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Genesis of a growth triangle in Southeast Asia

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Citation

Xu, X. (2015, November 4). *Genesis of a growth triangle in Southeast Asia*. Retrieved from <https://hdl.handle.net/1887/36062>

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Title: Genesis of a growth triangle in Southeast Asia : a study of economic connections between Singapore, Johor and the Riau Islands, 1870s – 1970s

Issue Date: 2015-11-04

Conclusion

After the signing of the Treaty of London in 1824, which resulted in the split of the old Johor-Riau Sultanate, the three involved regions, Singapore, Johor and the Riau Islands, were not part of the same political framework until nearly 150 years later, when the foundation of ASEAN offered a stimulus to regional cooperation and integration, as exemplified by the formation of the SIJORI Growth Triangle. For more appropriate understanding of the rationale for this regional cooperation, we must not neglect the mutual economic connections that have been there for centuries. As D. K. Bassett has argued, ports in the Riau Islands and along the southern Malay coasts had already played an important role in British and Dutch 'country' trade since the seventeenth century.¹ They formed the basis of local connections and networks which were enlarged, intensified and diversified in the following centuries, not only economically, but also socially and culturally as a result of huge colonial expansion.² The present study fills in this gap by focusing on an economic history of the old Johor-Riau Sultanate and the internal connections between the three powers during the period prior to the establishment of the SIJORI, applying the following research

¹ Bassett, 'British Country Trade and Local Trade Networks in the Thai and Malay States, c.1680-1770'.

² Frost, 'Asia's Maritime Networks'.

question: how did the regional economic system integrate into the world market in the context of globalization? The research question is addressed in a twofold analytical framework outlined in Chapter 1. Chapter 2-5 focus on the internal integration of the growth triangle by surveying the aspects of socio-political evolution, trade, shipping and capital as applied in Porter's Diamond Model, and Chapter 6 analyses the external integration within a wider process of globalization.

The regional political and social aspects reveal both differences and similarities between the three areas. Colonial powers, particularly the British and the Dutch, determined the regional political situation from 1870 to 1942, which can be divided into two sub-periods: early imperialism (1870-1910) and high colonialism (1910-1942). In all three regions, colonial administration transformed from indirect to direct rule. Therefore, the political evolution is considered as a process of growing colonial intensification and intervention. Meanwhile, regional differences between the two colonial governments became more pronounced. Singapore had established a well-designed colonial bureaucracy, which guaranteed its high political status and an efficient administration. In Johor, the geographical proximity to the British colonial political centre and the placidity in the Malay court created political stability, although colonial administration applied a form of indirect rule as indicated by the existence of Malay sultans as the nominal ruler and the appointment of a British advisor representing the real power. By contrast, political stability and harmony were lacking in the Riau Islands, which were initially the main part of the Riau-Lingga Sultanate, but later incorporated into the Riau Residency under direct Dutch control. During the Japanese occupation, the three areas were placed under a unified Japanese military administration, but the impact was rather limited and ended after Japan's surrender. Although presently the three regions belong to three different nations, the first two or three decades after the Pacific War still showed a pattern of continuation of the colonial influence: Singapore was not separated from the Federation until 1965, and political insignificance was still the hallmark of the Riau Islands. Therefore, the one hundred years' political development in the triangle region showed more continuity than discontinuity, a feature deeply embedded in the colonial period. The continuity resurfaced in their political relationships. There were interactive and influential contacts between Singapore and Johor within the same political regime, whereas political connectivity between the Riau Islands and the other was rather weak, a factor attributed to the antagonism between the Dutch and the British, and later between Indonesia and Malaya.

