

The Importance of Border Tourism

Border tourism may sound a little less than glamorous for those destinations used to targeting mainly overseas or international markets. However, it represents an extremely valuable segment on a regional scale.

In fact many lesser-known regions in Asia have been dependant on regional tourism to maintain a flow of goods, services and of course, visitors, for some time. Today, an increasing number of tourism authorities in Asia – and elsewhere – are beginning to acknowledge the importance of border tourism, especially since increasingly high fuel prices are beginning to ‘bite’ in so many ways. Strategies to develop and foster this previously lesser-regarded travel activity are beginning to appear in many smaller nations, such as Brunei, and in city-states, such as Hong Kong SAR, Macau SAR and Singapore, all of which are setting the trend.

Defining border tourism?

Border tourism could be defined as proximity tourism; that is, looking at movements in a relatively restricted geographical space or time. It is not, however, always easy to define where these “border flows” start or finish. One basic measure is the recording of movements between two border points such as Singapore-Johor Bahru (Malaysia); Mae Sai-Tachileik (Thailand-Myanmar) or Shenzhen-Hong Kong SAR. Generally, countries with mostly limited access points turn out to be the most efficient in terms of border tourism.

Myanmar, for example, can provide an exact number of visitors crossing its borders for day trips. Overland entry at any international border crossing is only allowed for Thai, Chinese and Indian nationals. Special day-visit permits, however, can be issued for any foreign traveller at designated checkpoints along the Thai, Indian and Chinese borders. In 2007, Myanmar recorded 175,326 entries as “border tourism” with the southeastern region (bordering Ranong province in Thailand) accounting for 48 percent of these arrivals.

Other countries, such as Vietnam and Lao PDR, also keep data on day travellers and issue one-day visitor permits. In 2006, Lao PDR recorded 337,411 Thai arrivals with a border pass, representing 28 percent of all arrivals to the country (source: Lao National Tourism Administration). Lao travellers with a border pass enabling them to enter Thailand numbered 368,662 in that same year, so these numbers are not necessarily insignificant (source: Lao National Tourism Administration).

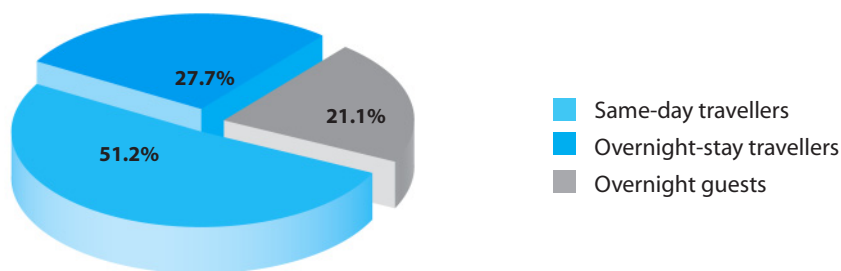
Border tourism can, however, adopt a number of aspects in terms of transportation and/or distances travelled. Consider, for example, visitor traffic to and from Singapore. Cross-border traffic in this case would include travellers to/from both the Indonesian islands of Bintan and Batam, located 45 to 60 minutes away by ferry. In the case of Malaysia, border traffic from Singapore would not only include the neighbouring city destination of Johor Bahru, just across the causeway, but could also extend up to Malacca, some two hours’ drive away by car.

Border tourism would then encompass “excursionists” and commuters – people who will (by definition) not overnight at their destination – but also neighbours with often only a single overnight at their destination. This is especially true when borders close early. For example, Malaysian travellers crossing from Rantau Panjang (State of Kelantan in Malaysia) into Sungei Kolok in Thailand, tend to overnight for the simple reason that the borders close at 10 pm.

Even the “overnight” factor, which normally would differentiate a “tourist” from a “visitor” (the UNWTO defines a “tourist” as a traveller spending at least one overnight and staying less than one year), can include a high number of border travellers. Macau SAR is a good example of this as it distinguishes between overnight travellers and overnight tourists.

According to data from the Macau Government Tourist Office (MGTO), from a total of 22 million inbound arrivals to Macau SAR in 2006, 51.2 percent were same-day travellers. Of the 10.65 million overnight-stay travellers, only 4.65 million (43.7 percent) spent a night in commercial accommodation and would therefore be defined as “tourists”.

Figure 1: International arrivals to Macau SAR, 2006
Of the 22 million visitor arrivals to Macau SAR in 2006, 78.95 are not defined as tourists



Source: Macau Government Tourist Office

Indicators of border tourism

Of course, while many foreign visitors arrive through land or sea gateways, generally speaking, most arrive by air as that mode of transport represents the most convenient and provides the quickest access to a destination. With the rise of low-cost carriers (LCCs), the cost of air travel is also often on a price-parity with many other forms of transportation. A notable exception to the use of air transport as the major means of entering into a foreign destination is Lao PDR. This is largely because of supply – it has relatively limited air connections. Vientiane and Luang Prabang airports represented only 12.6 percent of all tourist arrivals in the country in 2005, leaving little choice to travellers than to enter the country via Thailand.

A large share of arrivals by land or sea will generally reflect a strong influx of neighbouring or border tourism. This is the case for Brunei, China (PRC), Hong Kong SAR, Lao PDR and Myanmar, which all record over 60 percent of all arrivals at land and/or sea borders.

