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### **The Socio-economic Impacts of Singaporean Cross-border Tourism in Malaysia and Indonesia.**

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## **Abstract.**

Cross-border tourism is often proposed by governments as an incentive for economic growth, but critics have suggested that its impacts are, in fact, overplayed. This paper presents research in the Indonesia-Malaysia-Singapore Growth Triangle. It presents a study of Singaporean cross-border tourism to its neighbours and discusses its economic impacts in two locations: Kukup, a traditional fishing village in Malaysia; and Bintan island in Indonesia. The project examined the broad economic impacts of cross-border tourism on local host communities and given the lack of substantive research on this, examined employment, local ownership and economic linkages and leakages. The study found that cross-border tourism generated income, employment and some local economic linkages. Kukup had clear economic benefits with increased income and employment, but benefits were unevenly distributed between ethnic groups. The Bintan enclave had some linkages to the island economy but was reliant on immigrant labour. In both cases cross-border ethnic ties, specifically Chinese, also played an important role in the growth of cross-border tourism in the Indonesia-Malaysia-Singapore Growth Triangle. The paper shows that cross-border tourism can be a useful addition to more conventional forms of international tourism within

national tourism planning and could lead to significant economic benefits for local communities.

**Keywords:** economic development; impacts; borders; enclaves, Singapore; Malaysia; Indonesia

## 1. Introduction

Cross-border tourism between neighbouring states is relatively unexplored in the literature and initially borders may be viewed as obstacles (Timothy and Tosun, 2003). Nevertheless, cross-border visitor flows are encouraged by many international organisations and governments. Research appears to show that benefits include increased understanding between communities across borders, and economic benefits for neighbouring countries. South-East Asia is the world's fastest growing tourism region and has potential to further develop cross-border tourism and economic cooperation. In the 1990s ASEAN launched cross-border regional development projects dubbed 'growth triangles' including Indonesia-Malaysia-Singapore; Indonesia-Malaysia-Thailand; the Mekong Delta; and the less well-known but sizeable BIMP-EAGA that stretches from the Philippines to Irian Jaya (Sparke *et. al*, 2004; Wall, 2008). The establishment of these growth triangles also encouraged the growth of cross-border tourism through increased investment and other links.

Although research exists on ASEAN's trans-national trade relations, economic cooperation and socio-political aspects (Bunnell *et. al*, 2006) little detailed work has been done on the effects of cross-border tourism on local communities. In addition, although tourism planning and community participation has been discussed in the literature (including Timothy 1999; Hampton, 2005) research concerning the host community's own views on the local economic effects of cross-border tourism in the world's fastest tourism growth region remains a gap in our understanding. Arguably much of Singapore's cross-border tourism investment into neighbouring Indonesia has been directly related to meeting the needs of Singaporean tourists, and in particular infrastructural development in Batam and Bintan islands is geared to the expectations of Singaporean and international tourists (Timothy, 2001). However, although cross-border tourism is often proposed as a form of economic development, the local economic impacts on the host community are poorly researched.

This paper examines the growing debate over the economic impacts of cross-border tourism in the Indonesia-Malaysia-Singapore growth triangle (IMS-GT). First, the paper defines cross-border tourism, and reviews the existing literature. Second, the research approach and methodology are described. Next, tourism at two research sites is outlined, including the wider context of strategic tourism planning at national level in Malaysia and Indonesia. The paper then discusses the key findings, concentrating on the local economic impacts of hosting cross-border tourism before presenting some conclusions.

## **2. Borders, enclaves and tourism**

International tourism - by definition - concerns movements of people across international borders for a variety of purposes including leisure but also includes business tourism, VFR (visiting friends and relatives), religious pilgrimage etc. Official definitions of tourism (as used by the United Nations' World Tourism Organization, or in tourism textbooks) tend to include one or more nights stay away from home, or some element of distance travelled away from home or work. However, such definitions are less helpful when considering cross border tourism.

There is no agreed definition of cross-border tourism, but here, and following Timothy and Butler (1995), it is proposed that a day trip (whether leisure, business, VFR or grocery shopping) is a form of tourism if it crosses an international border. Thus it is argued that cross-border tourism is not contingent upon an overnight stay away from home, nor a minimum time period. That said, cross-border tourism may also include overnight stays, like conventionally-defined international tourism. In addition, it is suggested here that any working definition of cross-border tourism also requires an element of geographical proximity such as seen between the US and Canada, or Singapore and Malaysia. In other words, cross-border tourism also requires a common border, unlike conventionally-defined international tourism. In addition, the ease of cross border linkages is significant. Arguably some of France's success in attracting 76 million international arrivals in 2005 (UN WTO, 2006) is the ease of border crossings with neighbouring EU countries. In extreme cases, such as between North and South Korea, border crossings and consequent linkages, are difficult, slow and expensive, and preclude real growth in cross-border tourism.