Different from individuality on the political level, regional social aspects showed more interconnectivity and mutual influence in terms of demographic structure, social organization of the Chinese community and ethnic relationships. It was not only Malay royal rulers from the same family who established interregional connections, large Chinese populations also established extensive interregional connections, such as self-organization systems – *kapitan*, *konsi*, and other

cross-boundary institutions – *kongkek*, opium farming syndicates, Chinese Chamber of Commerce and Industry, etc. The continuation and discontinuation of these social connections were to a large extent influenced by ethnic relationships between Malays, Europeans, Chinese, and other ethnic groups. European and Chinese economic significance in the colonial period was facilitated by a harmonious relationship between them during the colonial period. When the Malays gained political authority after the Pacific War, the good relationship between the Malays and the others turned to subtle rivalry. The European and Chinese economic position was restricted, but Malays' business incapability and the shortage of indigenous entrepreneurship gave an opportunity for continued European and Chinese importance.³

Against this dynamic socio-political background, regional economic development showed a unique pattern as indicated by the increase in trade, shipping and capital. In general, regional economy which was export-oriented, developed rapidly in one hundred years, but both temporal and spatial differences were obvious. Based on our statistical analysis, in the period of early imperialism, economic growth was much faster in Singapore and Johor than in the Riau Islands. Moving into the period of high colonialism, and attributed to the unsatisfactory performance of the world economy, economic growth slowed down slightly in Singapore. But the global negative influence was rather limited on Johor and the Riau Islands, where economy expanded at high the growth rates per annum. After the disastrous Japanese occupation, Singapore soon recovered. The same trend was also observed in Johor but at a lower growth rate. In spite of insufficient relevant statistics, qualitative information indicates a rather slow recovery in the Riau Islands. Placed in a global context, Singapore followed a similar trend with the world trade expansion, suggesting a deep integration of Singapore's economy with the world. By contrast, the different paths of economic development in Johor and the Riau Islands indicated their limited internationalization but regional inclination.

The dichotomy between Singapore and the other two was a direct result of different patterns of economic connection in the three regions. During the colonial period, in Singapore, international (external) connections were established for the exchange of raw materials, for instance rubber, minerals, oil products from local hinterlands and the manufactured goods from Western countries by ocean-going steamers. Therefore, an extensive network was created in Singapore, and it was intensified gradually during the period under research. By contrast, good external connections were lacking in both Johor and the Riau Islands, as both export of regional raw materials and import of daily necessities and manufactured goods by traditional sails or old second-hand steamers, relied on Singapore. Although there

³ Thee, 'The Impact'.

was intention from both governments to direct the trade through domestic ports, geographical proximity and well-established market facilities still played an essential role in attracting trade, shipping and capital to Singapore. Therefore, for Johor and the Riau Islands, very limited outward connections beyond the triangle were established. After achieving independence, Singapore transformed gradually from a harbour relying on entrepôt trade to relying on the export of domestic industrial products supported by an import substitution strategy. This resulted in a reduced dependence on the Malay and Indonesian hinterlands, including Johor and the Riau Islands. Nevertheless, this reduction did not occur in any substantial way until the 1970s. Thus during the period under study, the economies of Johor and the Riau Islands which was rather regionally oriented, showed a strong dependence on and orientation towards Singapore, which the economy integrated deeply with the world market.

The distinction between external and internal connections is also reflected in the agents of economy: Europeans and indigenous (especially the Chinese). During the colonial period and the immediate post-war period, European capitalists international enterprises, such agent houses, steamship companies dominated all international trade to the West, whereas the Chinese capital and capitalists concentrated on regional production and transportation. Moreover, there was a growing and important role for Japanese capital in the rubber plantations, mineral mining and other manufacturing sectors. Thus the emergence of the Japanese became the third power diversifying the regional economic structure. The transformation of these relationships from cooperation to competition indicated European penetration in Singapore and Chinese retreat to Johor and the Riau Islands, where, however, more preference was given to the Malays after the Pacific War. The rise and decline of Western and Chinese traders and business firms mirrored the evolution of regional networks.