Border visitor traffic is motivated by:

- Work purposes (commuting traffic from Johor Bahru to Singapore, Shenzhen to Hong Kong SAR, Malaysia to Brunei);
- Leisure (China PRC to Hong Kong SAR, Kelantan to Southern Thailand);
- Shopping (Singapore to Johor Bahru or Batam, Thailand to Myanmar);
- Visiting friends and relatives (VFR) (Johor Bahru to Singapore, Kelantan to Southern Thailand). The latter is poised to further grow as trans-border economic, social and cultural developments take place. Johor Bahru and Shenzhen are, for example, rapidly integrating into large metropolitan areas with their respective neighbours Singapore and Hong Kong SAR (see below).

Most countries and regions in Asia are highly dependent on border tourism

As in other parts of the world, border tourism’s importance fluctuates from one country to another. Many factors have to be considered such as:

- Country size;
- Country location and its land access;
- Official requirements to enter the country; and
- International air connectivity.

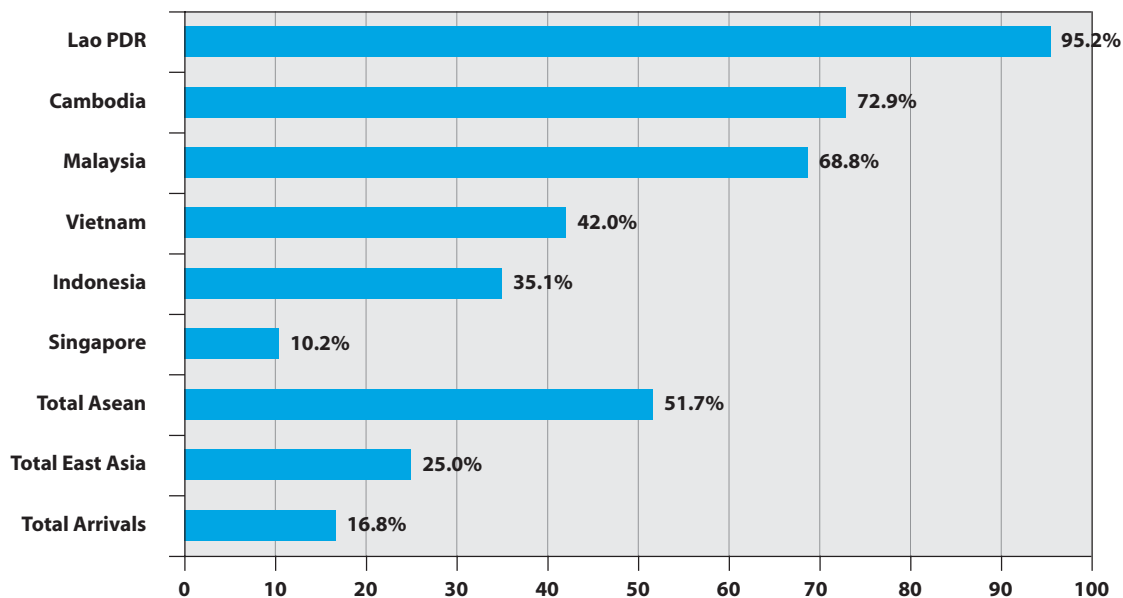
Table 1: Market share of land/sea arrivals for selected countries, 2006

Country	Year	Share of arrivals by land or sea	Arrivals by land or sea for selected markets
Brunei ¹	2003	74.70%	not available
Cambodia ²⁻³	2005	39.75%	<ul style="list-style-type: none"> - Vietnam 83.7% - Thailand 55.3% - Lao PDR 40.6% - Korea (ROK) 35.7% - Japan 13.9%
China (PRC)		86.79%	<ul style="list-style-type: none"> - Macau SAR 99.8% - Hong Kong SAR 98.0% - Mongolia 92.6% - Russia 88.3% - Nepal 67.3% - India 63.7%
Hong Kong SAR		65.84%	<ul style="list-style-type: none"> - China (PRC) 86.0% - Macau SAR 94.7% - Chinese Taipei 43.4% - Philippines 34.1%
Indonesia ²⁻³		42.25%	<ul style="list-style-type: none"> - Singapore 66.5% - Philippines 63.4% - Malaysia 45.4% - China (PRC) 13.5%
Lao PDR ²		87.34%	<ul style="list-style-type: none"> - Thailand 97.5% - Vietnam 95.9% - China (PRC) 78.8% - Cambodia 71.2%
Macau SAR		94.38%	<ul style="list-style-type: none"> - China (PRC) 97.9% - Hong Kong SAR 99.7% - Chinese Taipei 54.1% - Thailand 60.1%
Myanmar		65.37%	not available
Singapore ³		30.68%	<ul style="list-style-type: none"> - Indonesia 62.0% - Malaysia 33.3% - Thailand 25.8% - India 24.9% - Hong Kong SAR 22.7% - Japan 18.9%
Thailand ³		16.83%	<ul style="list-style-type: none"> - Lao PDR 95.2% - Cambodia 72.9% - Malaysia 68.8% - Vietnam 42.0% - India 4.6% - Japan 2.9%
Vietnam ³		24.59%	Not available

