

INDUSTRIALIZATION AND GLOBALIZATION: IMPACTS ON REGIONAL DEVELOPMENT IN MALAYSIA

Jamalunlaili Abdullah¹ and Norhaslina Hassan²

¹*Faculty of Architecture, Planning and Surveying, MARA University of Technology, Shah Alam, Malaysia*
e-mail: bota65@yahoo.com

²*Urban Studies and Planning Program, Faculty of Arts and Social Sciences, University of Malaya, Kuala Lumpur, Malaysia*
e-mail: nhaslina@um.edu.my

ABSTRACT

During colonial period in Malaysia (before 1957), most of economic development that relied on resource exploitation of tin and rubber occurred along the growth corridor of the west coast of Peninsular Malaysia. It led to regional development disparities. During the 1960s and 1970s, the Malaysian government embarked on regional development initiatives that strived to achieve a more equitable regional development among regions of the federation. A number of regional development authorities were set up with the purpose of bringing economic development to backward regions such as the southeastern, northern and East Coast parts of the Peninsular. Lands were opened up in these areas for agriculture based development. These initiatives were relatively successful in reducing regional development disparity in Malaysia, albeit a modest one. The rapid industrialization and privatization policies of the government since the mid 1980s, however, seemed to have reversed the gains made in reducing regional development disparity through earlier policies. Investments from multinational companies tend to favor industrial locations in more established urban areas located in west coast of the Peninsular. Many of the regional development authorities set up in the 1960s and 1970s were disbanded in the 1990s. Globalization since the 1990s has exacerbated this phenomenon and caused regional development initiatives of earlier period to lose momentum and focus. As a result, development disparities had increased again since the 1990s.

Introduction

Economic growth during the colonial period (before Independence of 1957) tended to be located in the West Coast of Peninsular Malaysia due to the location of tin mining and rubber plantations in this region. Infrastructure developments, main settlements and ports were also located here to serve the economic interests of the British. Most migrants from China and India who came to then Malaya for economic opportunities tended to locate in this developed region. As a result the northern (with the exception of Penang), and eastern regions of the Peninsular where majority of the people were Malays lagged behind in economic development. Regional development disparities were rather profound then.

Regional Development Policy And Programs In Malaysia

The racial riot of 1969 pointed out to the dire need for changing concept of development that was previously growth oriented in Malaysia. The event was an ultimate societal reaction to the state of imbalance that prevailed in the country from the period of colonial rule up to the end of 1960s. According to Kamal Salih (1981), such imbalances were the product of the historically determined pattern of incorporation of the Malaysian economy into the world

system, and the state intervention in promoting various interests, colonial and post colonial in the country's development. The Second Malaysia Plan (Malaysia 1971) identified three types of economic imbalance:

1. Income imbalance between economic sectors, location and races
2. Imbalances in employment between location and races and
3. Imbalances in the ownership and control of wealth

Table 1 shows clearly that the poorest four states in 1970 were the northern states of Terengganu, Kelantan, Perlis and Kedah which registered the lowest GDP per capita. These states had amongst the highest concentration of the Malays whose majority worked in small scale traditional farming and fishing. The rich states, on the other hand, were located in the west coast of Peninsular Malaysia with relatively even distribution of racial composition. The economic activities in these states (i.e. Negeri Sembilan, Selangor, Perak and Pulau Pinang) were commerce, industry, mining and plantation mainly for export purposes.

Perhaps the most central argument for intervention in the sense of region is that regional boundaries tend to coincide with most economic, social and institutional spheres in Malaysia. Precisely because of the overlay of the disadvantaged groups, namely the Malays who are poor, of the Islamic belief, engaging in the low paying traditional sector, with the lagging regions that prompted the government to "plan" for the growth of the economy in the attempt to move towards greater social justice and equity. This attempt has been translated into an attack on regional disparities.

Responsive to the situation at hand, the New Economic Policy (NEP, 1970-1990) was launched in 1971 which charted clearly the long term development objectives of the country based on the concept of growth with distribution. Broadly, the NEP seeks to eradicate poverty irrespective of race and restructure Malaysian society so as to eliminate the identification of race with occupation and geographical location. The regional development approach was adopted in order to better achieve the distributive objectives of NEP through a rapidly growing economy with export oriented manufacturing as the key growth sector. The strategy was to disperse growth benefits more widely than the more developed regions and concurrently, surplus manpower from the low productivity traditional farming in the poorer regions of the north to higher value-added activities in the frontier zones via an explicit urban-regional strategy (Kamal Salih and Young, 1988).