In short, in spite of a growing economy in all three regions, significant regional difference was clearly marked by a much stronger economic performance of Singapore than the others under the joint influence of natural resource endowment, economic rules and political policies. But the emphasis differed during the process. The importance of these factors accounting for this pattern is revealed by consulting the theory of competitive advantage. By applying the modified Diamond Model, we attributed Singapore's high economic performance to its possession of most competitive advantage, which was further signified by the political stability, liberal economic policies and effective government administration. By contrast, in the Riau Islands, the relatively lower competitive advantage was worsened by poor performance of the government much of the time. The highest value of competitive advantage of the Riau Islands was observed during the period of high colonialism attributed to a relatively effective Dutch administration.

Therefore, we highlight the role of the variable of 'government', which, together with the variable of 'social structure', also explains the change of regional internal connections. We attribute the formation of connections within the triangle to four elements: world demand for regional raw materials transhipped through Singapore; the creation of backward linkages in Singapore based on products from Johor and the Riau Islands; the financial services from Singapore; and the role of multi-ethnic groups acting as traders, shippers, capitalists, etc. The interaction between the four elements resulted in a dynamic pattern of internal connections within the triangle.

The external connections of the triangle area were gradually extended and intensified in one hundred years from 1870 to 1970. Chapter 6 places this regional network in the context of globalization by applying the model designed by Held, McGrew and others. Four indicators were used: extensity, intensity, velocity and impact. Results show the different processes and degrees of globalization in Singapore, Johor and the Riau Islands. There was a gradually deepening integration with the world in Singapore and full globalization was achieved in the post-war period, whereas the degree of globalization in Johor and the Riau Islands was lower. Instead, regionalization is more appropriate to describe the integration in these two regions. Thus the globalization in Johor and the Riau Islands depended on their connections with Singapore.

This picture can be viewed in a core-periphery model, which argues that the core region supplies the periphery with higher-order services while the periphery furnished the core with natural resource-based commodities. Economic growth in the periphery is hence felt more strongly in the core. This study affirms that it is easier for a region, like Singapore, to deepen its integration with the world if there is a correspondence between its political gravity and economic gravity. This argument further confirms that the process of globalization in Johor and the Riau Islands is easier by integrating with Singapore rather than with Malaysia or Indonesia. It also further underscores our argument about the relationship between globalization and regionalization. We suggest that globalization is a form of extremely extended and intensified regionalization, with the level of globalization declining from the economic and political core to the periphery, while regionalization is a building block of globalization.

To sum up, both in the colonial and independent periods, the economic status of the three regions in this triangle showed a certain discrepancy: Johor and the Riau Islands were economically peripheral, feeling the commercial pull of Singapore.⁴ But in a political sense, two poles can be identified: Johor under the political guidance of British Malaya and later Malaysia, and the Riau Islands under Indonesia. Therefore,

⁴ Chandler and Steinberg, *In Search*, 142.

there was both diversity and unity within this triangle, either as three separated regimes or as a closely tied body. Mutual economic connections are indicated by quantitative indices of trade and markets. There was an increasing importance of the market in British Malayan for manufactured goods from the late nineteenth century, reflecting both rapid peninsular developments brought about by rubber and Singapore's continued dominance in the supply of manufactured goods to the peninsula. But unlike the Singapore-Johor relationship, where Johor relied heavily on Singapore, the Riau Islands had wider trade hinterland and foreland. Singapore served as a particular segment outside the Indonesia market for the Riau Islands, which was influenced by the combined force of government intervention and economic rules. We therefore agree with Huff's argument that Singapore's trade composition mirrored not simply an urban-rural dualism, but rather a tripartite division, namely domestic, Malayan and extra-Malayan markets, reflecting different degrees of integration of Johor and the Riau Islands with Singapore.⁵ This pattern was mainly created by European and Chinese economic leaderships who were instrumental in initiating regional economic transformation and extraordinary growth.⁶ Attributed to individual ethnicity and ideology, these two ethnic groups performed differently in the formation of two connections, external and internal. There were mutually reinforcing links between internal and external integration. Singapore's role as a hub in the triangle created links with world economy, resulting in immigration of Europeans and Chinese, who played an important part in reinforcing internal integration within the triangle.

