

# Transition of economic structure and demography: The case of tourism gentrification in George Town, Penang

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## Abstract

Gentrification of George Town has begun since 1997 after the revoked of Rent Control Act 1966. The inscription as a UNESCO World Heritage Site in 2008 has unfortunately exacerbated the pace of gentrification in George Town (Lim et al., 2014). With the influx of new capital and investment in housing stock, as well as tourists, gentrification could induce displacement of long-term residents, causing erosion of local culture.

Nonetheless, culture is a powerful driver of local social and economic transition, which could open up many new opportunities. Cultural and creative district has been an important tool in fostering the development of urban centres and revitalising neighbourhoods in decline (Landry, 2000; Scott, 2000), making cities attractive both for entrepreneurs and employers, as well as tourists. For instance, George Town has 3177 businesses, where 660 are new establishments, ranging from hotels and restaurants to arts, fashion, culture and craft businesses in 2013 (Think City, 2014).

We propose that the interaction between local residents in George Town, predominantly overseas Chinese, and tourists, would nurtures creative ideas leading to innovation and entrepreneurial activities. This will enable self-gentrification (Chan et al., 2016a) supporting a broader socio-economic transition of local residents.

*Keywords—World Heritage Site; Cultural Change; Gentrification; Overseas Chinese; Innovation*

## Introduction

The Historic City of George Town is situated in north east of Penang Island located off the coast of northern Peninsular Malaysia. The State of Penang consists of the Penang Island and a piece of land called Seberang Jaya in the Peninsular Malaysia. The historical site refers to the inner city of George Town which was the first British port city in South East Asia. Due to George Town's unique tangible and intangible cultural heritage, the city was inscribed as a UNESCO World Heritage Site on 7 July 2008, with a Core Zone comprises an area of 109.38 hectares (SGP, 2013: 2-20). There is also a Buffer Zone (150.04 hectares) which serves as a layer of protection to the Core Zone.

The capital city was inscribed due to its fulfilment of criteria (ii), (iii) and (iv) of the Outstanding Universal Value. More specifically, George Town's unique cultural asset is a priceless capital that fulfils criterion (iii) of the UNESCO's Outstanding Universal Value where the city prides itself as a *"...living testimony to the multi-cultural heritage and tradition of Asia, and European colonial influences. This multi-cultural tangible and intangible heritage is expressed in the great variety of religious buildings of different faiths, ethnic quarters, the many languages, worship and religious festivals, dances, costumes, art and music, food, and daily life."* (SGP, 2013: 4-1). Thus, recognising the importance of culture has opened up many new avenues and opportunities to capitalise on it (Khoo et al., 2015).

No doubt, ever since its inscription, George Town has undergone tremendous transformation. The process of gentrification has intensified in where the entire city has witnessed the influx of new capital and investments coupled with the presence of new forms of businesses, especially those related to heritage tourism. Although certain quarters, such as local community leaders and heritage advocates, might be disconcerted with the gentrification process but the economic effects of gentrification in the form of spin-offs and growth to the local economy cannot be disregarded. For instance, in the UK, there are viable models of 'culture-led urban regeneration' that positively impact on the physical environment, economy and society (Evans & Shaw, 2004).

### **Population Changes**

George Town comprises of multicultural communities. Whilst the general main groups are Malays, Chinese and Indians, they can also further be divided into smaller communities with diverse ethnic origins (Lim, 2005). But, the State of Penang is with a predominantly overseas Chinese population. In 1970, the total population of Penang State was 776 thousands. The Chinese descendants comprise of 56% of the total population. This percentage has since then gradually reduced to about 40% in 2015. Nonetheless, the absolute number of Chinese descendants is still

increasing, for example, from 437 thousands 1970 to 690 thousands in 2015. The increase is primarily in a number of suburban areas outside of George Town. From 2000 to 2010, for instance, the Chinese population of George Town increased 3.7% in comparison with 12% increase in the Chinese population in the entire Penang. Long-term time series data on population trend within the George Town World Heritage Zone is not available. But reduction of resident within the zone has been suggested by various agencies working in heritage conservation.

### **Transformation of Economic Structure**

In the earlier history of Penang, the Chinese descendant community has also been organised around trade and commerce. Penang has been a key international trading port in the region since it was first founded by the British in 1786. Trade and agriculture were the main economic activities. While the importance of agriculture diminishing (to about 2% of GDP), trade had played a key role even after Malaya independent in 1957. During this period, trade had led to the development in basic infrastructure, communication and other service industries such as banking and legal services. The wealth generated by trade has also contributed to other social development, for instance, about 9% of the population had tertiary education in 2000, which is similar to the level in Italy (NHERI, 2010; OECD, 2017). By 2008, there were 32 tertiary education institution in Penang.

Since the 1970, there was a turn in the economic structure after the adoption of industrialisation strategy. The government began to attract foreign MNCs to build manufacturing facilities in specially designated free trade zones. Over a period of 20 years, the GDP of manufacturing had increased to 40% of the total GDP in Penang. Based on data from the Malaysian Department of Statistics, the manufacturing sector contributed to 44%, in average, of the total GDP from 1990 to 2015. Equally we could see the trend in employment where manufacturing provided 30 – 40% of employment from 1990 to 2015 (data based on Labor force survey report, Department of Statistics, Malaysia). This is also supported by a rapid population growth where the manufacturing activities are. For instance, the manufacturing hub of South West Penang Island experienced a 4% of annual population growth over the past 20 years, comparing to the North East (2%) and George Town (0.85%). The Penang overseas Chinese society have transformed from a tradition trade society and population concentrated in George Town. The traditional social structure such as clan associations has encountered substantial challenges in searching for its roles and identities in the modern industrialised society.