Interestingly, unlike the Tourist System model suggested by Leiper (1989) consisting a system of Generating, Destination and Transit Regions for cross-border

regions, there is no real 'intermediate' or Transit region between the Generating and Destination regions if they are adjacent countries. For Singapore and nearby southern Malaysia, the few hundred metre Causeway between the countries can not sensibly be seen as a Transit Region.

Borders are also significant economically, especially if price differentials result from varying taxation regimes between neighbours. Stephen Royle (personal communication, August 2007) notes that in the Irish borderlands there are now virtually no petrol stations within about 20 kilometres of the border on the northern side due to significantly lower petrol prices (lower fuel duties) in Eire.

Cross-border tourism has a small but growing literature (Timothy, 2001; Sofield, 2006). Some researchers have argued that cross-border tourism promotes cross-border trade and socio-economic cooperation. For example, in the US-Mexico borderlands, business visits have significantly increased through tourism, and there is a growing borderland regional economy in Texas, Arizona and Mexico (Aradhyula and Tronstad, 2003). However, it is not clear if this is mainly due to tourism or the growing level of wider economic activity in the borderlands. One sub-set of the tourism literature that could be further developed concerns cross-border shopping for instance between the UK and France, the US and Canada or Hong Kong SAR and Shenzhen (Follo, 2003; Lau *et. al.* 2005; Timothy & Butler, 1995; Timothy & Tosun, 2003; Lew & McKercher, 2002).

Nevertheless, despite some positive aspects, cross-border tourism can also lead to uneven economic development and negative socio-cultural impacts in borderland communities. Lagiewski and Revelas (2004) argue that cross-border tourism caused uneven economic development in the border regions around Bosnia. Within ASEAN, economic growth has been facilitated to differing degrees but the goal of the IMS-GT to create an equal partnership has not yet been realised (Timothy, 2001). Other examples of negative socio-cultural impacts induced by cross-border tourism can include child prostitution, sex tourism and gambling facilitated by differing legal systems and cultural norms between adjacent countries (Oppermann, 1998; Sofield 2006; Gelbman 2008).

Uneven development is also commonly associated with enclave development, and service sector enclaves are an emerging field of study whether Export Processing Zones, offshore finance centres or tourism (Sidaway, 2007). Concerning tourist enclaves there is a growing body of literature following Britton's seminal work on

South Pacific tourism within the dependency paradigm (1982), built on by Mbaiwa (2005) examining Botswana, to other work on the sizeable Cancun enclave in Mexico by Brenner & Aguilar (2002), and Torres & Momsen (2005). In terms of economic development in the host country, tourist enclaves have been typically been criticised for their lack of local economic linkages, high leakage (especially of profits overseas), foreign ownership (especially by trans-national firms) and their general disconnection from the surrounding local area's peoples and cultures (Shaw & Shaw, 1999).

### **3. Cross-border Tourism in the Indonesia-Malaysia-Singapore Growth Triangle.**

#### **3.1 The Research**

The research reported on here was undertaken during 2007 using a participatory appraisal type approach. The study's aim was to explore cross-border tourism in Malaysian and Indonesian destinations within the IMS-GT. Two very different locations of cross-border tourism from Singapore were selected in the growth triangle: Kukup *kampung* (village) in southern peninsula Malaysia; and Bintan island, Indonesia. The sites represented different aspects of cross-border tourism: Kukup for village/gastronomy tourism and Bintan island for traditional resort enclave development.

Regarding methodology, a variety of fieldwork techniques were used including a series of in-depth semi-structured interviews with tourists, local service providers and policy-makers (n=38); participant observation; and some site mapping of the tourism infrastructure. Apart from three key informants (local 'gatekeepers' such as village heads), interview respondents were selected randomly in both sites, but once interviewed, were asked to recommend others for interview (the 'snowballing' technique). Three experienced local research assistants (RAs) with Masters level tourism qualifications were hired to assist with fieldwork. The RAs also translated during interviews, as the paper's author, although having intermediate level Bahasa Malaysian language skills, required rapid translation in interviews. One RA could also translate Hokkien Chinese. An induction session for the RAs was held to introduce cross-border tourism, to discuss fieldwork techniques, particularly semi-structured interviews, and their role in this project. In addition, approximately half way through fieldwork further discussions and some further refining of fieldwork techniques were done with the RAs. Concerning participant observation, team members undertook short local trips alongside other tourists, visited several tourist

attractions, travelled on local ferries with the cross-border tourists, ate in the same restaurants and coffee shops, and stayed in tourist accommodation. On many occasions, as a result of using participant observation, informal conversations then created excellent opportunities for later, more formalised interviews.

The project aimed to examine the broad economic impacts of cross-border tourism on local host communities. Given the lack of substantive existing research on this, particular attention was paid to employment, local ownership and economic linkages and leakages.