These connections formed an early prototype of the SIJORI Growth Triangle, the discrepancy and unbalance within which was also the characteristics of this early network: poor connections between Johor and the Riau Islands, uneven distribution of competitive advantages, political differences, etc. Therefore, the success or failure of current cooperation depends on how to deal with and utilize these historical connections and how to learn lessons from the historical experience.

After several years' endeavour, much progress has been achieved by the SJORI Growth Triangle – which became the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), including a considerable transfer of technology and capital from Singapore to Johor and the Riau Islands. As a result, a number of industrial estates, free-trade zone, a wide range of industries were jointly set up in Johor and the Riau Islands with the investment from Singapore.⁷ Such foundations resulted in a

⁵ Huff, *The Economic Growth*, 115.

⁶ McDonald, 'Confucian Foundations to Leadership: A Study of Chinese Business Leaders across Greater China and South-East Asia'.

⁷ Wong and Ng, 'Batam, Bintan and Karimun: Past History and Current Development towards Being A SEZ'. Ho and So, 'Semi-periphery and Borderland Integration: Singapore and Hong Kong Experiences'.

consistent economic growth in the first decade of the present century.⁸ The individual economic performance of the three regions is illustrated by some basic indicators shown in Table 7.1. However, such progress was made in the shadow of dissatisfaction which can be summarized from the same table.

Table 7.1. Basic indicators for the IMS-GT, in 1994, 2005-2010.
(US\$ billi.)

| | 1994 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|------------|-------|-------|-------|-------|-------|-------|
| Singapore | | | | | | | |
| GDP, in 2010 Constant Prices | 70.2 | 169.9 | 185 | 201.8 | 205.4 | 204.2 | 235.3 |
| Growth rate | 10.9% | 7.5% | 8.9% | 9.1% | 1.8% | -0.6% | 15.2% |
| Johor | | | | | | | |
| GDP, in 2005 Constant Prices | 4.3 | 13 | 13.7 | 14.2 | 14.8 | 14.4 | 15.8 |
| Growth rate | 9.6% | - | 5% | 4.1% | 4.2% | -3% | 9.8% |
| % of total national GDP | 6.3% | 9.2% | 9.2% | 9.0% | 8.9% | 8.8% | 9.0% |
| The Riau Islands | | | | | | | |
| GDP, in 2000 Constant Prices | 3.3* | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 |
| Growth rate | 12.1% * | - | 6.78% | 7.01% | 6.63% | 3.52% | 7.19% |
| % of total national GDP | - | 1.54% | 1.48% | 1.46% | 1.37% | 1.37% | 2.05% |

Note: The Riau Province, 1993.

Source: Department of Statistics Singapore (<http://www.singstat.gov.sg/>), Department of Statistics Malaysia (<http://www.statistics.gov.my/>), Statistics Indonesia (<http://www.bps.go.id>).

According to Table 7.1, GDP growth was much slower in the first decade of the present century than in the 1990s and growth rates of the three regions kept on declining after the announcement of SIJORI. The declining percentage of regional GDP of Johor and the Riau Islands in the total of Malaysia and Indonesia further

⁸ East Asia Analytical Unit., *Growth Triangles of South East Asia*, 33-5.

affirmed the unsatisfactory economic performance from a perspective of relative importance. Although the triangle includes the territory of the Riau Province and Riau Islands Province, the main contribution to the economy of Riau in general comes from the exploitation of petroleum around Dumai on the mainland. By contrast, the core area of the triangle, the Riau Islands, still remains one of the poorest areas in Indonesia; In the Riau Islands, the intended capital and advanced technology from Singapore did not reach the Islands. Some achievement was made in the category of tourism rather than other processing industries.