In Malaysia the goals of regional development in the early years can be summarized as follows (Johari Mat 1983):

- To reduce excessive rural-to-urban migration, especially migration from depressed areas to already congested core regions of Kuala Lumpur - Klang Valley
- To revive and strengthened agricultural and industrial development in the lagging regions, particularly through the strategy of in-situ rural development
- To redirect new development and growth to less developed regions of the country. This would have the effect of redistributing opportunities and facilities throughout the country.
- To urbanise and industrialise rural and agricultural areas. New physical design of settlements and townships, as well as new administrative organizational procedures has been introduced.
- To resettle and rehabilitate selected frontier areas which were previously breeding grounds and infiltration routes of communist dissidents. Such strategy would help to integrate previously neglected peripheral regions with mainstream national life and activities.
- To affect greater emphasis on urban growth which will be integrated with overall national regional development and new growth center strategy.

Table 1: Gross Domestic Product by Industry State and by Industry of Origin, 1970, 1990 and 2000 (RM million in 1978 prices)

Sector		Kedah ¹	Perlis	P. Pinang	Perak	Kuala Lumpur	Selangor	Melaka	N. Sembilan	Pahang	Kelantan	Terengganu	Johor
Agriculture, forestry and fishing	1970	426.3	-	155.0	486.2	-	399.4	105.4	181.9	224.0	139.6	100.8	489.6
	1990	1,331.0	208.0	189.4	1,984.4	0.0	1,034.9	304.3	691.6	1,298.7	501.1	535.5	2,502.5
	2000	1,845.9	293.0	209.4	2,682.0	0.0	1,225.1	334.7	853.6	1,873.2	793.9	644.3	3,460.1
Mining	1970	4.0	-	1.1	301.7	-	154.6	0.2	2.4	55.0	0.4	34.6	26.9
	1990	17.4	3.0	26.2	486.2	17.4	300.8	4.7	13.6	69.9	18.4	3,440.4	59.2
	2000	15.7	3.0	21.6	304.0	13.8	204.2	3.5	9.8	63.7	20.6	4,524.4	49.0
Manufacturing	1970	46.5	-	101.2	142.4	-	586.0	19.8	75.9	38.5	17.9	12.4	166.7
	1990	702.4	134.7	2,667.7	1,393.2	1,776.7	7,855.4	631.6	849.3	545.6	228.1	450.9	2,386.5
	2000	2,976.7	382.5	4,996.9	3,880.5	2,916.8	19,874.8	1,652.8	2,249.5	2,014.7	749.4	1,844.3	8,193.1
Construction	1970	37.2	-	45.9	39.8	-	172.4	4.8	27.6	11.5	19.2	4.8	24.2
	1990	101.6	6.5	170.0	193.6	544.7	460.5	59.5	76.8	114.7	75.1	129.0	261.6
	2000	243.3	16.0	253.5	346.8	738.7	791.5	148.8	146.7	446.3	221.2	265.7	588.7
Utilities	1970	6.5	-	24.8	59.0	-	78.7	8.3	11.1	5.6	4.0	1.6	23.9
	1990	65.7	10.9	116.4	176.2	290.3	175.7	48.2	75.0	89.3	50.7	70.5	131.5
	2000	219.0	23.3	222.8	441.8	514.0	406.4	127.0	185.5	289.4	180.9	219.1	402.0
Transport, storage and communication	1970	26.4	-	59.6	66.4	-	183.1	15.7	31.8	25.5	25.0	10.1	70.6
	1990	187.6	20.4	648.2	383.1	593.5	1,420.5	138.7	128.5	248.7	143.3	133.3	681.8
	2000	511.3	58.4	1,387.1	953.7	1,308.4	3,173.7	333.4	309.3	817.4	398.7	376.0	1,887.4
Wholesale, retail, hotel and restaurant	1970	41.7	-	212.5	187.7	-	443.1	77.5	45.4	36.9	35.6	17.2	130.1
	1990	158.0	6.3	730.9	754.3	2,577.9	4,418.7	258.9	140.7	379.5	238.0	86.5	685.4
	2000	370.0	14.7	1,531.2	1,683.4	5,527.1	3,177.4	524.9	336.9	852.6	583.3	225.4	1,892.6
