

Dots & Plots

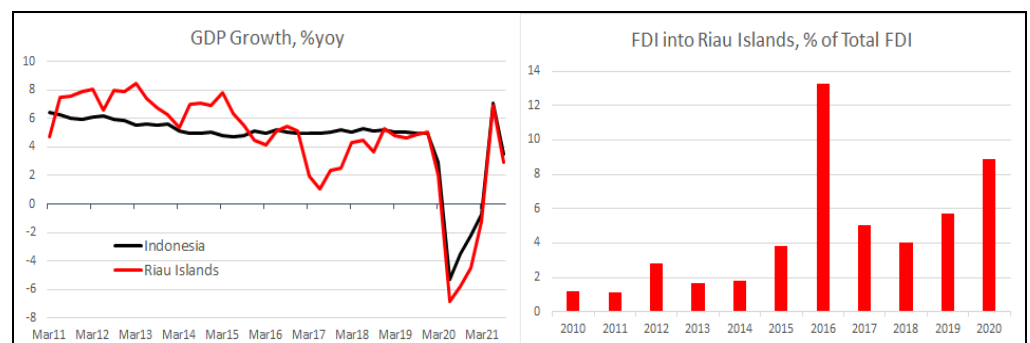
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Bintan Buoy

Indonesia-Singapore’s summit showcases a border province’s potential

- PM Lee of Singapore is travelling to Indonesia’s Bintan island today, for a Leaders’ Retreat with President Jokowi. The meeting centres upon issues such as flight zones, extradition treaty and military cooperation. However, economic agenda is unlikely to be far off the roster, given the close business ties. Each country is among the top 5 trading partners of the other. Singapore has also been the largest FDI investor in Indonesia since 2014.
- Such a close partnership is in many ways shaped by geography. Indeed, the choice of the meeting location speaks volumes to that, with Bintan island situated less than 50km, or an hour by ferry, away from Singapore’s shores. Together with Batam island, Bintan forms the core of the Riau Islands province, whose economic model banks on its proximity to Singapore.
- Such a strategy has helped the province to outgrow the national average for a while. However, the pandemic – and the way its countermeasures have hardened what were previously porous national borders – resulted in a deep slump in recent years. For one, tourist flows, slumped by 85% in 2020 from the pre-pandemic level, and remain largely non-existent recently.
- A turnaround may be coming, however. Yesterday, Indonesia announced a new travel bubble, allowing Singaporeans to travel to the resorts in Batam and Bintan, without the 7-day quarantine rule. While similar schemes had been announced before only to fall through, there is greater hope of it happening this time round, given the backdrop of the high-level meeting.
- Down the road, it may also crystallize broader business travel that should foster FDI revival into the province. Batam, for one, benefits from its status as Indonesia’s sole free trade zone. While its economy had slumped alongside the old manufacturing and shipbuilding industries, new initiatives such as Nongsa Digital Park and aeronautical hub offer a fresh lease of life.
- All in all, while the province contributes just 2% of Indonesia’s GDP, its tentative turnaround offers hope that, as much as pandemic threat remains all too real, an economy’s natural, long-term endowments do not go away, and it remains crucial to find the best way to capitalize on them.



Source: OCBC, Bloomberg, CEIC.

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