### 3.2 The Development of Cross-border Tourism in Indonesia-Malaysia-Singapore.

Before the sites are discussed in detail, it is useful to consider the wider context and in particular, the changing national strategic planning environments in Malaysia and Indonesia. All three countries comprising the IMS-GT (Indonesia, Malaysia and Singapore) perceive tourism as being highly significant within their economic development strategies. For Indonesia and Malaysia, tourism is seen as augmenting their previous dependence on natural resource, export-based development. In addition to hosting inbound international tourism, all IMS-GT members have growing numbers of residents with increasing disposable income who also wish to travel both within their country and then further afield. This is particularly so for Singapore as the wealthiest country in the region, as well as the smallest with limited domestic tourist attractions. For the newly affluent, but relatively new to tourism, adjacent countries with similar cultures and language are attractive cross-border destinations.

Malaysia has a tradition of national development planning, and the most recent strategy, the Ninth Malaysia Plan (2006) published an ambitious vision with major development corridors and special regions planned including the new Iskandar Development Region (IDR) adjacent to Singapore. The ambitious concept is to create a huge southern Johor growth pole and tourism is one of the five 'pillar' industries in the Master Plan (IRDA, 2007). For the IDR, cross-border tourism from Singapore is implicit in developing tourism given the dominance of Singaporean arrivals into Malaysia (almost 50% of international arrivals in 2007). For the Malaysian economy tourism is of increasing importance with 20.9 million international arrivals in 2007 who generated 46.01 billion Ringgits (\$13.05 billion) in expenditure and tourism contributed about 7% of GDP (Tourism Malaysia, 2008). The Malaysian fieldwork

site, Kukup, is located within the IDR at the 'western gate' and is listed chiefly for its mangrove coast RAMSAR site and National Park.

In Indonesia too, tourism has been part of the national five year development plans (*Repelita*) since the 1960s and is seen as an engine for economic growth. Nevertheless, its impacts have been spatially uneven as - apart from Bali, and to some extent Java, and the massive Bintan island enclave - tourism is unevenly distributed across the country. In the early 1990s as tourism boomed, the central government optimistically predicted over 11 million international arrivals by 2005. However, after the peak of the 1990s (around 5.6 million international arrivals in 1996), its tourism was buffeted by an unprecedented sequence of shocks. These included political and economic instability from 1997-8 (Suharto's fall and the Asian currency crisis); terrorism (Bali bombings); natural disasters (Tsunami, and Yogyakarta earthquake); disease (SARS, bird flu); and recently, a series of transport disasters (ferries sinking, air crashes). International arrivals in 2005 were just over 5 million, and like Malaysia, cross-border tourists from Singapore were the largest proportion accounting for 1.4 million (BPS-Statistics Indonesia, 2007a). When arrivals data are disaggregated by port of arrival, Bali's international airport was the main entry point with 1.4 million arrivals (2005) however - after Jakarta airport (1.1 million) - Batam was third (1.0 million), which reflects the importance of cross-border tourism, especially from Singapore (BPS-Statistics Indonesia, 2007b).

Tourism has a significant role in planning and the Riau Islands Province has been demarcated as a major growth region by the central government. Batam island, only 21 kilometres from Singapore, has been heavily industrialised as a major export processing zone (Royle, 1997) but also hosts tourism from Singapore comprising business trips, weekend leisure visits and some sex tourism. On neighbouring Bintan island, large areas have been set aside specifically as a massive international tourism enclave (Shaw & Shaw, 1999). Thus, Bintan, the other fieldwork site, is firmly located within both Indonesian development planning and the wider IMS-GT between the three countries.

### 3.3 Tourism in Kukup.

Kukup is located near the south west tip of peninsula Malaysia, about 70 kilometres from the state capital Johor Bahru and consists of three settlements: Kukup Laut, Kampung Air Masin and Kampung Melayu. The first two villages overlook the sea



and are mainly populated by Hokkien Chinese, whereas Kampung Melayu is a Malay village about 500 metres inland. Kukup's total population is approximately 1500 (consisting of around 1000 in the two Chinese villages and 500 in the Malay village). The fishing villages used to be simple wooden stilt houses, but increasingly permanent brick structures are built on concrete stilts over the water. Kukup has a new jetty and terminal building for the fast ferries to the nearby Indonesian Riau islands and Sumatra. Kukup also has traditional floating fish farms just a few hundred metres offshore which also attract visitors. Finally, the mangrove-forested island opposite Kukup is a National Park accessible by small boat.