¹ 2003 figures ² 2005 figures ³ Tourist arrivals only

Source: National tourism organisations

Figure 2: Tourist arrivals to Thailand by land or sea from selected countries, 2006



Source: Tourism Authority of Thailand

Greater China (PRC), Lao PDR and Malaysia rely especially on border tourism

Neighbouring tourism can represent over 50 percent of all foreign arrivals. According to the Immigration Department of Malaysia, Singapore represented 55 percent of all arrivals in 2006 or 9.66 million travellers. According to Malaysian newspapers, the city of Johor Bahru, located across the causeway from Singapore, received on average in 2006 some 23,500 Singaporean visitors per day. It would then represent 8.3 million visitors a year or 86 percent of all Singaporean arrivals to Malaysia. Arrivals from Malaysia’s four neighbouring countries (Singapore, Thailand, Indonesia and Brunei) totalled 13.55 million in 2006, representing a market share of 77.2 percent.

Lao PDR tourism is also highly dependant on its neighbours (74.5 percent), especially from Thailand (comprising 55.6 percent of all arrivals and 61.6 percent of all land arrivals in 2006). This situation is also due to limited international air connections at the Vientiane, Luang Prabang and Pakse airports. Many travellers consequently access the country via rail, roads or fly up to Udon Thani or Ubon Ratchathani airports on the Thai side.

By contrast, Cambodia, Thailand, India and Vietnam see less than 20 percent of their arrivals from neighbouring countries. This relatively low number is due to the fact that these countries record only tourist and not visitor arrivals. By comparing data, it could be assumed that border traffic would generate a volume of at least eight to ten times more visitors than available figures. For example, official immigration figures show only 3,000 Lao tourists crossing the Friendship Bridge to Nong Khai province in Thailand, while the Lao PDR side recorded 277,298 Lao travellers with a border pass in 2006. Of course, all the countries named have a large share of overseas tourists in their total arrivals.

Brunei is another example of a country where border tourism is important. The Sultanate is almost entirely enclosed within Malaysia and recorded 815,000 foreign arrivals in 2005. However, according to estimates from tourism officials, “real” tourists would represent 110,000 arrivals per year, or 13.5 percent of all recorded entries.

Entries to the country by land represented over 1.3 million in 2003 – as they also include Brunei citizens travelling back from Malaysia – and arrivals by sea of 130,000. 80 percent of arrivals by land can be attributed to Malaysian travellers crossing as workers or same-day visitors.

Table 2: Percentage of arrivals from countries or territories sharing a border with selected destinations in Asia, 2006

Destination	Market share of countries sharing a border in total arrivals
Cambodia	9.57%
China (PRC) ²	82.22%
India ³	19.68%
Indonesia ¹	38.25%
Hong Kong SAR ²	64.74%
Lao PDR	75.84%
Macau SAR ²	92.56%
Malaysia	77.21%
Singapore ¹	26.21%
Thailand ¹	14.81%
Vietnam ¹	19.67%

¹ Tourist arrivals only ² Including arrivals from Chinese Taipei ³ 2005 figures

Source: National tourism organisations

Over 80 percent of China's visitors are from Hong Kong SAR, Macau SAR and Chinese Taipei

Even in a country as large as China (PRC), the analysis of tourist arrivals shows a strong dependence on same-day border tourism. Less than 40 percent of all visitor arrivals are overnight tourists. From a total of 124.94 million arrivals in 2006, 11 countries¹ sharing a border with China (PRC) represented 85 percent of all arrivals by any mode of transport. If air transport is excluded, these 11 countries still reached a combined market share of 82 percent in 2006. "Other Asian countries," as recorded by the China National Tourist Office, totalled close to 865,000 arrivals in 2006, including those travellers from Vietnam, Lao PDR, Myanmar, Bhutan and Tajikistan.

Visitor flows alone from Hong Kong SAR, Macau SAR and Chinese Taipei represent 82.2 percent of all arrivals to China (PRC) and 91.5 percent of arrivals by land and sea. A 2002 study from Michael R. Gallagher of the Shenzhen Institute of Urban Planning and Design assessed that 60 percent of all travellers from Hong Kong SAR to China (PRC) have Shenzhen as their final destination, which would have translated into 44.5 million Hong Kong SAR visitors in 2006. By contrast, mainland Chinese to Hong Kong SAR reached 13.59 million in 2006 or 53.8 percent of all arrivals. Land and sea arrivals from Chinese travellers represented 86 percent of all mainland arrivals in 2006 (source: Hong Kong Tourism Board).

Border tourism is essential to lesser-known regions

Border tourism plays an even more significant role in regions or areas which are lesser known to overseas travellers, generally due to a lack of connections and the absence of significant tourism attractions. Neighbouring tourism thus represents a very significant economic factor. Nong Khai, the Thai city located just across the border from the Lao capital city of Vientiane, is a favourite hang-out for backpackers. In recent years, the city has been turned into an attractive shopping destination for Laotians and the expatriate community, thanks in large part, to the development of shopping malls and hypermarkets.

¹ Tourist arrival figures available for Hong Kong SAR, Macau SAR, Chinese Taipei, DPR Korea, Mongolia, Pakistan, India, Nepal, Kazakhstan, Kyrgyzstan and Russia.