Even if the SIJORI Growth Triangle has had a significant impact on the region, some caution is required when assessing its achievements.⁹ In practice, the expected redistribution of regional comparative advantage was not always realized, or the initial progress failed to expand the scale and level of cooperation.¹⁰ Many regional projects were carried out independently rather than cooperatively. In the Riau Islands, the BIDA (Batam Industrial Development Authority) was operated independently by utilizing domestic private capital. So was the Iskandar Malaysia, a project some three times the size of Singapore, in southern Johor, developed by the Malaysian government in 2006. Instead of cooperation, Iskandar Malaysia was designed to both compete with and integrate with the Singaporean economy.¹¹ Such independent endeavour rather than Singapore-dominated cooperation resulted in better economic growth as indicated by the indicators in 2010. In both Johor and the Riau Islands, Singaporean capital was not particularly favoured, while either domestic capital or capital from other countries, such as China, India, Vietnam or Japan was encouraged. In retrospect, it is hard to see the effect and benefit of mutual cooperation between the three regions, and scholarship has not widely admitted the unsatisfactory outcome of SIJORI.¹²

Reasons are various, but political in character. The most important rationale for SIJORI was the idea of redistributing regional comparative advantage. From the point of view of the pre-SIJORI conditions, this idea was not new. With regard to interregional economic relations in the colonial period, D. W. Hughes and D. W. Holland have suggested that the core region supplied the periphery with higher-order services, while the periphery furnished the core with natural resource-based

⁹ Koch, 'Economic Analysis of Asian Growth Triangles: The Johor-Singapore-Riau Growth Triangle'.

¹⁰ Chen, *Transnational Sub-regional Cooperation in Practice: Dynamics of Micro-regionalism and Micro-regionalisation in the East Asia Pacific*, 387.

¹¹ Rizzo and Glasson, 'Iskandar Malaysia', 417-27.

¹² Grundy-Warr et al. have pointed out the limits of a development strategy that emphasizes fragmented enclaves of improvement and the limited progress and planning problems in the growth triangle. Grundy-Warr et al., 'Fragmented Integration in the Singapore-Indonesian Border zone: Southeast Asia's 'Growth Triangle' against the Global Economy'.

commodities.¹³ Regarding agricultural development, Singapore had since the 1870s been faced with the problems of limited available land and large demand for a unskilled or semi-skilled labour force. On the other hand, the advantage of Singapore was the regional concentration of using advanced technology and the high potential of well-qualified skilled workers.¹⁴ Unfortunately, the transfer of regional complementary advantage between the three states was rather limited. In other words, there was certain utilization of land and labour in Johor and the Riau Islands, but technology and capital were still concentrated in Singapore. Hence, there were very weak backward linkages from Singapore to the periphery of Johor and the Riau Islands, just as Huff and Angeles have argued, that in post-1870 Southeast Asia relatively few major flows of commodities were created.¹⁵ Therefore, the spread effect of redistribution of regional comparative advantage is rather limited and unbalanced, indicating a low redistribution of regional comparative advantage. As indicated by the model of competitive advantage, these 'factor conditions' are largely restricted by the factor of government, which has direct and considerable impact on 'created' factors such as the understanding of policies, knowledge, social factors, industries, etc. The advanced and endogenous advantage is the origin of the modern economy.¹⁶ Therefore, we suggest that the precondition of (sub)regional cooperation depends on the improvement of regional individual competitiveness which is guaranteed by effective administration, favourable policies, effective administration and existing legacies from the perspective of dependency theory.

1. The role of government administration: relationship and effectiveness. The current borders and interstate relations between Singapore, Johor and the Riau Islands were created and maintained by colonization. Thus the role of political administration plays an essential role as illustrated by the analysis of competitive advantage. A high degree of collaboration is associated with a unified government (in colonial Malaya), harmonious diplomatic relationships (Anglo-Dutch relationship in the period of high colonialism) and effective administration (Singapore, Johor after 1911, and the Riau Islands during high colonialism). The integration of labour, commerce, finance and investment is an outcome of the easing of political tensions and the formation of a unified institutional framework.¹⁷ These points explain the better cooperation between Singapore and Johor than elsewhere. Politically, Johor

¹³ Hughes and Holland, 'Core-Periphery'.

