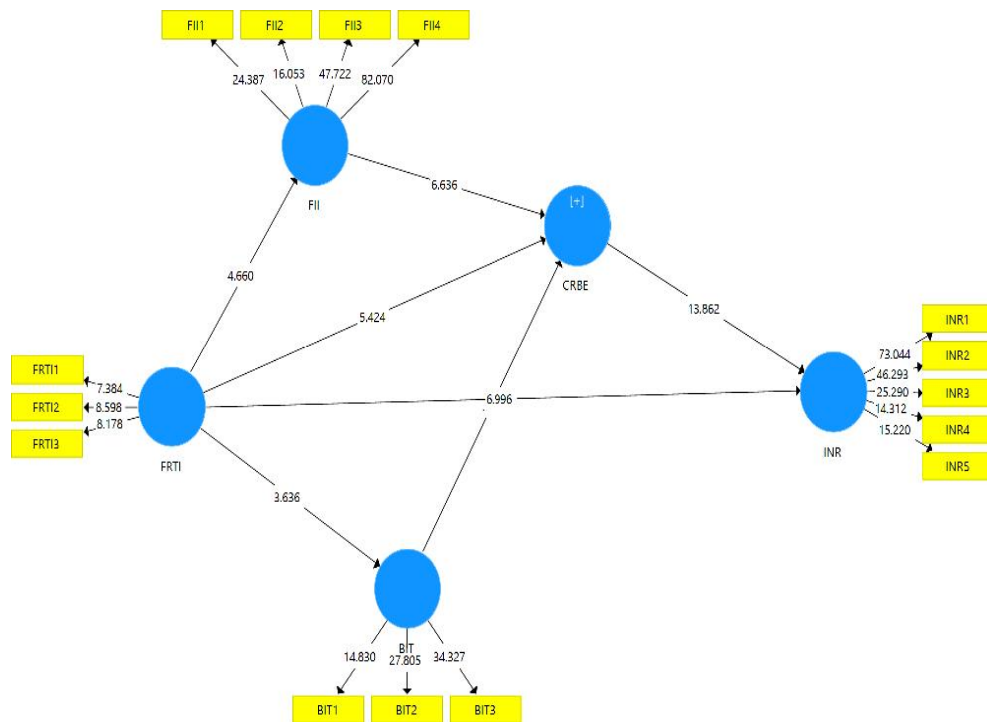


Figure 2: Structural Model

This shows that CRBE has a stronger impact on INR which is being supported by various previous studies (Akter et al., 2019). This is a reason, CRBE has a direct impact on INR should be considered the most crucial factor because interaction in international improve number of CRBE activities rises. For this reason, it is critical that Indonesia and Malaysia work to strengthen entrepreneurship between the two countries.

Study Implications and Future Directions

The study results have some theoretical and practical implications. The theoretical contributions is considered to be major research strength. This has major key contribution of FRTI, BIT, FII, CRBE and INR relationship that is not being tested in previous studies. There were two major direct and indirect effects were tested in this research. The direct effect was FRTI on FII, BIT and also direct effect was of FRTI on CRBE was tested. The direct effect of CRBE on INR was also tested. These direct effects contributed that the integration among these indicators could help to enhance the INR which could help to increase the import and export of the country. Furthermore, three indirect effects were tested. The first indirect effect was of FRTI was on CRBE through FII and second indirect effect was FRTI through BIT on CRBE. The third indirect effect was FRTI on INR through CRBE. These indirect effects were not tested in previous studies therefore, these effects are considered to be a big contribution of the study. Along with this, the current study is considered to be pioneer study because the present research proved all the mediating effects. Therefore, this study is considered to be important study for the researchers to explore new area of research to promote the INR through considering on priority FRTI, and CRBE on priority.

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Progress: Paper Submitted

MO, Jan 6, 2020 at 02.56 PM

Editor.Croatian<editor.cirr@gmail.com>To:
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Dear Hadi Prabowo

Kindly be informed that your article entitled "**Free Trade Integration Effect On International Relation through Cross Border Entrepreneurship : A Study from Indonesia and Malaysia International Business Perspective**" has been reviewed by our reviewer and we would like to clarify that based on the reviewer's comment, there is **minor** corrections that has to be performed before being accepted by our journal. The comments areas follows:

1. The study of "**International Business Perspective**" needs to further clarified. The Reviewer wants the Author to specify in which area of international business that this research is focusing on.
2. Justification of Free Trade Integration Effect how its related to Bussiness perspective
3. Recommendation or new knowledge to the academic world should be clearly stated.

