

RSOG Leadership Forum:
“Revisiting Regional Development in Malaysia”
with
YBhg. Tan Sri Dr Sulaiman Mahbob
Chairman, Malaysian Institute of Economic Research

When : 11 April 2013
Where : Razak School of Government
Who : YBhg. Tan Sri Dr Sulaiman Mahbob

About The Forum

Regional development came to the fore in the Second Malaysia Plan where there was a centralised effort to reduce income disparity. It was further emphasised in the Third Malaysia Plan, having a dedicated section that explains the need to bring closer integration among the States of Malaysia. This effort is done through redressing economic and structural imbalances among the regions within the country. In achieving this, strengths of each region were identified to initiate agriculture and industrial development in the less developed States.

40 years on, this model of regional development has been further refined as the economy becomes more sophisticated. In the focus on generating wealth were more towards developing agricultural industry; now the discovery of oil, developing k-economy, and luring foreign investments is added to the dimension. Recognising that regional development is here to stay, the Razak School of Government organised a timely Leadership Forum by Tan Sri Dr Sulaiman Mahbob entitled “Revisiting Regional Development in Malaysia” on 11 April 2013.

Summary

Tan Sri Dr Sulaiman provided the basic theoretical background as a foundation of discussion. Economic activity takes space or location which then develops into towns and cities. Resources and production can be concentrated spatially, often at a river mouth or junction of roads where it serves as a central meeting point. This location will then develop into a marketing or growth centre due to its location, policies implemented and forces of agglomeration and dispersion. There is a hierarchy of cities in the urban system, highly dependent on concentration of people and activities. Economic service and functions tend to collate with population size, as such, complex functions such as finance

tend to be located in big cities whereas simpler functions such as tailoring and eateries are found even in smaller towns. Eventually, regional differential is determined by a balance between agglomeration force and the dispersion force in concentrated cities.

Post-independence, Malaysia saw concentration of economic growth in the Klang Valley region and in Pulau Pinang, with urban-rural economic disparity and high incidences of poverty in Kelantan, Kedah, Terengganu, Perlis, Sabah and Sarawak. As such regional planning was introduced to reduce inter state and regional economic and social disparity. It was also to address trends on cities around the world – the growing urban primacy (primate cities – high population cities filled with squatters and low or little economic growth). Policies of regional development began in the New Economic Policy (NEP) Era in 1971 to 1990, initiated by the late Tun Abdul Razak Hussein Al-Haj. It was the starting point where the Federal Government shouldered the responsibility in ensuring that its member States are provided with the opportunity for equitable growth.

Regional development took place throughout 1971 to 1990 using the approach of growth centres and integrated agricultural development (FELDA, FELCRA and RISDA). Creation of Regional Development Authorities (DARA – Pahang Tenggara, KEJORA – Johor Tenggara, KESEDAR – Kelantan Selatan, and KETENGAH – Terengganu Tengah) was aimed at bringing investments and generating jobs in regions with low income and high unemployment. It was also to create a planned spatial system that involves setting of settlement, creation of towns with infrastructure and utilities, with the added value of private investments in forms of industries and plantation.

1990 onwards there was greater emphasis on economic modernisation rather than regional development. This is evident with economic projects became more concentrated in the Klang Valley with projects such as the Dayabumi Complex, the Light Rail Transit (LRT), the Petronas Twin Tower, Putrajaya and Kuala Lumpur International Airport (KLIA). Privatisation policy is also pursued, with plenty of private sector initiated projects around urbanised regions of Selangor, Pulau Pinang and Johor. Developments outside the Klang Valley were solely a response to sectoral development, such as health and education, instead of regional development initiatives. Rationale for this approach was that the 1985/86 economic crisis led to a reduction in government revenue and cut in public expenditure, requiring targeted and concerted effort in overcoming the crisis.

The Federal Government then attempted to readdress regional development, as it saw that economic growth and development remain concentrated in the Klang Valley, Pulau Pinang and Johor. This was done through the introduction of five regional development corridors – Iskandar Malaysia, East Coast Economic Region or ECER (encompassing Kelantan, Terengganu and Pahang), Northern Corridor Economic Region (NCER) consisting of Perlis, Kedah, Pulau Pinang and Perak, Sarawak Corridor of Renewable Energy (SCORE) and Sabah Development Corridor (SDC). The aim of each corridor is to leverage on its regional strengths, some anchored by well-performing states. For instance, Pulau Pinang will be the anchor of growth of the NCER, whereas the Eastern Corridor's growth is to be anchored on oil and gas and tourism.

As it stands, among all the regional corridors, Iskandar Malaysia has shown significant results in terms of private investments such as the opening of Legoland and the development of universities and international schools. Its close proximity to Singapore can be construed as the primary factor behind the good performance as it takes advantage of its investments, tourism and services industry (such as finance and education). In the current administration, the focus is on growth in urban conurbations as seen in strengthening Greater Kuala Lumpur Region.

Issues Raised

1. The success of Iskandar Malaysia will lead to further integration of Singapore's economy with the southern part of the country. It will open up new economic opportunities in West Coast of Johor.
2. Issue of regional disparity will emerge and requires the federal to understand and identify when and where intervention is needed. The lack of success in the East Coast region needs to be relooked and appropriate policy intervention needs to be employed in addressing this. Evidently, disparity between states are not good, especially more so when looking from the political economy perspective.
3. Economic growth is still concentrated in Selangor, Johor, Pulau Pinang and the Klang Valley region despite all the regional development approaches. However, southern parts of Selangor, Melaka and townships in Negeri Sembilan seem to gain from the spill over effect of shifting government administration to Putrajaya and the development of KLIA.
4. Whilst economic indicators are useful in planning as well as measuring performance, policymakers are encouraged to look beyond the numbers.
5. Regional development's objective is to create and redistribute economic opportunities, thus its overarching aim is equity. On the other hand, the emphasis on modernisation is seen as a drive towards efficiency. It can be interpreted that the current approach Malaysia is experiencing is a balance between efficiency and equity.

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