Figure 3: Arrivals by land and sea to China (PRC) from selected neighbouring countries and territories, 2006



Source: CNTO

LC Consulting 01/08

Kelantan, located on the border of Thailand on the east coast of Peninsular Malaysia, has 97 percent of its total visitors coming from Thailand. In Sungei Kolok, Thailand's border town adjacent to Kelantan, the share of Malaysian visitors reaches over 99 percent! Both Kelantan in Malaysia and Narathiwat Province in Thailand remain relatively unknown for average overseas visitors.

In Indonesia, islands such as Batam and Bintan in the Riau Archipelago (Sumatra) are very dependant on their wealthy Singaporean neighbours. Batam Island was designated, for the last 25 years, as an active free-trade zone, including activities such as golf and duty-free shopping. In 2006, of 1.01 million travellers, Singaporeans represented the bulk of all visitors, with a market share of 65.5 percent, followed by Malaysians at 13 percent. In Bintan Island, a mostly tourist destination, Singaporean visitors represent close to 30 percent of all arrivals.

Border tourism as "real tourism": redefining strategies

Strategies to develop border tourism have been largely ignored until recently. Political suspicion and sensitivity still persists on border issues, among all Asian economies.

This sensitivity translates into the absence of relatively flexible entry conditions between most Asian countries. Even today, travel movements in most countries are hampered by:

- The obligation to carry a passport;
- The payment of an entry fee, such as an arrival visa;
- A limited number of border crossing points, often with strict rules in terms of opening hours, private vehicle allowance, etc.

Conditions are improving, however. Bilateral agreements have been signed between some countries, in an attempt to simplify entry conditions. For example, Thailand signed agreements with Lao PDR and Myanmar to implement day passes for locals to cross the border and travel within a designated area. Since 2004, Laotians crossing the border between Vientiane and Nong Khai (Thailand) with a day pass can travel further down to Khon Kaen, 200 km away from the Friendship Bridge checkpoint.

Table 3: Arrival statistics at selected regions per country, 2006

Country	Destination	Total international arrivals at entry point	Market share of neighbouring country arrivals	
Indonesia¹				
	Batam Island (Sumatra)	1,012,711	Singapore	65.60%
			Malaysia	12.93%
	Bintan Island (Sumatra)	325,000	Singapore	29.50%
	– Resort	129,769	Singapore	78.34%
	– Tanjung Pinang			
	Entikong (West Kalimantan)	14,540	Malaysia	84.03%
Lao PDR				
	Friendship Bridge (Vientiane)	582,176	Thailand	73.09%
	Dan Savanh + Dane Savanh	165,360	Vietnam	41.90%
			Thailand	51.44%
	Boten	37,660	China (PRC)	88.73%
Malaysia				
	Sarawak	2,030,162	Brunei	58.20%
	Sabah	750,923	Indonesia	40.43%
	Kelantan	674,004	Thailand	97.12%
	Johor Bahru			
Thailand				
	Sadao (Songkhla)	881,790	Malaysia	82.32%
	Sungei Kolok (Narathiwat)	104,319	Malaysia	88.32%
	Nong Khai	396,045	Lao PDR	55.69%
	Satun	43,163	Malaysia	37.17%
	Aranyaprathet (Sa Kaeo)	325,192	Cambodia	24.04%

¹ 2005 figures

Source: National tourism organisations

Even politically closed Myanmar adopted a greatly facilitated entry policy for designated areas at specific Thai borders. Foreign and Thai tourists can cross into designated areas without securing a visa and can stay for up to seven days in border districts. In 2005, border tourism represented close to twice the number of visitors coming on a visa basis. Border tourism visitors reached 428,000 travellers compared to 232,000 travellers recorded at Yangon, Mandalay and Bagan international airports. DPR Korea recently followed a similar path by allowing limited visits to border areas to travellers from Korea (ROK) and China (PRC).

Finally, grassroots initiatives at local levels, such as Growth Triangle (GT) Regions, contribute to growing border movements. Within Southeast Asia, the establishment of GT Regions such as the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Greater Mekong Sub-region (GMS) or Brunei-Indonesia-Malaysia-Philippines-East Asia Growth Area (BIMP-EAGA) translated into additional entry points, the abolition of departure taxes for travellers within the region and/or lower landing fees at airports.

Block initiatives

ASEAN blueprint 2010 estimates free movements of people and goods

Southeast Asia and China (PRC) have largely contributed to opening up borders over the last decade. In Southeast Asia, opening borders is largely supported by political and economic motivation from the Association of South East Asian Nations (ASEAN), as well as from the GMS.

ASEAN members are now moving to implement borderless free movements for all its citizens from 2010. An open-sky policy will begin this year, freeing air capacities between capital cities in a first step and then between other ASEAN cities later on. Within special trans-border zones designated as Growth Triangles (such as those mentioned above), transport ministries in the ASEAN nations are discussing the introduction of discounts on landing fees for airlines opening new routes. By 2010, ASEAN citizens will then be free to travel and work without borders within the zone, implementing a system similar to that of the European Union.