Kukup has hosted tourism since the 1980s and is famous in the region for high quality seafood. In addition, it was renowned as a traditional fishing *kampung* with a village ambience from its wooden boats, old stilt houses over the water and narrow wooden walkways. Although one or two open-sided seafood restaurants have existed since the 1960s, from the 1980s several more seafood restaurants opened, owned by local Chinese families. Fieldwork observations in June 2007 found 16 seafood restaurants, four souvenir shops, three money changers and five tour agents. From the 1990s tourist accommodation began to be available, first in homestays, and then in purpose-built chalets (simple waterside buildings on stilts, made of brick and concrete). Kukup Laut and Kampung Air Masin have around 60 chalets. In addition, fieldwork revealed that there were also three two-storey, non-starred hotels in Air Masin built originally in the late 1990s, each with a capacity of between 20-50 rooms. There are no tourist chalets in the Malay village, nor seafood restaurants. There is a small market but this appeared to be mainly for village use and attracts few tourists. Fishing is the main economic activity plus some small-scale agriculture. Kukup's tourist infrastructure is concentrated in the two Chinese villages with virtually no tourism business in the Malay *kampung*. Possible reasons for this will be explored later. International tourists are predominantly Chinese from Singapore, with some Malaysian domestic tourism

The interviews, direct observation and site mapping showed that cross-border tourism from Singapore has clearly had positive economic benefits for the village, specifically for the two Chinese *kampungs* since the 1980s. The peak, according to most respondents, was from the mid 1980s, with 7-10 large coaches arriving at Kukup daily, and then a new peak occurred in the early 1990s with one respondent recalling that up to 20-30 coaches arrived on some days. However, respondents agreed that

since the 1997 economic crisis business had fallen significantly. Many respondents noted that the nationality of international tourists had also changed, with several commenting on how previously there were tourists from America, Europe, Australia, New Zealand, Japan etc, whereas now it was only Singaporean tourists. There was some concern about the decreasing tourist spend of these day trippers: “not much places to see in Singapore, go visit, most spend one day in Malaysia, tour companies make arrangements, one day trip to Malaysia, called ‘coca-cola tourists’ because they have one drink, then go back.” (Accommodation owner)

The number of seafood restaurants increased significantly from the original two to 16 by 2007, and other tourist infrastructure has developed including tour agencies, souvenir and clothing shops and assorted hawkers. The provision of tourist accommodation is another significant change since around the year 2000 with currently over 60 chalets, three small hotels and an unknown number of ‘homestays’. No official figures exist for available beds since the accommodation is mostly unlicensed and semi-legal. This leads to another aspect concerning ownership.

Interviews revealed that land tenure was an ongoing controversy. Despite Kukup’s long establishment (some parts had four generations who had lived there and the Hokkien settlements are over 100 years old), most owners do not have official title to the land they have built on. Some families have temporary occupancy licences but many still await these from the state government. In terms of further investment and the necessary upgrading of sewage facilities in particular, uncertainty over land title was often cited as a reason for inaction as owners felt very insecure.

Overall, the type of tourism in Kukup has appeared to change considerably from international tourists on day trips from Singapore to the peak in the early 1990s, to lower income Singaporeans visiting (and some staying overnight) in 2007. The accommodation is low end, and restaurants cater in bulk for tour groups comprising factory workers’ incentive parties, residents’ associations from Singapore housing units, retirees and some students. Arguably, Kukup could perhaps be placed at the stagnation part of the resort cycle (Butler 1980) as it moves downmarket to increased volumes but at low prices.

It is interesting to consider why this might have happened. Several respondents familiar with Singaporean tour operators argued that it was partly because of the run-down state of Kukup, especially the poor toilets and sewage outlets

that fall straight into the sea below the stilt restaurants. One commented that tour operators had removed Kukup from their itineraries and that

“tourists don’t come here because of the hygiene, we don’t have a proper sewage system. The Japanese don’t come because they’re very concerned about hygiene, not come, not come to Kukup, they take seafood in Johor, won’t come here.” (Restaurant owner).

This is a significant change from the peak times when Kukup was said to be a ‘must-see’ destination for day trip tours from Singapore. However, respondents explicitly referred to many owners’ lack of official title to their land and their unwillingness to invest in upgrading their toilets and other facilities.

Concerning accommodation, respondents said that Singaporean tourists comprised 40-60% of guests (with a small percentage of Koreans in some establishments). The rest were domestic Malaysian tourists, predominantly Chinese, but the mix varied by season.

This raised one immediate question: why had so few households from the Malay *kampung*, with the exception of only three families, become involved in the lucrative tourism business? This question was asked of many respondents. The most coherent explanation concerned ‘mentality’. One Malay respondent said “we don’t have much capital or don’t want to take risks. Not like the Chinese people who developed chalets and restaurants. . . they have strong associations and [are] very brave to take risks” (Restaurant owner). Another respondent is worth quoting at length:

“Malays are low income families, they don’t have the capital to start a homestay, also the mentality of the community. . .” [*Interviewer: could you expand on what you mean by ‘mentality’?*] “Some are not interested in tourism because of a lack of knowledge about tourism. Not all people have luxuries [but] they say they are happy with their life. . . I feel frustrated with the villagers. . .this one, its not happening. . .” [*Later when asked about the income differential between the Chinese and Malay villages*] “Because life is, hmn, they lack knowledge, lack interest, they don’t think about it, life, their behaviour, mentality, they are not open to it.” (Malay restaurant owner).

This was also mentioned by other respondents, particularly the idea of a ‘subsidy mentality’ that is, a reliance on the government to provide, in comparison with the commonly held view that Chinese Malaysians appeared more enterprising.