Please perform the correction and we will send to you the Letter of Acceptance (LOA) once the correction has being made by your good-self. We look forward for your fast feedback and action regarding this matter.

Best regards

-signed-

Editor

Croatian International Relations Review

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Paper Submitted-Correction

Wed, 29 Jun 2020 at 11.21 AM

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To: editor.cirr@gmail.com

Dear Editor
Croatian International Relations Review

I have completed the second correction of my paper today "**Free Trade Integration Effect On International Relation through Cross Border Entrepreneurship : A Study from Indonesia and Malaysia International Business Perspective**" for your reviewing to be published in your reputable journal.

Best regards

-signed-

Hadi Prabowo

Free Trade Integration Effect on International Relations through Cross Border Entrepreneurship: A Study from Indonesia and Malaysia International Business Perspective

Abstract

In the modern age, the trade free integration has become an integral part which is playing a significant part for the international relations. For enhancing cross border cost-effective accomplishments, the free trade integration role is an important which could help to enhance the international relations. Therefore, the research aim is to investigate the freetrade integration and cross border entrepreneurship role in development of international relations. To get this objective, the relationship among free trade integration (FRTI), financial integration (FII), cross border entrepreneurship (CRBE), bilateral trade (BIT), and international relations (INR) was being inspected. The data was collected through self-administered questionnaire from the 200 from Indonesia and 130 from Malaysia by using purposive sampling technique. The research design was quantitative, and research approach was quantitative, and applied partial Least Square (PLS)-Structural Equation Modeling (SEM). The key outcomes shown that FRTI has positive and significant effect on FII, BII, CRBE and IR. In the same vein, the key findings also shown that BIT and FII also significantly and positively effect to CRBE. On the other hand, it was also further found that BIT, FII significantly and positively mediated between the relationship of FRTI and CRBE. The further findings shown that CRBE also significantly mediated between the relationship of FRTI and INR. All these accepted hypotheses added a body of literature in the extant literature that could add a body of literature in the extant literature that could become a new research area in future. This is a reason the current research has a valuable contribution in the literature through the relationship among FII, BIT, CRBE, FRTI and INR.

Introduction

From the last two decades, cross-border business operations between diverse countries have increased (Ogalo, 2010). The cross-border economic operations assist countries in a variety of ways. Such operations play a favorable part in encouraging economic activities, and greatly aid in the growth of a successful economy (Smallbone et al., 2012). This results in an improvement of people's well-being and has a favorable influence on the gross domestic product (GDP) (Emontspool et al., 2017). Therefore, cross-border entrepreneurship (CRBE) has an important contribution to improving economic relations among countries (Emontspool & Servais, 2017). Economic relationships among countries may perform a constructive impact in promoting economic indices (Kurowska-Pysz, 2016). Numerous countries, like Malaysia & Indonesia, are seeking to develop economic activity among countries that has beneficial results in the form of international connections with various other countries. This is a reason, CRBE activity becoming intertwined by entrepreneurial activities and these activities are essential for developing commercial relationships across corporate groups (Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015). (Loures et al., 2019) further argued that CRBE activities may boost commercial interactions across numerous countries and contribute to worldwide economic activity. Throughout this approach, CRBE activities play a crucial part in developing international relations (Perkmann, 2007). Numerous industry groups are

seeking to encourage CRBE activity, which is critical for economic growth of all nations involved in such activities. As stated in earlier research, global interactions remain necessary to maintain international relations (Smallbone & Welter, 2012). Several countries, including Malaysia and Indonesia, are also attempting to develop international connections via CRBE.

Furthermore, as comparing to other industrialized countries, Malaysia and Indonesia do not have a high level of CRBE (Abd Hair Awang et al., 2013). CRBE are more prevalent in other industrialized nations such as the Singapore, Europe and Australia than in Malaysia and Indonesia. As a result, those developed countries maintain stronger international links with many other countries in terms of economic activity (Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015). These activities are particularly important for the promotion of international relations, especially through internationally across border entrepreneurships (Wannamakok et al., 2020). Therefore, Malaysia and Indonesia should encourage CRBE activity for the purpose of improve their international connections.

