The Riau Islands and cross-border zones

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

From the Batam Authority to the growth triangle

The Riau Islands lie between 6 and 20 kilometres south of Singapore across the Singapore Strait. In the nineteenth century they belonged to the same sultanate as Singapore and supplied its gambier and pepper plantations, as Part A has shown. The modern development of Batam began with Presidential Decree No. 41 of 1973, which designated the island as an industrial area under a development authority, later known as BP Batam. Its declared ambition was to turn Batam into an Indonesian version of Singapore.[1]

The decisive step came from Singapore. In 1989 Deputy Prime Minister Goh Chok Tong publicly proposed a growth triangle linking Singapore, Johor and the Riau Islands, known by the acronym SIJORI. The idea was simple. Singapore had capital, management, infrastructure and access to world markets, but too little land and labour. Johor and Riau had land and labour, but lacked the other factors. A Memorandum of Understanding signed on 17 December 1994 by Lee Hsien Loong, Rafidah Aziz and Hartono formalised the grouping as the Indonesia–Malaysia–Singapore Growth Triangle.[2]

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The free trade zone and the special economic zone framework

The legal framework for Batam has been rebuilt several times. In June 2006 the two governments agreed a framework under which Batam and parts of Bintan and Karimun became a special economic zone linked to Singapore, with tariffs and value-added taxes removed on goods shipped between Batam and Singapore. Law No. 44 of 2007 on free trade zones then provided the basis on which Batam became a free trade zone for seventy years. In 2016 Presidential Decree No. 8 transferred oversight of the zone to the office of the Coordinating Minister for Economic Affairs in Jakarta.[3] The frequent changes reflect a recurring tension between Jakarta, the provincial government and the local authority over who controls the island and its revenues.

Industrial parks, shipyards and data centres

Batam became the industrial annex of Singapore. The first large industrial estate, Batamindo Industrial Park, was opened in 1990 as a joint venture between Singapore government-linked companies and the Salim group, one of the largest Indonesian conglomerates.[4] Electronics assembly and shipbuilding became the main industries.[5] The population of the city grew from a few thousand in the early 1970s to 1,196,396 at the census of 2020, with an official estimate of 1,296,960 for mid-2025.[6]

Singapore remains the dominant investor. In the first half of 2023, foreign investment in Batam reached US$1.2 billion, most of it from Singapore, against domestic investment of US$168 million. The latest wave of investment concerns digital infrastructure. Data centres need land and power, which are scarce in Singapore, together with fast connections to the Singapore network. In July 2026 a 50-kilometre submarine cable linking the Nongsa Digital Park in Batam with Changi was completed. In June 2026 an Australian company announced plans for a 360-megawatt campus for artificial intelligence in Batam, scheduled to start

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

operations in the first quarter of 2027.[7] The financing of such projects, through project loans, infrastructure funds and private credit, is largely arranged in Singapore.

Energy across the strait

Energy has become a further field of cooperation. Singapore plans to import up to 6 gigawatts of low-carbon electricity by 2035, which could cover around 30 per cent of its needs in that year. The Riau Islands, with their land and solar potential, are an obvious source. The Energy Market Authority has run import trials, among them 100 megawatts from Peninsular Malaysia and a 100-megawatt-equivalent supply from a solar farm on Pulau Bulan, near Batam.[8] Large solar projects with battery storage in the Riau Islands require several billion dollars of capital each. They create a market for project finance and green bonds, which Chapter K.II discusses. At the same time they make the energy security of Singapore partly dependent on Indonesian permits and politics.

The agreements of 2022

For decades, two issues troubled the relationship: the absence of an extradition treaty and the management of the airspace over the Riau Islands. An extradition treaty had been signed at Tampaksiring in Bali on 27 April 2007, but neither side ratified it. Ratification was tied to a defence cooperation agreement that the Indonesian parliament refused to approve.[9] Indonesian critics long described Singapore as a refuge for fugitive debtors from the banking crisis of 1997–1998, a charge that Singapore rejected.

The deadlock ended at the Leaders' Retreat in Bintan. On 25 January 2022 the two governments signed a new extradition treaty, an agreement on the realignment of the flight information regions and a renewed defence cooperation agreement. The extradition treaty covers 31 types of offences, including corruption, money laundering, bribery, banking offences and terrorism financing, and it applies retroactively to offences committed up to eighteen years earlier. The three agreements came into force together on 21 March 2024.[10] For the financial centre,

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

the treaty removed a long-standing reputational burden. It also changed the calculation of any Indonesian client who might once have hoped to escape prosecution by moving to Singapore.