Finance, insurance, real estate, business and dwelling	1970	56.8	-	77.1	114.2	-	220.6	27.3	33.7	40.3	29.6	27.8	84.3
	1990	412.6	54.8	540.4	764.6	2,243.5	719.8	234.7	260.5	344.4	327.1	214.3	803.3
	2000	892.2	114.4	1,114.8	1,611.0	4,599.0	1,552.3	499.2	544.0	725.4	710.2	464.2	2,017.2
Government services	1970	46.1	-	34.0	83.0	-	280.9	36.9	43.4	46.0	28.4	21.2	89.4
	1990	534.0	97.1	562.8	895.2	1,528.8	927.6	266.4	363.5	569.3	452.4	364.0	870.2
	2000	846.2	150.9	843.2	1,339.3	2,343.8	1,355.0	382.1	549.0	893.6	716.8	565.8	1,337.1
Other services	1970	51.8	-	83.5	117.8	-	217.9	38.6	36.5	28.7	29.9	18.6	88.2
	1990	91.0	21.9	142.7	105.4	470.3	347.2	27.0	49.6	84.3	25.1	41.5	127.1
	2000	178.4	44.3	270.3	199.5	922.5	749.5	53.4	91.1	175.5	53.4	70.3	266.3
Total	1970	743.3	-	794.7	1,598.2	-	2,736.7	334.5	489.7	512.0	329.6	249.1	1,193.9
	1990	3,601.3	563.6	5,794.7	7,136.2	10,043.4	14,661.1	1,973.9	2,649.1	3,744.4	2,059.3	5,465.9	8,509.1
	2000	8,098.7	1,100.5	10,850.8	13,442.0	18,884.1	32,509.9	4,059.8	5,275.4	8,151.8	4,428.4	9,199.5	20,093.5
GDP at purchaser's value	1970	n.a	n.a	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	1990	3,554.2	556.2	5,718.9	7,042.9	9,911.8	14,469.4	1,948.2	2,614.5	3,695.4	2,032.4	5,394.4	8,397.8
	2000	7,696.6	1,045.9	10,312.0	12,774.6	17,946.4	30,895.7	3,858.2	5,013.5	7,747.0	4,208.5	8,742.7	19,095.8
Population	1970	1,117.0	-	805.0	1,629.0	-	1,693.0	419.0	500.0	525.0	712.0	421.0	1,326.0
	1990	1,366.9	187.1	1,159.0	2,098.1	1,302.8	2,206.5	543.1	683.7	1,127.3	1,168.6	757.2	2,108.6
	2000	1,666.1	231.6	1,357.8	2,403.1	1,600.5	2,987.4	635.3	815.8	1,460.3	1,480.0	1,011.0	2,670.2
Per capita GDP (RM)	1970	665.4	-	987.2	981.1	-	1,616.5	798.3	979.4	975.2	462.9	591.7	900.4
	1990	2,600.2	2,972.9	4,934.4	3,356.8	7,608.1	6,557.6	3,587.0	3,824.0	3,278.1	1,739.2	7,124.2	3,982.7
	2000	4,619.5	4,515.8	7,594.7	5,315.9	11,213.0	10,342.0	6,073.1	6,145.5	5,305.1	2,843.6	8,647.6	7,151.4
Ratio to Malaysian average	1970	0.67	-	0.99	0.99	-	1.63	0.80	0.99	0.98	0.47	0.60	0.91
	1990	0.59	0.68	1.12	0.76	1.73	1.49	0.82	0.87	0.75	0.40	1.62	0.91
	2000	0.67	0.66	1.10	0.77	1.63	1.50	0.88	0.89	0.77	0.41	1.26	1.04

Source: Malaysia 1991

- Notes:
1. Figures for 1970 include Perlis
 2. Figures for 1970 include the Federal Territory of Kuala Lumpur
 3. Figures for 1970 are based on 1970 prices
 4. Includes the Federal Territory of Labuan

Towards realizing these objectives, various urban and regional studies were undertaken in the first few years of the Plan (NEP) period. These served as a comprehensive basis for the formulation of regional master plans for some specific regions that also contained the strategies for their phased development. This includes plans for the development of the resource rich regions for agriculture and forest based industries such as Pahang tenggara and Johor tenggara, and the development of the rapidly urbanizing and industrializing regions of the Klang Valley, Penang and South Johor. Other studies conducted were to identify opportunities for the development of already developed areas but which offer opportunities for urban growth, industrial development, modernization of agriculture and development of new natural resources.