Tourism industry has developed rapidly within and beyond the boundary of the site even prior to the inscription as a World Heritage Site (WHS). Tourist arrival increased from 1.9 million in 1990 to 6 million in 2010 as reported by the Ministry of Tourism Malaysia. Almost every

UNESCO WHS are a significant tourism destination (UNESCO, 2010) as the brand of World Heritage has attracted substantial number of tourists. It has been well regarded as a complementary tool for economic and social development in many local community by many researchers, practitioners, politicians, government bureaucrats and the community themselves (Briedenhann & Wickens, 2004; Ying & Zhou, 2007).

For instance, in the past few years, the site has undergone many changes especially the economic restructuring from household and business services towards tourism. A census did by Think City (2014) in 2009 and 2013 reported that a shift in the structure of the local economy evident in an increase in tourism, hospitality and creative industry aligned services. There were increase of 41 hotels, 47 restaurants/bars, 26 arts, culture and craft business, 21 travel & tourism services and 19 fashion, clothing & textile related businesses. There has also been a significant physical investment that has attracted 660 new businesses. Leveraging on George Town's cultural endowments and industries related to culture will contribute positively towards job creation, income generation and local economic growth.

### **Self-gentrification**

However, there are opportunities, there are threats in the expansion of tourism too. Tourism could contribute to protection and revitalisation of cultural heritage and urban landscape, but might negatively effecting the social fabric of the local community, the economic structural, and thereby forcing the locals to gradually leave the area as they are unable to support themselves with increasing living cost and feel unable to cope with the overwhelming presence and foreign social behaviours of the tourists. They may also succumb to the market tendency to sell their properties as the value raises or to retreat to less expensive area to rent a space. In an extreme case, tourist gentrification is described as "museification" where local resident has been hollow out (Chan et al., 2016b).

In response to tourism gentrification, local residents have also been seen as passive victims needing protection. There is limited literature (e.g. Chan et al., 2016; Ocejo, 2011) discussing proactive responses of residents to utilise the changing environment to their own advantages. Chan et al. (2016) propose the concept of self-gentrification as:

*Under the threat of other forms of gentrification, the long-term residents adopt a proactive approach to become the 'gentry' themselves. As such they are able to benefit from the positive aspects of gentrification whilst avoiding many of the negative effects, particularly displacement.*

**Table 1** summarises the features of these three types of gentrification.

<b>Type of gentrification</b>	<b>Gentrifiers</b>	<b>Nature</b>	<b>Impacts</b>
Gentrifier-led gentrification	Incoming middleclass gentries	Spontaneous and unorganised	<ul style="list-style-type: none"> <li>- Rising living costs, rental and property prices.</li> <li>- Results in slower displacement of long-term residents.</li> <li>- Newcomers might positively contribute to community and organise resistance to further gentrification.</li> </ul>
State-led gentrification	Government / commercial organisations	Large scale, very organised	<ul style="list-style-type: none"> <li>- Rising living costs, rental and property prices.</li> <li>- Intentional social engineering of a locality.</li> <li>- Results in large-scale displacement of long-term residents.</li> </ul>
Self-gentrification	Long-term residents themselves	Slow, requires external support	<ul style="list-style-type: none"> <li>- Improved socio-economic status of local population.</li> <li>- Reduced out-migration compared to other types of gentrification, thereby keeping community intact and retaining local unique culture.</li> <li>- Enhanced collaboration between locals and newcomers.</li> </ul>

Source: Chan et al., 2016a

We have witnessed the city attempt to face up this challenge by developing its creative and cultural sector. The creative industries act as providers of cultural amenities and services that make certain cities attractive for innovative entrepreneurs and employers, and as a tourism destination. Culture acquires the potential to become a powerful driver of local social and economic development through the production and consumption of cultural amenities. We have also seen the willing exchanges occurred during the interaction between the local residents and the tourists. The exchange of local resident and tourist is nonetheless beyond solely an economic transaction, notably in the case of artists who painted street arts in Penang.

Cultural clusters are becoming an important tool of urban planning for fostering the development of urban centres and revitalising neighbourhoods in decline (Landry, 2000; Scott, 2000). An industrial cluster (Porter, 1990) is a geographical co-location of firms from the related sectors along the value chain - that collaborate and compete with one another, and have links with other local and national actors. Cultural cluster is a geographically co-location of “networks of interdependent entities defined by the production of idiosyncratic goods based on creativity and intellectual property” (Santagata, 2002:11). Further, the concept of “Tourist Cultural Cluster” describes a “mighty conglomeration of natural, historical and social resources” in which “amenities and cultural experiences are integrated into the tourist space” (Ghafele & Santagata, 2006:4).

### **Discussion**

From the above reflection, it is evident that trade, industrialisation, and tourism in context of increasingly globalizing world are all leading to a change in culture. Rapid globalisation has increased the rate of cultural change. Departing from the view that cultures as essentially static (Tylor, 1881; Morgan, 1877), Boas (1911) has emphasised on the role of cultural borrowing, through which cultural traits and artefacts spread culture between societies, and thereby contributes to on-going changes of culture as it diffuses. Another explanation of cultural change is that it emerges from the on-going adaptation to its environment (Steward, 1955). As such, it is possible to predict how a society will transform over time in response to specific changes of environmental conditions. Therefore, the George Town society could seize upon the opportunities arise from this wave of tourism grow to develop a strong creative and cultural sector, building on innovative mind-set and skill as well as creative entrepreneurship, that would transform again the economic structure for long-term sustainability.

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