



IDSS COMMENTARIES (96/2006)

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The Shenzhen-Hongkong Model: Singapore and the South Johor Economic Region

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12 September 2006

IN August this year, Malaysian Prime Minister Abdullah Ahmad Badawi launched the South Johor Economic Region (SJER). This is one of four new growth corridors in different parts of the country that are designed to help propel Malaysia towards developed-country status by 2020. These Shenzhen-style special economic zones, if successful, could be Abdullah's imprimatur as prime minister, just like the Multimedia Super Corridor (MSC) symbolized the leadership of his predecessor, Mahathir Mohamad. The strategic value of the SJER is therefore not only for Johor as a state but also for Malaysia's ambition to be a developed nation, and for Abdullah's record as prime minister. It goes without saying that the SJER will also have a long-term impact on Singapore.

Already one of the most developed of the 13 Malaysian states, Johor's close proximity to Singapore makes it a decisive factor in the ebb and flow of Malaysia's bilateral relations with the Republic. The core issues that have driven – or vexed – bilateral relations, namely water, airspace, railway and bridge, are all closely tied to the interests of Johor as a state. Johor is also one of the biggest recipients of Singapore foreign direct investment, tourists and industries. When Singapore encouraged labour-intensive companies to relocate to neighbouring territories, Johor was a favourite alternative site, apart from Batam. Thus has been the closeness between Johor and Singapore that many have forgotten the intertwining relationship between the two neighbours.

Johor, second fiddle no more

In days gone by, ties between Johor and Singapore used to be that of a hinterland and its port. This has long past. Today, Johor's ambition is to become a growth hub in its own right, dovetailing Malaysia's wider 2020 target. The mission is not just to overtake Singapore but also outperform it. This was most palpable during the heady years of Mahathirian economic nationalism. The competitive streak reached its peak when Tanjung Pelepas, the Johor port project of Syed Mokhtar Albukhary, attracted two of Singapore's PSA Corporation's biggest customers, Maersk and Evergreen.

The SJER's emergence signals Johor's entry into a more aggressive phase of growth. The Abdullah vision in that respect is no different from the Mahathirian one. The recent statement by UMNO Youth deputy chief Khairy Jamaluddin about the SJER's future potential underscores Johor's long-term strategy. The 30-year-old son-in-law of the prime minister had stressed that Johor would grow to such an extent that Singapore would one day come to

Johor, not the other way round. Abdullah himself however prefers to see Johor and Singapore in a symbiotic or complementary relationship, *a la* Shenzhen and Hongkong. Abdullah's approach was officially conveyed to, and welcomed by, Prime Minister Lee Hsien Loong when the two leaders met in Helsinki on the sidelines of the Asia-Europe Meeting (ASEM). Thus from another perspective, Khairy's statement reflected long-standing Malaysian perceptions of the appropriate relationship between the two neighbours, which Singapore overcame after independence in 1965 by repositioning itself from a regional entrepot to a global hub.

Khairy's statement should be taken as another example of Malaysia's growing confidence in competing with Singapore, even while it cooperates. In this, both sides are increasingly speaking the common language of "coopetition". Yet, Singapore has for some time de-emphasised the competitive paradigm with Johor – and with Malaysia as a whole – largely because Singapore too has become increasingly confident of itself as a global player. It believes there is more to be gained if both sides continue to cooperate for mutual benefit, even as they compete where they have to. This win-win spirit was again reflected when, within days of Khairy's statement, Singapore's Trade and Industry Minister Lim Hng Kiang welcomed the prospect of the Republic's involvement in the SJER. The port-hinterland relationship has thus long evolved into one based on equal partnership. At the Singapore end, there is a growing inclination to nurture a relationship of mutuality – of mutual gain and mutual respect. But as both search for a new paradigm to define their future relations, which mindset will be stronger: Singapore and Johor as rivals, Singapore and Johor as friends, or Singapore and Johor as partners?

Johor-Singapore historical relationship

Historically, the Johor-Singapore relationship has always not been easily separable. Over the last two centuries, both sides had tussled in tacit or open tension, only to always succumb to the iron law of symbiosis. For instance, after three decades of highly competitive relations post-Separation, Singapore and Johor revived their old historical links through the Singapore-Johor-Riau (Sijori) growth triangle. The Sijori collaboration relived the historical relationship between Singapore and the Johor-Riau sultanate of the earlier centuries.

Indeed, the symbiotic and synergistic links could be traced further back to the 19th century when Raffles established a trading outpost on *Singapura* island (previously known as Temasek) for the British. Raffles plugged into what was already the domain of the Johor maritime empire straddling the East-West trade route to propel Singapore's role as an entrepot. But this also led to the economic development of the peninsular side of the Johor sultanate, which since the 1800s, had been administered by Temenggong Ibrahim from Telok Blangah in Singapore.

Indeed, the origin of modern 19th century Johor can be traced to his administrative centre at Telok Blangah before he shifted his capital in 1866 to Tanjung Puteri, later known as Johor Baru. Temenggong Ibrahim, who was responsible for the economic transformation of Johor, exploited mainland Johor's natural resources for export through Singapore. Apart from pepper and gambier there was gutta percha -- valuable for coating the undersea cables being laid to link up the British empire by telegraph. Then came rubber, which Henry Ridley introduced to the peninsular after having successfully experimented its commercial viability at Singapore's Botanic Gardens. The commercialization of rubber proved a major boon to the peninsular and spurred Johor's growth as a viable state under Temenggong Ibrahim's son

and successor, Abu Bakar.

Born, raised and educated at Telok Blangah, Abu Bakar grew up to be the founder and Sultan of modern Johor. He tapped into the economic vibrancy of Singapore even as Singapore merchants benefited from the opening up of mainland Johor. By the 1860s, he consolidated his economic position, which then gave him political weight. In 1864, tensions however arose over the so-called Tanjung Puteri crisis when Abu Bakar required all boats plying between Johor and Singapore to stop at Tanjung Puteri for checks. His action was seen as a threat to Singapore's trade and led to a strong reaction from the British in Singapore. The crisis ended in 1866 through peaceful negotiations and compromise. But it also marked a turning point.

Reliving Johor-Singapore interdependence

To reduce Johor's economic dependence on Singapore, Abu Bakar officially shifted his administrative capital in the same year from Telok Blangah to Tanjung Puteri (Johor Baru). This new state capital later became the birthplace of Malay nationalism, with the formation in 1946 of UMNO, the party now led by Abdullah. But the symbiotic relationship between Singapore and Johor could not be easily severed. In fact, it was enhanced by the opening in 1924 of the Johor Causeway. The Causeway facilitated Johor's exports through Singapore and boosted two-way economic and people-to-people interaction. Some 80 years later, the same Causeway reached a crossroads whether or not to be replaced by a "crooked" bridge. Regardless, the umbilical ties between Johor and Singapore remain an enduring reality. This historical reality will always be a factor in the course of bilateral relations – whether it is through the SJER or any other model of cooperation.

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