Notes

1. Wikipedia, "Batam" (accessed November 2026): Batam lies about 20 km off Singapore's south coast and at least 6 km from it across the Singapore Strait; Wikipedia, "Batam" (accessed November 2026): Presidential Decree No. 41/1973 made Batam an industrial area supported by a development authority that later became BP Batam; the early goal was making Batam "the Indonesian version of Singapore". ↩
2. Wikipedia, "Indonesia–Malaysia–Singapore Growth Triangle" (accessed November 2026): first publicly announced in 1989 by Deputy Prime Minister Goh Chok Tong; Memorandum of Understanding signed on 17 December 1994 by Lee Hsien Loong (Singapore), Rafidah Aziz (Malaysia) and Hartono (Indonesia). ↩
3. Wikipedia, "Batam" (accessed November 2026): a June 2006 framework made Batam, parts of Bintan and parts of Karimun part of a special economic zone with Singapore, removing tariffs and value-added taxes on goods shipped between Batam and Singapore; Law No. 44 (2007) established Batam as a free trade zone for 70 years; Wikipedia, "Batam" (accessed November 2026): Presidential Decree No. 8/2016 moved oversight of the industrial complex from the governor of the Riau Islands to the Coordinating Economic Minister's office. ↩
4. On the founding of Batamindo Industrial Park in 1990 as a joint venture between Singapore Technologies and Jurong Environmental Engineering on the Singapore side and the Salim group on the Indonesian side, see the company history of Sembcorp and Batamindo. ↩
5. Wikipedia, "Batam" (accessed November 2026): shipbuilding and electronics manufacturing are major industries on the island. ↩

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

6. Wikipedia, "Batam" (accessed November 2026): census 2020, 1,196,396; mid-2025 official estimate 1,296,960. ↩
7. Wikipedia, "Batam" (accessed November 2026): in the first half of 2023 foreign investment reached US$1.2 billion and domestic investment US$168 million; most foreign investment came from Singapore; Wikipedia, "Batam" (accessed November 2026): the 50 km Nongsa–Changi Cable linking Nongsa Digital Park with Changi was completed in July 2026, with full operations scheduled for September 2026; in June 2026 Firmus Technologies announced plans for a 360 MW AI campus in Batam with DayOne, operations scheduled for Q1 2027. ↩
8. Wikipedia, "Energy in Singapore" (accessed November 2026): Singapore plans to import up to 6 GW of low-carbon electricity by 2035, around 30 per cent of its 2035 energy needs; the target was raised from 4 GW; Wikipedia, "Energy in Singapore" (accessed November 2026): EMA ran a two-year trial to import 100 MW from Peninsular Malaysia; a 100 MW-equivalent, non-intermittent supply from a solar farm on Pulau Bulan, Indonesia, was also trialled. ↩
9. Cabinet Secretariat of the Republic of Indonesia, "Indonesia, Singapore Sign Extradition Treaty" (setkab.go.id, accessed November 2026): a previous treaty was signed on 27 April 2007 in Tampaksiring, Bali, but never enforced because neither country ratified it; ratification was tied to the Security Cooperation Agreement, which Commission I of the House of Representatives refused to ratify in June 2007. ↩
10. Cabinet Secretariat of the Republic of Indonesia, "Indonesia, Singapore Sign Extradition Treaty" (setkab.go.id, accessed November 2026): signed on 25 January 2022 in Bintan by Yasonna H. Laoly and K. Shanmugam; 31 types of criminal acts including corruption, money laundering, bribery, banking offences, narcotics, terrorism and terrorism financing; retroactive application for eighteen years; "Three landmark agreements between S'pore and Indonesia take effect", *The Star*, 22 March 2024: the agreements "officially came into force on March 21"; the extradition treaty "can be retrospectively applied to crimes committed up to 18 years ago". ↩

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

Disclaimer

This article is provided for general information only. It is based on publicly available sources as at its date of publication. These sources have not been independently verified against licences, regulatory registers or the records of the entities concerned. It is not legal, tax, financial or investment advice. Nor is it a recommendation to invest in, transact with or use the services of any entity mentioned. Law and regulation change frequently, so the content may be incomplete or outdated. To the fullest extent permitted by law, Dr Alexander Ressos and the publisher of SingaporeIQ exclude all liability for loss or damage arising from the use of or reliance on this article. Readers should obtain advice on their specific circumstances before acting or refraining from action.

Names and trademarks of the entities discussed belong to their owners and are used for identification only. Their mention implies no endorsement, affiliation or allegation of wrongdoing. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. Corrections and updates: contact@ressos.com.

© 2026 Dr Alexander Ressos. This article may be quoted with attribution to SingaporeIQ (SingaporeIQ.com). Reproduction in full and any commercial use require prior written consent. The Legal Terms at https://singaporeiq.com/legal-terms apply.

Author contact: Dr Alexander Ressos, TEP · contact@ressos.com