Small steps advance neighbouring tourism policies between China (PRC), Japan and Korea (ROK)

Political will is one of the main vehicles to move on opening borders. The "Yokoso Japan!" tourism campaign, launched in 2003, with a target of 10 million arrivals by 2010, helped to simplify visa procedures for Asian nationalities. In 2006, Japan abolished the obligation of a visa for nationals of Korea (ROK), allowing stays of up to 90 days in the country. Brunei, Hong Kong SAR, Macau SAR and Singapore are also exempt from visas. Simplified visa conditions have been set up for other Asian countries as well, including China (PRC) visitors travelling in groups. Trilateral talks between China (PRC), Japan and Korea (ROK) on economic investment issues, as well as discussing student and youth exchange programs are the first steps towards a larger integration of the three economies over the next few decades, despite recurrent political tensions.

This policy of small steps is already marked by a strong development of flights between the three countries and a steady growth in tourism arrivals between them. In the longer term, Mongolia and Russia might possibly be included with Siberia acting as Russia's distribution point to Northeast Asia.

Regional initiatives

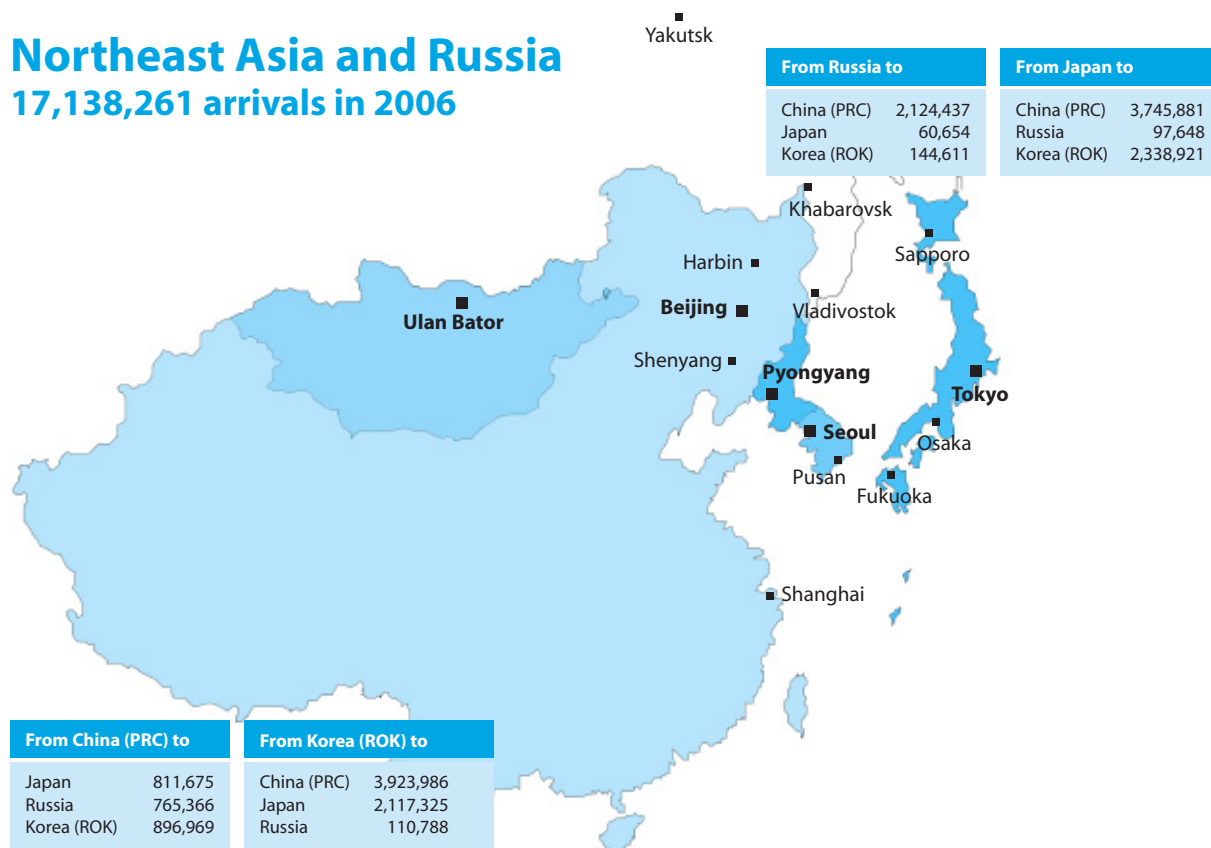
Greater Mekong Sub-region

The Greater Mekong sub-region – comprising Cambodia, China (PRC)'s Guangxi and Yunnan provinces, Lao PDR, Myanmar, Thailand and Vietnam – has so far been moderately successful at attracting tourists from Southeast Asia. In 2006, total arrivals from Southeast Asia represented only 7 percent of all arrivals, compared to 33 percent from Northeast Asia and 22 percent from Europe (source: Mekong Tourism Office). In order to improve access to the various countries, there is now a program supported by the Asian Development Bank (ADB) that looks at developing a network of highways, rail and air links between the various members, including:

- The North South Corridor – which links Singapore to China (PRC) – has been recently completed with its opening in 2008.
- The US\$6.2 million railway extension from Nong Khai in Thailand across the Friendship Bridge into Lao PDR near Vientiane will be open this year.
- Thailand wants to build a new highway along its east coast up to Cambodia.
- Cambodia will invest US\$80 million for a 50 km rail link between Poipet and Sisophon (Thailand).
- The Vietnam Railway Department is conducting a feasibility study for a new rail link between Vietnam and Lao PDR, linking Savannakhet in Lao PDR to the Mu Gia Pass in Quang Binh province in central Vietnam. The project would cost around US\$450 million. Vietnam Railways Corp. also wants to invest US\$527.5 million in building a rail link from Ho Chi Minh City to Phnom Penh.