The impact of commercial integration in promoting Malaysian and Indonesian foreign ties with many other nations that cannot be overstated. For this purpose, Free trade integration (FRTI) (FRTI) has an essential part in promoting CRBE (Baier et al., 2019). Past researches have also shown that FRTI in international level may perform a crucial influence in international relations (Goncalves et al., 2017; Swastiningtyas, 2017). FRTI has a significant impact on CRBE activities, which might result in international relations (Baier et al., 2019). As a result, this is critical for Malaysia and Indonesia to promote entrepreneurship through FRTI. Prior international relations research has not attempted to address this issue (Beine et al., 2007). FRTI seems to have the ability to improve financial integration (FII), and bilateral trade (BIT) which helps to improve the CRBE among states that play an important role in international relations. In addition, the previous studies were mainly focused on direct effect of FRTI on international relations (Carranza, 2017) while there was little attention on indirect effect through CRBE. Moreover, the previous studies were mainly focused on direct impact of FRTI on CRBE (Kepaptsoglou et al., 2010) while there was little attention on effect of CRBE through indirect FII and BIT. In addition, the previous studies were mainly focused on other countries (Kepaptsoglou et al., 2010) while there was little attention on Indonesia and Malaysia. Therefore, research along with FRTI, BIT, FII, CRBE and IR relationship is needed that is not being tested in previous studies. Based on previous gaps, the research objective was to check the impact of FRTI and CRBE effect on international relations (INR) of Indonesia and Malaysia business. The direct effect was FRTI on FII, BIT and also direct effect was of FRTI on CRBE was tested. The direct effect of CRBE on INR was also tested. These direct effects contributed that the integration among these indicators could help to enhance the INR which could help to increase the import and export of the country. Furthermore, three indirect effects were tested. The first indirect effect was of FRTI was on CRBE through FII and second indirect effect was FRTI through BIT on CRBE. The third indirect effect was FRTI on INR through CRBE. These indirect effects were not tested in previous studies therefor, these effects are considered to be a big contribution of the study. Along with this, the current study is considered to be pioneer study because the present research proved all the mediating effects.

There were two major direct and indirect effects were tested in this research. The direct effect was FRTI on FII, BIT and also direct effect was of FRTI on CRBE was tested. The direct effect of CRBE on INR was also tested. These direct effects contributed that the integration among these indicators could help to enhance the INR which could help to increase the import and export of the country. Furthermore, three indirect effects were tested. The first indirect effect was of FRTI was on CRBE through FII and second indirect effect was FRTI through BIT on CRBE. The third indirect effect was FRTI on INR through CRBE. These indirect effects were not tested in previous studies

therefor, these effects are considered to be a big contribution of the study. Along with this, the current study is considered to be pioneer study because the present research proved all the mediating effects.

Literature Review

Cross-border operations are becoming more prevalent across countries. Cross-border operations could be motivated by a variety of organizations, including interest groups and political parties. Such activities seem to be more significant in developing connections between nations with diverse interests. Those connections might be founded by political willingness. Politics between countries is expanding as well as impacting the entire world in a variety of activities in the contemporary environment (Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015). This interaction among nations in terms of commercial operations is critical. The significance of trade in developing economic links among countries is critical. The greater the volume of trade and commerce that takes place between two nations, the closer they will get. Trade-related operations like export and import (Hameiri et al., 2019) are critical for relationship building. Under this regard, FRTI plays a critical role in fostering strong linkages among nations by economic activity. The current paper indicated that FRTI could strengthen bilateral relations by different economic activities like CRBE.

The development of international relations could be significantly aided by the participation of business entities. A link between two firms may be strengthened via the process of collaboration. The foundation for a nation's long-term relationship with another is built on the prosperous exchange of goods and services. When nations maintain prosperous commercial operations, they gain multiple benefits, including an increase in revenue, which has a significant impact towards the general well-being of population. Because CRBE operations (Castanho, 2020; Hutasuhut et al., 2018) could encourage activities that generate revenue for people, which in turn leads to the well-being of individuals, these activities can promote CRBE. Based on the present research, free trade integration may help to develop bilateral trade, financial integration, and CRBE, all of which can contribute to international relations. Furthermore, the recent research claimed that IT may perform a critical part within cross-border business activity. As a result, this study looked at IT infrastruktur in Place of as a moderating variable in the relationship between FRTI and CRBE.

Free Trade integration Effect on International Relations

Trade seems to be a fundamental economic concept that connects the purchase and sale of commodities and services, including payment made by a purchaser toward a seller, and the interchange of numerous items and services among various parties. Inside an economy, such trading transactions might actually occur between producers and customers. Trade activity might be carried all over the country. Manufacturers and customers may be from separate nations. Consumers and manufacturers may have various countries of origin. International trade refers to trading between nations (Sifneos et al., 2015). International trade is presently expanding across nations to conduct economic operations for benefit of countries. "Free trade integration Mechanism (Kepaptsoglou et al. 2010)" is the result of international trade operations.