¹⁴ Stejskal and Hajek, 'Competitive Advantage Analysis'.

¹⁵ Huff and Angeles, 'Globalization, Industrialization and Urbanization in Pre-World War II Southeast Asia'.

¹⁶ Kottaridi, 'The 'Core-periphery' Pattern of FDI-led Growth and Production Structure in the EU'.

¹⁷ Ho and So, 'Semi-periphery'.

has a strong political elite represented by the chief minister, who is very much at the forefront of promoting Johor's industrial development. And throughout his long reign from 1895 to 1959, Sultan Ibrahim regarded himself as the political equal and social superior of the Governor of Singapore.¹⁸ The Johor government had a direct role in determining its own development with more administrative efficiency.¹⁹ The Riau Islands, on the other hand, was guided directly from Jakarta, so much so that one concern was that the regional government would be left out of the overall planning and development.²⁰ As to the Riau Islands, for a long period its peripheral position in the political picture of Indonesia resulted in a low political hierarchy, government neglect and considerable ineffectiveness. Therefore, there was a demand for better governance.²¹ Things have improved recently. According to Law No. 22 (1999), all regencies in the Riau Province were to receive autonomous status.²² Local government was freer to engage in economic affairs and natural resources were enabled for local communities.²³ Such a decentralized trend was further facilitated by the formation of Riau Island province in 2002 and the Decentralization Law of 2004. This trend was continued. The Indonesian Parliament on 24 June 2008 approved a draft law on the formation of 12 new regencies in the country, including Anambas in the Riau Islands Province. By then, the province consisted of five regencies – Bintan, Lingga, Karimun, Natuna and Amambas – and Batam and Tanjung Pinang municipalities.

2. Liberal policies. A liberal policy does not only concern economic fields but also political affairs. The effect of this concept in promoting regional connection was testified in the period before the Great Depression, when no customs tariff was involved, protectionism and interventionism was light and foreign investment was encouraged to a large extent. These measures and attitudes facilitated the free flow of capital and people both locally and from outside. Therefore, in order to recover or re-promote such historical cooperation, it is better for the government to remove barriers between the regions which were placed in the 1950s and 1960s. Currently, the new regionalism is a direct result of the success of multilateral liberalisation whereby countries or regions trying to enter the multilateral system compete among themselves for the direct investment necessary for their successful participation in that system. By internalising an important externality, regionalism plays a key role in

¹⁸ Turnbull, 'British Colonialism'.

¹⁹ Ho and So, 'Semi-periphery'.

²⁰ Pangestu et al., *Intra-ASEAN Economic Cooperation: A New Perspective*.

²¹ Sparke et al., 'Triangulating the Borderless World: Geographies of Power in the Indonesia-Malaysia-Singapore Growth Triangle'.

²² Undang-undang Republik Indonesia nomor 22 tahun 1999 tentang pemerintahan daerah (<http://prokum.esdm.go.id/uu/1999/uu-22-1999.pdf>)

²³ Vidyattama, 'Decentralization and Regional Autonomy in Indonesia: Implementation and Challenges'.

expanding and preserving the liberal trade order.²⁴ A good sign was the negotiation of bilateral or multilateral free trade agreements and the creation of domestic institutions since the 1990s at both national and regional levels. Nevertheless, more liberal preference is still needed at the sub-regional level, such as in the Riau Islands, where concerns remain about the historically rooted smuggling, piracy and trafficking. Historical experience shows that harsh policies did not manage to eliminate these problems. Thus the implication of non-state involvement in the regulation should be promoted and favoured to enhance interdependence rather than individual independence.²⁵ It is thus essential to bring the region more 'foreign factors' which were historically lacking.²⁶