Figure 4: International visitor movements in Northeast Asia and Russia, 2006

Northeast Asia and Russia 17,138,261 arrivals in 2006



Source: PATA-NTOs

LC Consulting 01/08

- Thailand will finance and build a US\$41 million third bridge across the Mekong River to Lao PDR. The bridge will link Nakhon Phanom town in Thailand with Khammouan in Lao PDR. Construction will start this year and last until 2011.
- The ADB will provide loans totalling US\$1.1 billion to build an access-controlled tollway from Hanoi to Lao Cai on the Chinese border (completion in 2012).

A common visa for the GMS?

Essentially designated for travellers coming outside the sub-region or ASEAN, the common visa has so far only been agreed to by Thailand and Cambodia, but details on the new scheme still need to be revealed to the public. However, it is unlikely that more countries will join the scheme as Vietnam and Myanmar remain reluctant to open their borders to more visitors. If Cambodia and Vietnam agree to follow the ASEAN blueprint for visa-free travel by 2010 for ASEAN citizens, Myanmar will probably apply restrictions. For the China (PRC) provinces of Guangxi and Yunnan – part of the GMS – special facilitating measures will apply, according to Dr. Sasithara Pichaichannarong, Permanent Secretary at the Ministry of Tourism and Sports, Thailand.

Emerald Triangle region

The GMS has been supportive of the “Emerald Triangle” initiative, which includes a coordinated promotion and investment policy for an area comprising the northeastern Thai city of Ubon Ratchathani, Champassak province in Lao PDR and northern Cambodia. The three involved countries decided to intensify their cooperation for promoting travel to the region in 2003 with the “Emerald Triangle Cooperation Framework”. In August 2003, foreign ministers from the three countries adopted the “Pakse Declaration on Tourism Cooperation in the Emerald Triangle”, which set up an Action Plan on tourism development with agreement on joint marketing for tourism products, improvement of tourist attractions and the standardisation of immigration rules and regulations to facilitate the movement of tourists.

Bintan Resort, Southeast Asia's first trans-border resort destination

Bintan Resort Development Corporation was awarded in 1991, the development of an integrated resort complex shared by both governments of Indonesia and Singapore. The resort is located 45 km away from Singapore on the northern shore of Bintan island. Beside obvious economic benefits brought to Indonesia, it was seen in Singapore as a leisure "extension" of the city-state into neighbouring territories. From over 325,000 recorded arrivals in 2006, Singaporean citizens had a market share of 29.5 percent. However, most arrivals come by boat from Singapore Tanah Merah Ferry Terminal, located near Changi Airport. In 2006, ferry services were launched between Batam and Bintan. The new service helped to boost arrivals from Indonesia into Bintan resort from 5.5 percent to 7 percent market share from 2005 to 2006.

According to the resort management, development projects with a combined value of over US\$700 million have been slated for Bintan. There are plans to transform 1,300 hectares of prime beachfront and inland space at Bintan's Lagoi Bay into a resort, recreational, residential and travel focal point. Investments will include lakeside residential units, marinas, food and beverage outlets, entertainment outlets, a "retail corridor" as well as an Indonesian cultural village.

Bintan management clearly states that most of the infrastructure will target Singapore residents and visitors, especially as the integrated resort is now looking at retirement homes, high-end holiday accommodation as well as a three-star holiday property mainly directed at the emerging markets for visitors to Singapore.

According to Asad Shiraz, Director Marketing from Island Leisure International Private Limited, during an interview with a Singapore radio station, future tourism development in Singapore can only benefit Bintan. With the number and quality of visitors improving from the City State, Shiraz projects Bintan visitor arrivals to grow from its current 330,000 per year to about a million by 2012. Both destinations will complement each other with Singapore seen as a sophisticated city destination and Bintan as a "rustic", Indonesian cultural, tropical resort.

Trans-border metropolitan development

Johor Bahru/Singapore

Since Singapore's independence, Johor Bahru and Singapore have so far developed distinctly, with little scope for trans-border cooperation. However, things could change rapidly, despite the fact that Singapore does not want to reveal the number of those crossing at its border points – especially from and to Johor Bahru in Malaysia – for "security" reasons. In 2006, Singapore Tourism Board opened an office in Johor Bahru, a move which underlines its interests for border tourism.