The FRTI was initially proposed in April 2004 for assist member nations in addressing balance-of-payments deficiencies caused through trade liberalization policies implemented through other nations. Very crucially, worldwide economic integration has linked to the non-discriminatory eradication including all trade restrictions among contributing countries, and to the creation of

certain fundamentals of collaboration and cooperation among nations. FRTI over borders is becoming more prevalent as a result of its importance in economic sectors (Murshed et al., 2020). International relations arose as a result of FRTI. Growing FRTI between different countries in the world may assist in improving international relations, because most countries have commercial ties with other countries. International relations remain mostly focused on economic activity that transformed the entire world into a global community. The more widespread a country's FRTI, the bigger the impact that it has on the growth of its economy, which in turn results in closer ties with these other countries. As a result, FRTI seems to have a significant impact on international relations.

Free trade integration, Financial Integration and Bilateral Trade

There is a link between free trade integration (FRTI) and bilateral trade (BIT). When products are exchanged across two nations on a bilateral basis, both commerce and investment are encouraged. Tariffs, import quotas, export restrictions, and many other trade restrictions would be reduced or eliminated between the two countries in order to promote trade as well as investments. Its effects on industry of BIT are significant. Even though past studies have shown, bilateral trade plays a significant part in the commercial operations of businesses (Garcia-Duran Huet et al., 2018). There is a link between international FRTI and BIT. In order to enhance international business, FRTI and BIT have a close interaction between themselves. In order to increase BI countries should work to foster FRTI (Garcia-Duran Huet & Eliasson, 2018)

The critical role of financial integration (FI) for international relations is just as essential as FRTI when it comes to international relations (Garcia-Duran Huet & Eliasson, 2018). FRTI has a substantial impact on FI (Garcia-Duran Huet & Eliasson, 2018). Integration of financial markets defined as a procedure wherein various financial markets in nearby areas, regions, and global economies were linked jointly (Gong et al., 2018). Financial integration across nearby, regions, and world economies are hampered by a variety of market shortcomings. Because financial markets play such an important role in organization, strengthening the linkages among them may have a positive impact on those operations. A trade volume is what connects financial markets. Financial markets are needed more frequently like the amount of trading grows. Transactions involving money were carried out in the financial markets. Trade between nations has declined, resulting in a weaker link among financial markets across nations. FRTI becomes critical to financial integration under this approach (Ezeaku et al., 2018). As the two economies become more intertwined, so does their financial system. On the other hand, FRTI decline financial integration. All changes in FRTI have an impact on financial integration between countries. As a result, FRTI is critical to financial integration. The following ideas have put out to explain the connection among global trade, bilateral trade, and financial integration.

Free trade integration effect on Cross Border Entrepreneurship

The link between FRTI and cross-border entrepreneurship (CRBE) cannot be overlooked when looking at this connection inside this latest research. Economic activities such as entrepreneurship were heavily impacted through trade policies of the involved countries (Stoica et al., 2020). Associations like this one are critical to the global community. CRBE and FRTI are inseparable, with one supporting the other. International trade may be a powerful tool for encouraging the growth of new businesses and jobs across borders. Eliminating of trade barriers among nations allows investors to invest in other countries and launch entrepreneurial operations across the boundaries. Entrepreneurship has a number of benefits for both economic development and international relations. As a result, FRTI has the potential to articulate CRBE

activities. FRTI and CRBE activities have been linked in prior research as well (C. B. Moore et al., 2015).

Financial Integration, Bilateral Trade and Cross Border Entrepreneurship

Value may be created or extracted through entrepreneurship in terms of monetary gain. An entrepreneur is someone who takes a risk above what is typically involved in beginning a company establishment that could include values more than just financial ones. Productive capital or beginning a corporate venture dependent on operations in several other nation or simplified over the boundary is referred to as "cross-border entrepreneurship (CRBE)". Increasingly, countries are engaging in CRBE Initiatives to boost economic activity. The CRBE and trade have a close association (Lau et al., 2004). As a result, CRBE is influenced by bilateral commerce. As trade between the two nations grows, so do the possibilities for CRBE. Consequently, in Malaysia and Indonesia, bilateral trade development is essential in order to develop CRBE. Trade and financial integration go hand-in-hand, and both play a significant role. The worldwide impact of financial integration may be seen in the CRBE. CRBE could be boosted if the financial markets of the firms are more connected. Cross-border integration and financial integration have also been the subjects of current research.