Various regional development authorities (RDAs) were also established in order to implement these plans. Among them are Jengka Triangle (JENGKA), Pahang Tenggara Development Authority (DARA), Johor Tenggara Development Authority (KEJORA), Terengganu Tengah Development Authority (KETENGAH), Kelantan Development Authority (KESEDAR), Kedah Regional Development Authority (KEDA) and Penang Regional Development Authority (PERDA). The implementation of programs and projects devised in the various plans and studies constituted the major regional planning efforts in Malaysia starting from the second half of the 1970s. Regional development strategy up to 1990 at least was seen as containing two parts; on the one hand, it is a continuation of the already instituted land development scheme and on the other, the development of an integrated system of growth centers. The strategy was thus, to accelerate industrialization and its dispersal based on urban-regional-national interactions (Kamal Salih 1988).

Regional Disparities In Malaysia

The significance of regional policy evaluation in Malaysia is based on four reasons (Kamal Salih 1988): first, Malaysia being one of the pioneer countries in ASEAN to incorporate the concept of regional spatial development into national development; second, the importance of the New Economic Policy (NEP) which after 1970 permeated every aspect of development planning in the country, and the emphasis given to regional development as a means to overcome disparities between races and regions; third, based on the fact that Malaysia was one of the earlier Asian countries to experiment with the growth pole strategy; and fourth, much resources had been spent on regional development projects. Indeed regional policy as an instrument aimed at better achieving the distributional objectives of NEP need to be evaluated especially after the termination of the NEP and basis for formulating regional policy in the post NEP periods.

There was much interest earlier on, in assessing the effectiveness of Regional Development Authorities (RDAs) in promoting decentralization especially in establishing new townships in the frontier zones. Kamal Salih and Young (1988) for example, argued that the bulk of the new townships that were built (30 out of 36 planned towns by 1985) were under populated, have economic base that is too narrow and did not contribute significantly towards the betterment of the populace within. There seemed to be a lack of integration between the plans of the towns at the national level. The RDAs were also beset by management problems.

Recent contribution to the study of the effectiveness of regional policy was by Ibrahim Ngah (1993) who investigates the process of business development in RDA's new townships of the

Johor Tenggara Regional Development Authority (KEJORA). The study reveals that the large capitalist enterprises have dominated the development of productive activities in these new towns; they are owned and controlled by the state and foreign capital, and whose bases are furthermore, in capital cities.

Norhaslina, Fauza and Rosilawati (2006) set out to establish the dynamics of regional disparities in Malaysian districts for the period of 1970-2000 using factor analysis. The results were then mapped using Geographic Information System (GIS). A total of 25 indicators covering demographic, economic, social and infrastructural development of the states in Malaysia were factorized in the analysis. The indicators were:

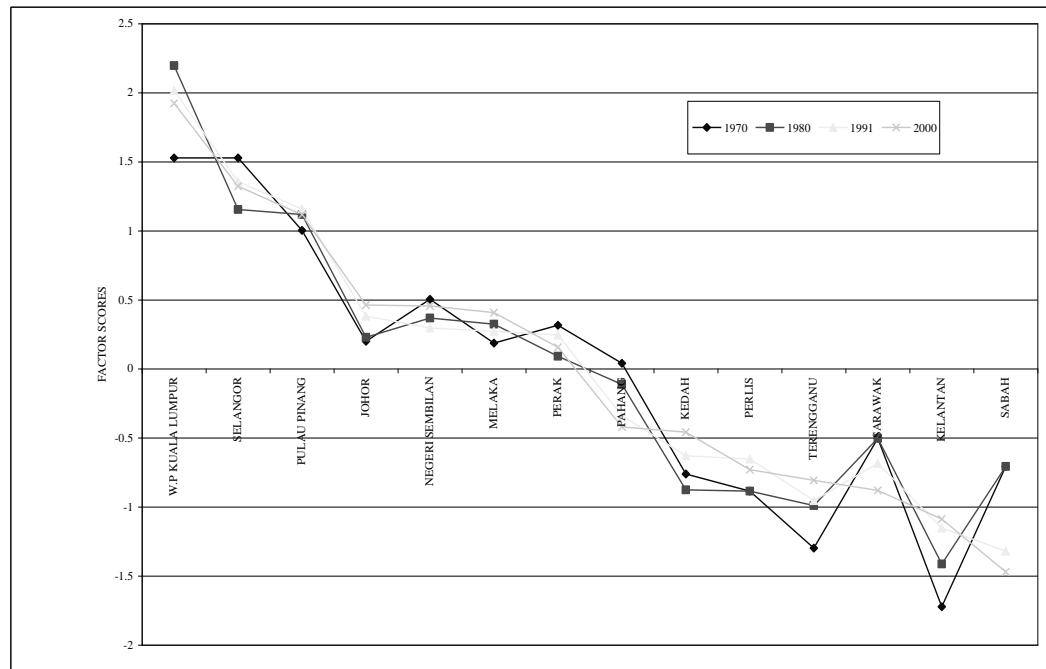
- Population density
- % Malays in population
- % Chinese in population
- % Indians in population
- Number of motor vehicles per 1000 person
- Number of motor cycles / scooters per 1000 person
- % of living quarters with electricity
- % of living quarters with piped water
- % of living quarters with toilet facilities
- Average number of persons per household
- Mean monthly household income
- Gross domestic product per capita
- Infant mortality rate
- Persons per registered doctor
- Urbanization rate
- Employees in labour force
- Manufacturing employees per 1000 people
- Literacy rate
- Teacher student ratio - primary school
- Teacher student ratio - secondary school
- Incidence of poverty
- Telephone per 1000 people
- Road development index
- Capital investment in manufacturing (RM million)
- Indexed crime

Figure 1 shows the trend in regional development disparities in Malaysia by tracking shifts in factor scores of the states for the period of 1970 to 2000. Shifts in the rankings are expressed by increases or decreases in factor scores for the period of study; an increase indicates progress in the given region, whereas regions with reduced factor scores have lost ground. The figure indicates that no substantial change in regional development between 1970 and 2000 can be directly observable. Factor scores remained relatively stable for the thirty year period and it would seem that while there were fluctuations in the socioeconomic performance, the changes were not significant enough to have lifted the lagging states especially beyond the average. In 2000, Wilayah Persekutuan Kuala Lumpur, Selangor and Pulau Pinang had the highest socioeconomic development as measured by their associated factor scores whereas Sarawak, Kelantan and Sabah ranked the lowest.

A detailed analysis of inequality in Malaysia revealed that the variations and gaps in development were more pronounced at the district level (smaller units than the state level (Zainul Bahrin 1987). The development patterns and Gini indices among 64 administrative districts of Peninsular Malaysia pointed out that the spatial inequality that prevailed in 1970 basically remained unchanged, with urban districts benefiting more from development than their rural counterparts. Similarly, districts in the west coast states were demonstrated to fare better than those in the east coast states.

Figures 2 and 3 clearly demonstrate the stability of regional development pattern that was observed in 1970. The New Economic Policy (NEP) planning period during 1970-1990 which saw major regional planning instruments being put into place have produced only modest results. More importantly, development in the post NEP periods (1990 until currently) have tended to occur in the already developed districts along the west coast of Peninsular Malaysia. The lagging districts of

Kelantan, Terengganu and the interiors of Perak and Pahang have not improved their socioeconomic achievements despite the overall national development.



Source: Norhaslina, Fauza and Rosilawati 2005

Figure 1: Factor Scores in 1970, 1980, 1991 and 2000 for the states of Malaysia

The lack of progress in reducing regional development disparities can be partly traced to the industrialization, privatization and modernization of the economy policies implemented during the Mahathir's era (1981-2004) as a response to globalization. It was no coincidence that during the 1990s, many of regional development authorities were disbanded and the private sector became the main engine of economic growth of Malaysia since the mid 1980s.

Industrialization, Modernization and Privatization During Mahathir Era (1981-2004)

After the recession of 1985-86 brought about largely by the collapse of global prices of Malaysia's main exports, namely, tin, rubber and palm oil, the Malaysian government embarked on a modernization drive to shift the reliance of the economy to that on manufacturing. This policy proved fruitful as foreign investors came in droves to set up manufacturing plants in Malaysia, driven in part by the Foreign Investment Act of 1986 and the relatively low labor cost in Malaysia. Foreign investments were led by Japan which was then at the peak of its economic development in the mid- to late 1980s.