Regarding retail, respondents from souvenir shops said that 50-80% of their customers were from Singapore, but domestic tourism was seen to be of growing importance. This was echoed by a respondent from another sector: “we have Singapore [but] we can’t depend on the Singapore market” (Hotel owner).

### 3.4 Tourism in Bintan island.

Although Bintan is Indonesian and part of the Riau archipelago, it lies close to Singapore being only 50 minutes by fast catamaran. The island is approximately twice the size of Singapore and tourism is mainly found in the huge resort development on its north coast: the Bintan Beach International Resort (BBIR). There is also some cross-border tourism in the rest of the island including the town of Tanjung Pinang.

The BBIR is a purpose-built tourist enclave (Shaw & Shaw, 1999; Bintan Resorts, 2007). It is a massive investment, being a joint venture between Singaporean and Indonesian capital. The lead firm is PT Bintan Resort Cakrawala which is part of Gallant Venture Ltd of Singapore. The Gallant holding company was founded in 2003 but had its origins with the Indonesian Salim group and Bintan Resorts Corporation.

“What we have in mind is a Phuket or Bali-type resort just a short ferry ride away from the region’s busiest air hub, the biggest tourism gateway and two of the region’s biggest integrated resorts.” (Eugene Park CEO Gallant, quoted in *The Business Times*, 5 June 2006).

Investment so far has been over \$800 million. The resort is being built on a truly huge scale and the development stretches along 100 kilometres of coastline. The first resort opened in 1994 and key operators include Banyan Tree, Nirwana and Club Med. In 2007 Ritz-Carlton announced a new resort due to open in late 2008 costing \$65 million and comprising 60 villas and a 600 seat conference centre. In 2007 BBIR had 333 700 arrivals. There are around 1200 rooms available in the five resorts, and it has four golf courses. The key markets are Singapore (31.8%), South Korea (11.8%) and Japan (9.17%). The developers aim for 5 000 rooms by 2012 and one million visitors

p.a. (Bintan Resorts, 2008). BBIR is a classic beach resort supplying a '3S' tourism product (sun, sand and sea) to the nearby Singapore-based market.

BBIR differs from Kukup as, alongside its cross-border tourism, it also has significant numbers of conventionally-defined international tourists (via Singapore). Some of these are expatriates working there, and some are international tourists staying in Singapore who purchase a two-centre holiday. (Two interview respondents were attending international conventions in Singapore and had decided to stay at BBIR as an 'add-on' trip). There are also day trips from Singapore often consisting of Japanese or South Korean groups who take tours to Bintan during midweek, rather than during the crowded weekends. BBIR also differs from Kukup as it was deliberately planned and purpose-built as an international tourism resort. Kukup, until recently, had not been deliberately developed by tourism planners.

To the south of the BBIR lies the island's capital, Tanjung Pinang, which is also the capital of the Riau Islands Province and has a population of approximately 148 600 (figures from the city government). To the surprise of the research team we found evidence of cross-border tourism in, and around Tanjung Pinang too. This had not been apparent in the pre-fieldwork literature review, nor were the local team members aware of growing cross-border tourism in southern Bintan. We observed and encountered tourists in the town and nearby areas, mainly from Singapore. The tourism consists of sex tourism, some fishing, and cultural tourism by Malay visitors to Penyengat island just offshore from the town. Penyengat island is a very significant historical place for Malays as it contains the burial site of one of the region's most important sultans who led local resistance against the European colonialists (Tanjung Pinang City Government, 2006). In addition, we observed new tourism developments in the south east including the (unfortunately named) Bintan Agro Resort and sizeable new housing estates of second homes. (Respondents told us that the Agro Resort, like the larger BBIR, is also closely linked to the powerful Salim group.

#### **4. Lessons for Economic Development.**

Both sites illustrate some useful lessons on local economic development associated with cross-border tourism particularly concerning capital, employment and economic linkages.

#### 4.1 Lessons from Kukup.

In terms of capital, some interview respondents highlighted the Malays' low income levels and our direct observation of their poor housing, often in bad condition, seemed to reinforce this comment about a lack of capital being a barrier to entry. However, there are two points here. First, a certain level of capital is clearly necessary to build a restaurant or tourist chalet, but is not sufficient by itself to fully explain the lack of Malay participation in tourism. All of our Chinese respondents, without exception, talked about how their initial (modest) investment in their family tourism business came from their own resources and was ploughed back in incrementally from existing small businesses. Second, and crucially, the type of tourism in Kukup has generally low capital requirements for its low-end market, either simple, open-sided restaurants (only one establishment had air-conditioning) or chalets of simple construction. These are similar findings to Hamzah (1995) and Hampton (1998, 2002) who argue that low-end tourism, such as backpacker tourism, is relatively easier to enter than the conventional larger-scale tourism.