Cross Border Entrepreneurship effect on International Relations

Many types of international relations exist, but economic links are the most important and have generated a wide range of other relationships. To improve international relations, it is essential to encourage trade. An increase in international cooperation is possible because of entrepreneurship activities performed by businesses. As a result, CRBE activities play an important role in fostering international cooperation. Entrepreneurship has a vital contribution to international commerce, as per the research of (Allen, 2016). For this reason, international entrepreneurship is critical to the development of good neighborly ties throughout the world (Angelsberger et al., 2017).

Research Framework and Hypothesis Development

The previous discussion has become the research framework discussion. The research framework consists of three types of variables. The free trade is an independent variable and bilateral trade, financial integration and cross boarder entrepreneurship were used as a mediating variables and international relations was used as dependent variable. These variables are predicted in the following Figure.1 below.

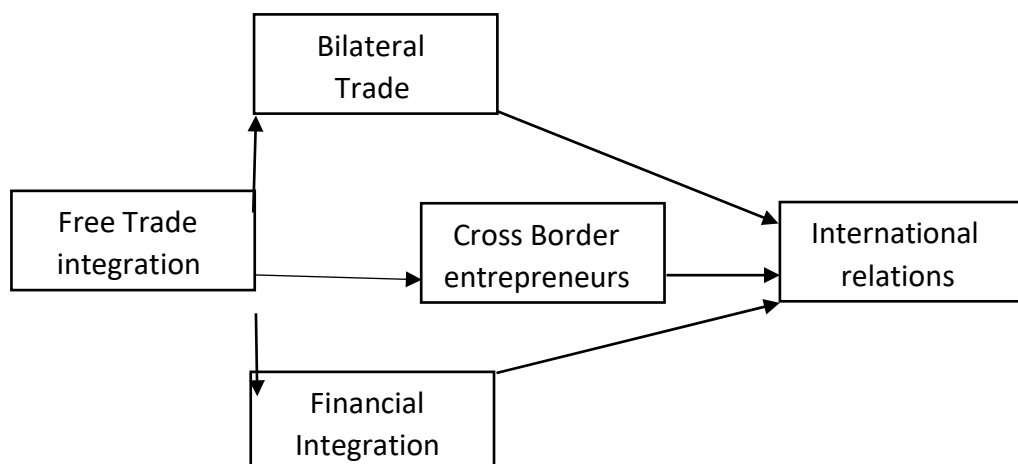


Figure 1: Conceptual Framework

- H1.** Free trade integration significantly and positively effect to international relations.
- H2.** Free trade integration significantly and positively effect to bilateral trade.
- H3.** Free trade integration significantly and positively effect to financial integration.
- H4.** Free trade integration significantly and positively effect to cross- border entrepreneurship.
- H5.** Bilateral trade significantly and positively effect to cross-border entrepreneurship.
- H6.** Financial integration significantly and positively effect to cross boarder entrepreneurship.
- H7.** Cross-border entrepreneurship significantly and positively effect to international relations.
- H8.** Bilateral trade significantly mediates the relationship free trade integration with cross boarder entrepreneurship.
- H9.** Financial integration significantly mediates the relationship free trade integration with **cross**-border entrepreneurship.
- H10.** Cross-border entrepreneurship significantly mediates the relationship free trade integration with international relations.

Research Methodology

The remainder of the article explained the present study's strategies, which was used in the current investigation. In this study, the positivist research technique was applied, as well as quantitative research method. According to the academic research, quantitative research is widely considered as more effective than qualitative research. In addition, a cross-sectional research method was also adopted in the present study. Because the nature of this connection is dependent on firsthand experience, and primary data was gathered through survey questions (Bowling, 1999). Therefore, the information was gathered by using self-administered survey questionnaire primary data. The survey questionnaire was considered a tool for primary data collection. The instrument was adopted from the previous studies where it was used, therefore research instrument has more reliability and validity. The instrument was measured on five-point Likert Scale from 1 for strongly disagree and 5 for strongly agree. The population of the study was the business organization which were in Malaysia. The data was collected from both of the countries Malaysia and Indonesia. The information was gathered from 500 people working employees. The only those employees by using purposive sampling technique were chosen who were working across the border business activities. As total 500 questionnaire were distributed among of those, 300 were distributed in Indonesia and 200 were distributed in Malaysia. The total of 500, 200 were returned back from Indonesia and 130 were return back from Malaysia which shows total 67 percent response rate.