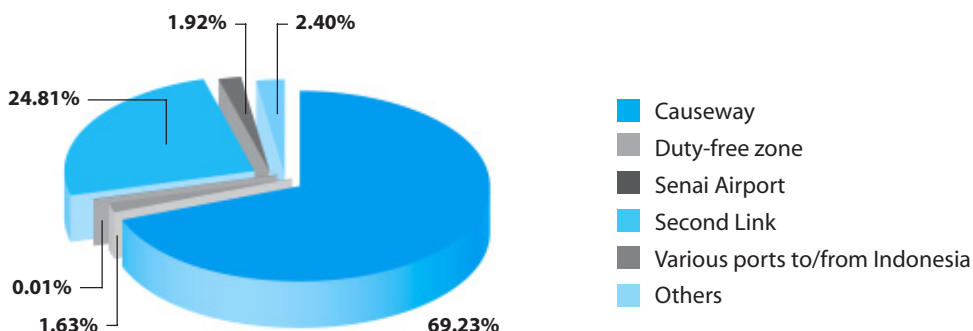
On the other side, Malaysia launched an ambitious investment plan to transform Johor into a premier economic growth area, under the South Johor Economic Region (SJER) or ISKANDAR Development Region. When completed in 2025, the area – 2.5 times the size of Singapore – will be home to some three million people. By then, JB will have a host of tourism products, iconic skyscrapers, a lively waterfront, a Medical Park and education facilities all linked by a fully integrated public transport system. SJER is internationally connected through three ports, two international airports and a world-class highway system within easy reach. Already, over 1,000 investors from Malaysia, Singapore, the Middle East, China (PRC), India, Japan and the United States have visited SJER since launched in late 2006.

Highlights of the South Johor Economic Region (or ISKANDAR Region) are:

- Initial investment to amount to RM 17 billion (US\$ 5.1 billion).
- It will create 800,000 jobs over 20 years.
- It will be the new international address for business, investment, leisure and cultural activities.
- A special passport will be issued, providing free access for foreigners living in Johor Bahru City Centre and around Gelang Patah, near the Second Link. It will entice foreigners, including Singaporeans, to stay in the SJER and travel from there to work in Singapore.
- Johor Bahru City Centre to be turned into a financial district centre.

- Overall GDP is expected to grow from 6 percent to 8 percent in the SJER by 2025.
- Tourism products will include a waterfront similar to Sydney's Darling Harbour. A new water theme park is also due to open by 2010.

Figure 5: Arrivals to Johor Bahru by point of entry, 2005



Source: State of Johor Bahru – Office of Economic Affairs

Another element which could spur integration is the shortage of accommodation in Singapore. For Ashad Shiraz, Director of Marketing of Island Leisure International Private Ltd, the body in charge of Bintan Resort development (Indonesia), the shaping of a Greater Singapore destination for visitors has already started. As Singapore experiences a shortage of low- and middle-priced accommodation, Bintan, Batam and Johor Bahru will start to see a growth in the number of visitors. The settling of foreigners as well as retired Singaporeans in Johor Bahru will certainly increase the integration of both JB and Singapore into one metropolis in the longer term.

Table 4: Johor Bahru market share for select foreign visitors markets into Malaysia, 2004

Singapore	54.4%
Indonesia	22.9%
India	14.8%
Australia	12.6%

Source: Malaysia Tourism

Shenzhen/Hong Kong SAR

With its conversion into a free economic zone in the early 1980s, Shenzhen – previously a fishing village located at the northern border of Hong Kong SAR's New Territories – has been turned into a vibrant metropolis. After becoming Hong Kong SAR's manufacturing base, Shenzhen is now turning into a lower-cost labour, high-tech city. According to the 2002 study from Michael R. Gallagher of the Shenzhen Institute of Urban Planning and Design, an estimated 28,000 Hong Kong SAR inhabitants lived in Shenzhen in 2000. However, recent surveys point that close to a million Hong Kong SAR residents would consider living in Shenzhen within 10 years or would intend to buy property in Shenzhen. High housing prices in Hong Kong SAR make Shenzhen an attractive option for living, especially for the less-affluent segments of Hong Kong SAR's population. Easier transport links will only help to further integrate both cities into one metropolis.

Currently, the most common reasons for Hong Kong SAR residents' trips into Shenzhen are shopping and leisure (31 percent), business (23 percent), VFR (22 percent) and sightseeing (14 percent). People from Hong Kong SAR are attracted again by prices on the Shenzhen side. Leisure activities, such as golf, are also more affordable in Shenzhen. In 2000, Hong Kong SAR visitors spent US\$840 million in Shenzhen.

Open skies are shaping a kind of “border tourism”

For countries with no physical border, such as Australia, Japan, New Zealand and the Philippines, border tourism, as such, does not exist or is represented in very limited numbers (e.g. sea arrivals). However, “neighbouring tourism” can have a strong impact on tourism development in these countries, especially if they embrace an open-skies policy. In fact, by deregulating the market entrance for airlines, these countries will positively influence fares and frequencies and benefit from the additional influx of visitors. Spontaneous travel decisions can be observed when airfares go down.

In 2000, Australia and New Zealand signed an open-skies agreement which turned the trans-Tasmanian route into a “domestic route”. There are no restrictions on capacity, frequency and routes that airlines of the two countries may operate within and beyond the other country and carriers of either country may set up domestic operations in the other country. Australian and New Zealand carriers authorized as Single Aviation Market airlines are able to operate domestic air services within Australia and/or New Zealand.

Today, seven Australian destinations are linked to six New Zealand destinations by nine airlines. Airlines such as Aerolineas Argentinas, Royal Brunei, Emirates and Lan Chile offer flights between Australia and New Zealand in fifth-freedom traffic rights. Strong growth in capacity was seen on secondary routes, especially from and to Brisbane. Air competition reached its peak in 2006, and has since been affected by a consolidation trend. Air New Zealand increased its capacity by 14 percent between 2006 and 2008, however Qantas has sharply reduced its presence by 12.6 percent. However, this trend was balanced by the arrival of Qantas’ low cost subsidiary, Jetstar.