However, this links to an associated, but highly sensitive issue, that of different ethnic groups and their perceived business success (or not). In Malaysia, as in Indonesia and elsewhere in South-East Asia, the overseas Chinese control much of the wealth and appear highly entrepreneurial leading to business success. However, this is politically very sensitive in Malaysia where the Chinese are an ethnic minority comprising only about 24% of the population (Ministry of Tourism, 2007). In comparison, in Singapore the Chinese account for about 77% (data from Singapore Census 2000).

Since the 1960s the Malaysian government, especially under the 'New Economic Policy' (1971- 1990), has given certain privileges to the Malay community, where, for example, businesses are required to have a certain proportion of Malays as the owners. Malays also have privileged access to higher education, business start-up and other financial assistance, and tend to dominate government and the public sector. However, despite this ongoing policy, concerns are often articulated about the continuing low levels of Malay entrepreneurship in the economy. Arguably, Kukup and its tourist economy illustrates some of these tensions and concerns in microcosm.

Given the dominance of Chinese entrepreneurs in Kukup, there is a connection to the broader issue of pre-existing ethnic ties and communities in South-East Asia. These ties pre-date the creation of international borders in the colonial period, and the

modern nation states (Li *et. al.*, 2007). For overseas Chinese who have settled in Kukup and Singapore, their continuing connections and networks of relationships (*Guanxi*) are highly significant to understand Kukup's story, and that of wider cross-border tourism.

Fieldwork observation revealed a sequence of interweaving social and economic strands connecting the ethnic Chinese together across the borders. A simple example of the tourist behaviour illustrates this. First, Chinese Singaporeans purchase a tour to Kukup from a Chinese Singaporean tour operator. Once at Kukup, they stay in accommodation owned by local Chinese, eat in the Chinese-owned seafood restaurants, are served by Chinese staff, travel in small Chinese-owned boats to visit the Chinese-owned fish farms (having earlier eaten some of the produce) and finally buy some gift for the family in Singapore from a souvenir shop (also Chinese owned)! Therefore, when non-Chinese respondents complained about the overly 'close association' within the Chinese parts of Kukup, there is clearly some basis for this. Nevertheless, our initial findings would seem to reinforce the centrality of *Guanxi* networks of relationships in Chinese cross-border tourism (Li *et. al.*, 2007).

Concerning direct employment, it was clear that cross-border tourism had generated significant employment creation in Kukup. In the initial phase this was mostly family members, but as Kukup boomed in the 1980s, tourism generated employment initially within the *kampung*, and then drew in outside labour from the wider Pontian district including linkages to supporting services such as taxi-drivers. At present some businesses also employ Indonesians who, given the relative position of both economies, are generally paid less than Malaysians. Since Kukup is a port of entry from Indonesia, it is easy for employers to find immigrant labour.

Regarding economic linkages to the local economy, respondents were asked about sourcing supplies. For the restaurants, unsurprisingly, seafood often came from the local fish farms apart from live crabs from Indonesia. In some cases overlapping ownership meant that restaurant owners could source seafood from their own fish farms too. Vegetables, fruit and other foodstuffs were generally sourced from the markets in the nearby town of Pontian, as were other restaurant and hotel supplies demonstrating local economic linkages from the cross-border tourism at Kukup.

For the souvenir and clothing outlets sampled, the economic linkages varied according to the type of goods. Some handicraft type souvenirs (carved wooden trinkets etc) were made locally in the district thus contributing economically, whereas

the printed souvenir T-shirts of Kukup were sourced from wholesalers in Johor Bahru, with initial production often in Kuala Lumpur. For batik items, clothing was also often sourced from elsewhere in Malaysia or even Thailand as “local made is more expensive” (Souvenir shop owner). So for clothing retail, unlike catering, there were few local economic linkages apparent.

Concerning economic linkages and transport, there were around 50 taxis near the bus station, and a few mini-bus operators. However, since the majority of tourists arrive either by tour bus (usually owned from Johor Bahru or elsewhere) or by car, few tourists were taxi passengers apart from arriving or departing Indonesian workers. Even that small market was dwindling as one respondent said, once the Indonesians have been to Kukup, on their next visit they use the bus which is cheaper. Our direct observations confirmed the drivers’ comments about the lack of business and the over-supply of taxis: “actually tourism business here does not help us, most of the Johorians and tourists from Singapore come here by tour buses or self-driving. . . it is difficult, most of our time [is] just wasted at the coffee shop waiting for customers” (Taxi driver). This economic linkage is underdeveloped but is not surprising given most tourists’ travel patterns to Kukup, and the opening of the new bus station.

Finally, in terms of overall economic impact, tourism in Kukup, like many destinations, is highly affected by seasonality. Respondents stated that peak times were school holidays in Singapore, public holidays especially Chinese New Year, and weekends. The low times were outside that with “sometimes no customers on weekdays” (Souvenir shop owner). Another said that “now [business] is very uncertain except during holidays” (Restaurant owner).