Data Analysis and Interpretation

The current study was founded on variable relation of developing international relations. The nature of relationships is defined through the fundamental facts. Consequently, Partial Least Squares (PLS)-Structural Equation Modeling (SEM) is effective data analysis method for investigating the r

relationship between variables. Therefore, PLS was used in the current study, which was suggested in a number of previous studies on data analysis techniques (Hair Jr et al., 2016b). The construct validity and accuracy are regarded as critical before to the study's model assessment (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014). In order to achieve this aim, the researcher initially evaluate the validity and discriminant validity of the measurement model. The measurement results are presented in the following table. From the convergent validity perspective, the factor loading recommended value should always be more than 0.5, as this is essential to demonstrate the indicator's dependability. Furthermore, the minimum necessary value for Cronbach's alpha should greater than 0.70, composite reliability (Goncalves et al. 2017) should be greater than 0.70, and average variance extracted (AVE) should be greater than 0.5 (Hair Jr et al., 2016a). All of these numbers are anticipated in Table 1 and meet all of the previously established criteria.

The discriminating validity evaluation is the second stage of the measuring model definition procedure. The discriminant validity of the statistical model is evaluated using two highly recommended methodologies. To begin, Fornell et al. (1981) show how parameters are built to acquire the square roots of AVE and correlation values. Second, cross-loading is used to evaluate the construct so that the real construct is no greater than the base construct. In addition, the hetrotrait-monotrait correlation (HTMT) approach developed by Henseler et al. (2015) is employed third way for discriminant validity analysis in which values should not exceed 0.85 or 0.90 (Henseler et al., 2015).The discriminant validity results are predicted in Table 2 below.

Structural Model

The measurement model findings have shown that construct fulfill the criteria of reliability ad validity which helps to do further analysis for hypothesis. For the hypothesis testing, structural model was run through using 5000 resampling bootstraps to the relationship among the exogeneous, mediating and endogenous variables. The Table 3 and Figure 2 predicted values shown that free trade integration (FTRI) has a positive and significant impact on international relations (INR) which supports to proposed hypothesis 1. In the same vein, it is also further found that FRTI also has a positive and significant impact on bilateral trade (BIT) that is also supporting to proposed hypothesis 2. The FRTI also has significant and positive effect on financial integration (FII) that also supported to proposed hypothesis 3. On the other hand, FRI also has positive and significant effect on cross-border entrepreneurship (CRBE) that also supports to proposed hypothesis 4

Table 1: Reliability and Construct Validity

	Code	Loadings	Composite reliability	average variance extracted
Bilateral Trade	BIT1	0.812	0.894	0.748
	BIT2	0.529		
	BIT3	0.822		
Cross-Border Entrepreneurship	CRBE1	0.754	0.832	0.619
	CRBE2	0.775		
	CRBE3	0.806		
	CRBE4	0.702		
	CRBE5	0.583		
	CRBE6	0.925		
Financial Integration	FII1	0.768	0.916	0.722
	FII2	0.878		
	FII3	0.756		
	FII4	0.739		
International Relations	INR1	0.783	0.912	0.674
	INR2	0.831		
	INR3	0.798		
	INR4	0.822		
	INR5	0.761		
Free Trade Integration	FTRI1	0.762	0.837	0.791
	FTRI2	0.792		
	FTRI3	0.747		

Note: FRTI-free trade integration, INR-international relations; BIT-bilateral trade, FIF- financial integration, CRBR-cross boarder entrepreneurship.

Table 2 Fornell and Larcker

	BIT	CRBE	FII	INR	FTRI
BIT	0.821				
CRBE	0.388	0.842			
FII	0.452	0.516	0.849		
INR	0.346	0.642	0.673	0.839	
FTRI	0.538	0.732	0.628	0.827	0.817

Note: FRTI-free trade integration, INR-international relations; BIT-bilateral trade, FIF- financial integration, CRBR-cross boarder entrepreneurship.