In 2005, over 4 million passengers flew between both countries, with an average annual growth rate of 7.5 percent over the last five years (2000-2005). New Zealand is Australian travellers’ most popular destination. In financial year 2007 (year ended June 07), Australian visitors to New Zealand totalled 37 percent of all arrivals; Kiwis to Australia represented 19.8 percent of all arrivals to Australia in FY 2007. In the last decade, New Zealand visitors to Australia increased by 111 percent and Australian visitors to New Zealand grew by 65 percent.

The recent adoption of an open-skies policy in Japan will allow regional airlines to fly freely to Japan. The country’s air transport position could radically change, given the previous Prime Minister Shinzo Abe launch in May 2007, of the Asian Gateway Initiative, a project aimed to push Japan back in to the heart of Asia, where air transport is given an essential role. Abe’s vision was to construct an international air network linking all Asian countries to Japan through bilateral negotiations, leading ultimately to open skies. In July 2006, a new agreement on air links was signed with China (PRC), where designated airlines increased their frequencies by 116.7 percent compared to 2003.

The government will also push provincial airports to secure more international flights. Airports such as Sapporo New Chitose, Fukuoka, Naha (Okinawa), Hiroshima, Sendai, Niigata and Kagoshima already have a few daily international flights, mostly to China (PRC) and Korea (ROK). The Asian Gateway Initiative sounds like a golden opportunity for those airports. In its study paper on the Initiative, the Japanese government is considering to give immediate permission to any airline wishing to serve secondary airports in a way to boost tourist arrivals, especially with the ongoing “Yokoso Japan!” campaign. The countries most likely to enjoy the benefits of such a policy would be China (PRC) and Korea (ROK), Japan’s closest neighbours.

With well-targeted marketing tools to attract their neighbours, Asian countries will finally be able to diversify their tourism product. Most border tourism is today still focused on “shopping” tourism. As examples, Singaporeans travel mostly to Johor Bahru to buy household goods, food or discount DVDs; Thais visit Tachileik in Myanmar for low-cost Chinese products or Burmese gemstones.

The opening of borders within ASEAN boundaries will help to promote cultural and events tourism. This policy has already been put in place by the Singapore Tourism Board which promotes international-standard events year around. Visitors can even book tickets to concerts, exhibitions and festivals through the Internet. SISTIC, a Singapore booking company, already can take bookings from Indonesia, Malaysia and Thailand. In Hong Kong SAR, Urbtix allows visitors to secure tickets for major events. In the longer term, sophisticated packages for a day trip to a destination could then be established with the possibility of online bookings before the departure.

Table 5: Evolution of seat capacities on selected routes between Australia and New Zealand 2001-2008

	Jan 2000	Jan 2003	Jan 2006	Jan 2007	Jan 2008	Difference Jan 08/00
Australia-New Zealand	91,374	97,531	148,663	144,410	142,406	55.85%
Sydney-Auckland	30,956	35,641	37,941	38,536	38,776	25.26%
Melbourne-Auckland	15,779	12,948	17,163	19,558	19,008	17.56%
Brisbane-Auckland	13,094	15,474	20,272	20,514	20,748	58.45%
Adelaide-Auckland	0	0	1,008	1,844	1,520	1520%
Sydney-Wellington	6,666	7,344	6,952	7,548	7,568	13.53%
Melbourne-Wellington	2,558	3,220	3,752	3,968	3,968	55.12%
Brisbane-Wellington	1,888	948	3,528	3,136	3,128	65.68%
Sydney-Christchurch	10,720	13,280	16,873	15,764	16,068	49.89%
Melbourne-Christchurch	4,164	3,820	6,758	7,314	7,346	76.41%
Brisbane-Christchurch	3,092	1,776	6,586	7,326	7,902	155.56%
Sydney-Dunedin	0	0	1,510	1,192	596	596%
Cairns-Auckland	1,013	936	828	912	1,076	6.22%

Source: SRS Analyser 01-08

Countries must now work hard to make border crossing formalities smoother, to take better advantage of this promising tourism market.



Issues&Trends is published bimonthly for the members of the Pacific Asia Travel Association.

Mr John Koldowski **Editor and Director-
Strategic Intelligence Centre**
Luc Citrinot **Writer and researcher**
Keen Media **Design and layout**

All rights reserved. No part of this publication may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without permission in writing from authorised personnel from the Pacific Asia Travel Association, except by media who may quote brief passages in an article.

Issues&Trends is delivered free to PATA members. Annual subscription (6 editions) for non-members is priced at US\$300. Contact publications@PATA.org

NOTE:

This publication is intended to provide accurate information and includes material from sources considered to be reliable. It is provided with the understanding that the Pacific Asia Travel Association, a not-for-profit organisation, is not rendering any professional services and disclaims any warranty concerning information provided. Statements and opinions expressed in any publications do not necessarily represent those of the publisher or PATA.

The editor and PATA's Strategic Intelligence Centre welcome your comments and feedback. Please contact Mr. John Koldowski via e-mail at johnk@PATA.org