#### 4.2 Lessons for economic development from Bintan.

Although Bintan hosts the BBIR (often cited as a leading example of an international tourist enclave, see Shaw & Shaw, 1999; Bunnell *et al*, 2006) fieldwork illustrated that the local impacts were not as simple as first appeared. Respondents described local economic linkages and clearly the BBIR generates substantial employment.

Concerning capital, and specifically cross-border ties, as noted earlier the BBIR’s ownership is linked to overseas Chinese in Singapore and Indonesia (the Salim group). Concerning the tourists, unlike Kukup, they were not just Chinese Singaporeans, but other ethnic groups also visit the BBIR (Singaporean Malays were observed as well as a large Singaporean Indian wedding party). In southern Bintan,



there is also a connection to another set of pre-existing ethnic ties, that of the Malay people who originally settled across a wide area of what is now Singapore, present day Johor state, parts of Sumatra and the Riau archipelago. The present day form of cross-border tourism linked to this is mainly cultural tourism to historic sites in southern Bintan, but the tourist expenditure is not clear for these Malaysian cross-border tourists: it is likely perhaps to be lower than from Singaporeans all things being equal.

Regarding employment, in many BBIR hotels, and at most levels apart from at the most senior, it appears to be predominantly Indonesian. That said, defining 'local' began to be more problematic as further respondents were interviewed over the fieldwork period. Employees - either living in company dormitories or in Tanjung Pinang – were originally from across Indonesia especially Java, Sumatra, Lombok and Flores. However, once they had been employed in the BBIR and settled in Bintan, perhaps with their families, they were seen to be 'local'. According to most respondents, the actual proportion of 'original' Bintan islanders, particularly Riau islanders or the Sea People (*Orang Laut*) presently working in the BBIR is small. This finding reinforces the suggestion by Bunnell *et al* (2006) that the BBIR is attracting significant flows of labour from across Indonesia but fewer local people. One respondent from Sumatra told us: "we're from the other side of the country, if not living [here] we not survive." Another worker said: "I heard since 1998, lots move to Batam, because tourism down, move to Batam, luck, yes lucky to come here. . .when compared to working in Lombok, compared to [the] money, to guests, very good here." (Domestic supervisor).

Nevertheless, some respondents said that some local people especially the fishing and farming communities (often of Malay origin) were disinterested in tourism: "the spin off has been tremendous [from tourism] but many people prefer to remain fishermen" (tour guide). This appears somewhat parallel to the 'mentality' displayed in Kukup's Malay village as discussed earlier. That said, all of our respondents noted tourism's significance. The same tour guide also said that although he disliked working in the industry, he had no alternative and that for Bintan, he said bluntly: "without tourism we will die".

Perhaps surprisingly for what is mainly tourism enclave development, some economic linkages do appear to exist between the BBIR hotels and the local economy on Bintan. Although the high-end, capital intensive goods such as elevator equipment,

or electronic goods such as televisions were sourced from Singapore, much of the fresh food was sourced from markets in Bintan, particularly fish, seafood, some meat, vegetables and fruit. Speciality foods (such cheese, New Zealand lamb, Tiger beer, wine and spirits) were imported via Singapore.

Outside of the BBIR enclave, in the south Tanjung Pinang and its surrounding area have had some interesting economic effects of cross-border tourism. In particular, sex tourism of men from Singapore, appears to be important, albeit of low profile. Recently, the authorities insisted the prostitutes move out of the city. The result was that they moved to a *kampung* outside the city, and now travel back into the city hotels to meet their clients, often stay overnight in the room, then return to the *kampung* the next day. Respondents from local hotels talked about regular customers from Singapore who visit Tanjung Pinang frequently for so-called ‘fishing trips’ to visit local prostitutes. This was confirmed by direct observation at one hotel of heavily made-up female prostitutes having breakfast with their ‘clients’ in the morning and then departing. This aspect of cross-border tourism, specifically male Singaporeans visiting for sex tourism, has also been observed on nearby Batam island as well. (Incidentally, there is also real sports fishing around the island’s coast for game fish and sharks, often using expensive fishing rods and other gear. One respondent was scathing about highly equipped Singaporean leisure fishing tourists: “sometimes they give them the fish if they don’t catch them!”)

## **5. Conclusions.**

This paper presents findings from fieldwork in two cross-border tourism sites in the Indonesia-Malaysia-Singapore growth triangle (IMS-GT): Kukup village in Malaysia, and Bintan island in Indonesia. The study found that although there were site-specific variations, cross-border tourism generated income and employment for the host communities, and local economic linkages were also apparent. Kukup had clear economic benefits with increased income and employment, but benefits were unevenly distributed between the two ethnic communities with tourism concentrated in the Chinese *kampungs*. For Bintan island, Ford and Lyons (2006: 266) were pessimistic:

“The gates and fences that separate Lagoi and Lobam from the rest of the island are thus symbolic of the wider exclusion of Bintan Islanders from participation in the IMS-GT.”