The BII and FIT also have significant and positive and significant effect on CRBE that supports to proposed hypothesis 5 and 6. In other words, CRBE also significantly and positively effect to INR that supports to proposed hypothesis 7. Moreover, along with direct effect, the indirect effect was using as a mediating effect by following the assumption of (Preacher et al., 2008). The mediating effect was tested as a FIT, BII between the relationship of FTRI and CRBE. This effect has shown that FIT and BII significantly and positive mediates between the relationship of FRTI and CRBE. Which supports to proposed hypothesis 8 and 9. The further mediating effect of CRBE also shown that FTRI and INR significantly and positively mediated which supports to proposed hypothesis 10. These results are predicted in the following Table 4 below

Discussion and Conclusion

In the modern age, the trade free integration has become an integral part that is an integral part for the international relations. For enhancing the cross border economic accomplishments, the foreign free trade integration role is an important which could help to enhance the international relations. Therefore, the research aim is to investigate the foreign free trade integration and cross border entrepreneurship role in development of international relations. To get this objective, the relationship among free trade integration (FRTI), financial integration (FII), bilateral trade (BIT), cross border entrepreneurship (CRBE) and international relations (INR) was being inspected. The data was collected through self-administered questionnaire from the 200 from Indonesia and 130 from Malaysia by using purposive sampling technique. The research design was quantitative, and research approach was quantitative, and applied partial Least Square (PLS)-Structural Equation Modeling (SEM). The key findings have shown that FRTI has significant and positive impact on BII. These findings indicate that increase in FRTI then BII also increased. This relationship is further supported in past studies (Shadlen, 2005). On the other hand, a strong relationship between FTRI and FII also found that is positive and significant. This result also shown that when the FRTI increase then the FII also increased. These relationship are further confirmed with the direct correlation between the two (Zouri, 2020). Additionally, FRTI has also a positive and significant impact on CRBE through its ability to improve it. CRBE can rise as a result of an expansion in the number of nations participating in FRTI.

Such findings also supported with earlier research (Aaronson, 2015). In addition, BIT has also a significant and positive impact on CRBE. This relationship shown that when BIT increased then the CRBE also increased.

Table 3: Hypothesis Results

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Decision
FRTI -> INR	0.288	0.288	0.041	6.996	0.000	Supported
FRTI -> BIT	0.195	0.201	0.054	3.636	0.000	Supported
FRTI -> FII	0.266	0.27	0.057	4.66	0.000	Supported
FRTI -> CRBE	0.273	0.279	0.05	5.424	0.000	Supported
BIT -> CRBE	0.102	0.102	0.026	3.907	0.000	Supported
FII -> CRBE	0.382	0.378	0.058	6.636	0.000	Supported
CRBE -> INR	0.568	0.569	0.041	13.862	0.000	Supported
FRTI->BIT->CRBE	0.217	0.216	0.041	5.323	0.000	Supported
FRTI->FII->CRBE	0.058	0.058	0.015	3.852	0.000	Supported
FRTI-> CRBE->IR	0.155	0.158	0.028	5.542	0.000	Supported

Note: FRTI-free trade integration, INR-international relations; BIT-bilateral trade, FIF-financial integration, CRBR-cross boarder entrepreneurship.

These findings are further supported by various studies who have same results. These findings are further supported by various studies who have same results (Aaronson, 2015). In addition, the relationship between FII was also positive and significant with CRBE which supported by various studies (Agénor, 2001; Kalemli-Ozcan et al., 2013). These findings indicates that companies with better FII enhances the CRBE benefits greatly. Trade in financial services among nations has an effect on CRBE. As a result, Malaysia and Indonesia's CRBE operations benefit greatly from BIT and FII. On the other hand, it was further found that CRBE also has a positive and significant impact on INR.