3. Economic and political gravities. According to the gravity model, bilateral trade between two countries is proportional to their respective sizes, measured by their GDP, and inversely proportional to the geographic distance between them. This theory is applicable to evaluate the economic connections between two regions. Thus it is easy for the two economic gravities – Singapore and Johor – to generate strong connections, whereas the connection between Johor and the Riau Islands is rather weak. However, economic gravity is not the only factor. Although Jordan and Khanna have argued that, in some cases, sub-regions of nation states are developing economic links with neighbours that may be more vital than links with the political centres of power that govern them,²⁷ the political pull effect is still essential in the regional triangle. Here we also take into consideration political gravity, which, as discussed above, has a strong impact in influencing mutual connections. Thus we suggest that strong connections can only be realized when the eco-political gravities of two regions are close to each other. Therefore, in order to strengthen economic connections with Singapore and Johor, it is necessary for the Riau Islands to enhance their political status within Indonesia. The prospect of the growth triangle still, to a large extent, lies in the political cooperation between the three involved countries.

4. The utilization of historical connections. Phelps has argued that closely intertwined regional colonial histories have ensured the importance of traditional concerns.²⁸ Strong internal connections had already been there since the foundation

²⁴ Ethier, 'The New Regionalism'.

²⁵ Ford and Lyons, 'Outsourcing Border Security: NGO Involvement in the Monitoring, Processing and Assistance of Indonesian Nationals Returning Illegally by Sea'.

²⁶ Locher-Scholten, 'Dutch Expansion in the Indonesian Archipelago around 1900 and the Imperialism Debate'.

²⁷ Jordan and Khanna, 'Economic Interdependence and Challenges to the Nation-State: The Emergence of Natural Economic Territories in the Asia-Pacific'.

²⁸ Phelps, 'Triangular Diplomacy Writ Small: The Political Economy of the Indonesia-Malaysia-Singapore Growth Triangle'.

of Singapore in 1819. The development of port facilities and the establishment of both Chinese and Western business firms and shipping companies endowed Singapore with initial advantage to attract trade, people and capital from adjacent regions. The economics of proximity, complementarity and a shared history drove participation between neighbours.²⁹ The advantage brought by them was consolidated by the arrival of steamers and the establishment of industry, banks and insurance companies during high colonialism. Progress was mainly achieved with the help of the Europeans and Chinese. However, their role was restricted in the post-war Johor and Riau Islands, where Malays gained more preference. Although we cannot deny the economic importance of Malays, compared to the Europeans and Chinese, their mobility and economic abilities were limited. Thus when the Europeans and Chinese were not supported or even restricted to the post-colonial Johor and Riau Islands, the regional connections were also undermined. Olzak has suggested that both political and economic integration into the world system is influentially related with ethnic politics both in the periphery and core.³⁰ From the perspective of path dependence, we suggest that the re-establishment of regional connections lies in the recovery of European and Chinese economic and social initiatives as a continuation of the colonial pattern. Some effort in this direction has been made, but not enough. Although since 1995 the Riau Islands has been characterized by an increasing population mobility, the influx of population was as a result of domestic rather than foreign migrants.³¹ Thus it would be regrettable if these non-Malay ethnic groups could not receive support from the government, since the economy today is focusing on the communication of social capital.³² Moreover, evidence shows that there has been a growing Japanese importance in the triangle area since the nineteenth century. Regional economic cooperation should not only rely on Singapore; instead, the Japanese seems to offer a third alternative. A pattern of harmonious multi-ethnic diversity can thus contribute not only to political balance, but also to social stability and mobility, and economic diversity.³³

²⁹ Ho and So, 'Semi-periphery'.

³⁰ Olzak, 'Ethnic Protest in Core and Periphery States'.

³¹ Suryadinata, *Ethnic Chinese in Contemporary Indonesia*, 34-5.

³² Stejskal and Hajek, 'Competitive Advantage Analysis'.

³³ Sasse, 'The Role of Regionalism'.