However, this research shows some local benefits of the BBIR and of cross-border tourism, specifically, that upmarket BBIR enclave had some linkages to the island economy but had also attracted substantial immigrant labour from elsewhere in Indonesia. In the south, cross-border tourism mostly from Singapore was also growing but was based around lower-end resorts with some sex tourism. Cross-border Malay ethnic tourism to the sacred Penyengat island was another potential growth area.

In both destinations, differences became apparent concerning planning. Kukup’s tourism was unplanned and was driven by local Chinese entrepreneurs. In addition one respondent suggested that the continued existence of the illegal and semi-legal chalets indicates that there may also be an element of political patronage in Kukup since it is in the constituency of the former head of the Malaysian Chinese Association – part of the ruling Barisan Nasional party (interview with senior planning advisor).

Nevertheless, concerning planning, since the advent of the vast new Iskandar Development Region (IDR), cross-border tourism is now explicit in the strategy for southern Malaysia. Interestingly, in the IDR, Kukup’s future - despite its existing tourism – is not based on it being a destination but rather as a transit or tourist ‘gateway’ to the wider region. Given the poor linkages to other tourism attractions in the surrounding area (such as Tanjung Piai nature reserve or the fruit orchards of Pontian), in a sense Kukup can be seen as operating as an enclave. If Kukup continues to be seen as being merely a ‘gateway’ in tourism planning for southern Malaysia, then unfortunately, local economic development opportunities could be missed.

In Bintan the BBIR enclave has been closely planned since inception, but for the south of the island around Tanjung Pinang it is unclear if cross-border tourism had been planned for, rather, as a result of its growth, government officials are now planning for tourism there.

Both sites experience high seasonality and are closely linked to their key market of Singapore, so that weekends and holidays are peak periods both for day trips and overnight stays in Kukup or Bintan. The sites also appeared to be at different

points in the resort life cycle (Butler, 1980). Kukup appears to be at the stagnation stage, whereas the Bintan enclave appears to be at the development stage, as does the southern part of the island.

It is unclear what may happen in the short and medium-term concerning Singapore's changing tourism role in the region, especially given the huge new multibillion dollar Integrated Resorts (IRs) being built in Singapore and Sentosa island. The IRs comprise massive casinos, several hotel complexes and large tourist attractions, and should open in 2009-10. If successful, the IRs could have a significant impact on cross-border tourism to southern Malaysia and Indonesia.

For Malaysian tourist arrivals it is unknown what proportion of Singaporeans visit Malaysia specifically for gambling at the Genting casino resort near Kuala Lumpur. Interestingly, in early 2008, the Malaysian property developers Landmarks Bhd. group (with company links to the Genting casino) proposed to develop a massive new casino on Bintan itself as part of a \$3.1 billion investment in the BBIR. However, in Indonesia the possibility of legalised gambling within a predominantly Muslim country caused controversy. The arguments were between the perceived benefits of local employment creation of 13 000 jobs being countered by religious arguments (*The Jakarta Post*, 2008). The cross-border interconnections are further complicated as one of the largest shareholders in Landmarks Bhd. is Genting group which, as well as owning the only Malaysian casino, is currently building one of the two new casinos in the Singapore IRs.

In terms of tourism to Southern Malaysia more generally, the Singapore IRs could also have severe implications for the sizeable Malaysian IDR plan since tourism is expected to be a key economic 'pillar'. One Malaysian respondent was very pessimistic:

“once the Integrated Resorts are built, they won't come here. Seven or eight buses of Japanese, Koreans, why send them to Malaysia [for day trips]. . . But once the IR is up, they will stay there.” (Local guide).

Cross-border tourism in South-East Asia is clearly significant in economic terms for the host communities. However, this region has seen the creation of modern borders and nation states which separated pre-existing ethnic groups, including the Chinese in Singapore from those in Kukup and in Johor Bahru city, and the Malays in the Riau

islands from those in southern Malaysia and Singapore. In both sites, cross-border ethnic ties, particularly of the overseas Chinese, play an important role in the emergence, and significance, of cross-border tourism.

Cross-border tourism requires further research in Asia and elsewhere. In comparison with conventionally-defined international tourism, it may prove to be relatively easier to initiate and might encourage more local participation. Cross-border tourism could potentially augment existing tourism development plans. There is, however, a caveat. It remains subject to effective and continuing cross-border government cooperation. For example, despite warm words about cross-border tourism, Singapore's government has acted to reduce cross-border shopping by its own citizens in Malaysia by restricting certain goods, limiting citizens' expenditure, insisting that cars leaving Singapore have their petrol tanks three-quarters filled, and a variety of defensive measures.

Therefore for cross-border tourism to thrive and generate real economic benefits for the host communities, it is necessary that governments, on both sides of borders, continue to facilitate the free flow of tourists across national boundaries. If so, this paper has argued that cross-border tourism could augment existing other types of tourism to facilitate real economic development for local communities in both less developed countries and wealthier economies.

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