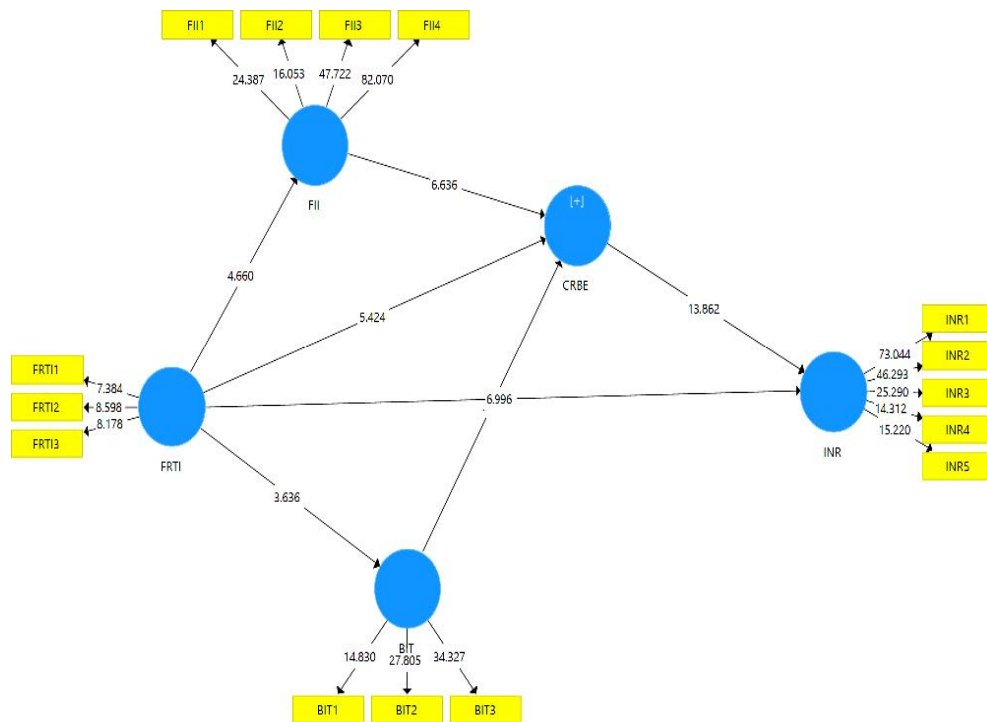


Figure 2: Structural Model

This shows that CRBE has a stronger impact on INR which is being supported by various previous studies (Akter et al., 2019). This is a reason, CRBE has a direct impact on INR should be considered the most crucial factor because interaction in international improve number of CRBE activities rises. For this reason, it is critical that Indonesia and Malaysia work to strengthen entrepreneurship between the two countries.

In addition to direct effect, three indirect effect was also investigated. The first indirect effect was investigated between FRTI and CRBE with the mediating effect of FII shown the positive and significant relationship. This relationship is further supported by various findings which also found the same results (Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015). The other second indirect effect also found the significant mediating effect of BIT between the relationship of FRTI and CRBE which is also supported by prior studies. The third indirect effect also found the positive and significant mediating effect of CRBE between the FRTI and INR which is supported by various results (). Such indirect effect demonstrated that CRBE reflects as significant mediating variable between FRTI and INR. Based on these findings is argued that FRTI is considered to be an important indicator which could affect to enhance trade directly and indirectly. Indirectly, INR may help to improve BIT and FII which leads towards the CRBE which help to enhance INR. As a result, Malaysia and Indonesia must boost FTRI, CRBE to strengthen international contacts, and that are critical towards economic growth.

Study Implications and Future Directions

The study results have some theoretical and practical implications. The theoretical contributions is considered to be major research strength. This has major key contribution of FRTI, BIT, FII, CRBE and INR relationship that is not being tested in previous studies. There were two major direct and indirect effects were tested in this research. The direct effect was FRTI on FII, BIT and also direct effect was of FRTI on CRBE was tested. The direct effect of CRBE on INR was also tested. These

direct effects contributed that the integration among these indicators could help to enhance the INR which could help to increase the import and export of the country. Furthermore, three indirect effects were tested. The first indirect effect was of FRTI was on CRBE through FII and second indirect effect was FRTI through BIT on CRBE. The third indirect effect was FRTI on INR through CRBE. These indirect effects were not tested in previous studies therefore, these effects are considered to be a big contribution of the study. Along with this, the current study is considered to be pioneer study because the present research proved all the mediating effects. Therefore, this study is considered to be important study for the researchers to explore new area of research to promote the INR through considering on priority FRTI, and CRBE on priority.

Along with theoretical implications, the study also has some practical implications which could help to enhance the international relationship in a better way Malaysia and Indonesia. As per findings of the study, the FRTI is considered to be important part that could help to enhance the INR. Therefore, the organizations which are working in Malaysia and Indonesia should be promote FRTI because with the significance help to FRTI Malaysia and Indonesia should increase their BIT and FII to increase CRBE that could lead to enhance INR because it was found in the literature that when the CRBE increased then the INR also enhanced. Therefore, to CRBE, the FRTI is very important.

Along with practical and theoretical implications, the study has some limitations that could help to enhance their research in future. Firstly, the study was conducted on direct and mediating effect but there are several other variables that could moderated between CRBE and INR that could enhance predictive relevance of the study. Therefore, future research could investigate along with moderating effect between CRBE and INR. Secondly the study was limited in quantitative research approach there is also an option of mixed that could clarify the results in a better way. Therefore, future research could conduct on mixed method approach that change the findings of the previous studies to see about the clear picture. Thirdly, the study was limited on two countries Malaysia and Indonesia. Future research could be by adding more countries Thailand, or Singapore along with Malaysia and Indonesia.

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