During the early part of export-led industrialization of the 1970s, the area of focus was on the processing of commodities -- the older (rubber and tin) as well as the new (palm oil, timber and petroleum). Since the processing was done near the source of the raw materials, workers tended to live in rural areas as well. Emphasis on resource-based manufacturing had led to the opening of new land and development especially under Federal Land Development Authority (FELDA), which resettled a great number of the population from one rural area (mostly along the rivers) to another (mainly in the newly opened hinterland). Thus, the rural landscape of Malaysia remained rural throughout the 1970s and 1980s. Most of these new land developments were in the economically backwards regions where the government also provided capital for the development of new towns in

the hinterland. To some extent, these regional development strategies had narrowed the development disparities among regions.

The recession experienced by Malaysia in 1985-86 due to the collapse of the global market for main commodities, specifically tin, rubber and palm oil, forced the Mahathir administration to switch from resource based to non-resource based industrialization. Manufacturing plants supported by foreign capitals, mostly Japanese, Taiwanese and Americans, were set up in many newly opened industrial estates.

As a result, migration from rural areas to urban areas to seek employment in manufacturing sector gained momentum in the late 1980s and in the 1990s. This shift is reflected in terms of the employment distribution of Malaysia. As Table 2 indicates, the percentage of the labor force employed in the primary sector had decreased from 61 percent in 1957 to only 16 percent in 2000. On the other hand, the percentage of workers who are employed in the sectors associated with urban areas, i.e. the secondary and tertiary sectors, has increased tremendously during the 43-year period. Leading the growth is the manufacturing sector, which increased significantly from only 6.4 percent of the labor force to 47.6 percent during the same time period. Another notable increase is that of wholesale and retail trade and hotel and restaurant, another urban based activity, which accounts for 17.1 percent of the labor force. The construction sector accounts for another 8.1 percent of employment.

In terms of total employment growth, agriculture, fishing and forestry grew by a mere 13.1 percent while manufacturing grew by a whopping 1780.9 percent during the four decades. More importantly, between 1995 and 2005, while manufacturing would account for 40 percent of the net job creations, the agricultural sector saw a job reduction of 6.5 percent during the same period. The total job creation and percentages are shown in Table 3.

As Table 3 indicates, net job creation during the 8th Malaysia Plan (2000-2005) came mostly from the manufacturing sector (40.4%) followed by wholesale and retail trade, hotels and restaurants (18.7%) and other services (18.5%). Since these activities are mostly urban based, the percentage of the urban population is likely to increase in the near future. On the other hand, rural-based activities such as agriculture, forestry and fishing will lose 101,000 jobs during the same period, which will result in a smaller percentage of the rural-based population. Once again, the backward regions are those that had lowest population growth.

With the shift in employment from the primary sector to the secondary and tertiary sectors, there is bound to be an increase in income among Malaysians. According to the theory of elasticity of demand, people would spend a much greater proportion of their increased income on manufactured products and services than on food. Consequently, those who are engaged in the manufacturing and services sectors were more likely to receive the benefits of robust growth of the mid-1980s to late 1990s. Thus, there was a marked increase in income as well as rapid decrease of incidence of poverty (Table 4).

Between 1990 and 2000, the mean household income in Malaysia more than doubled from RM1,169 per month to RM2,472 per month (RM3.6 = US\$1). The more industrialized and developed states such as Kuala Lumpur, Selangor and Penang enjoyed much higher household income. Incidence of poverty had decreased to 7.5 percent in 1999 and is estimated at 3.2 percent in 2004.

What is rather disturbing is that despite the across the board increase in mean household incomes in Malaysia, the region that had the highest average annual growth rates are also the most developed

regions in the nation, i.e. the central (where Kuala Lumpur is located) and the southern region (Johor). Even in the North, the highest growth is in Penang, the most developed state among the four northern states. Analysis of income seems to point that regional development disparities have worsened since the industrialization and globalization of the Malaysian economy that started in late 1980s.

Table 2: Employment by Sector, Malaysia, 1957-2000

Sector	1957	1965	1970	1980	1995	2000
Agriculture, Forestry, fishing	1245 (58.5%)	1,350 (52.1)	1,915 (47.6)	1,911 (39.7%)	1,493 (18.7%)	1,408 (15.2%)
Mining & Quarrying	59 (2.8%)	66 (2.5%)	88 (2.2%)	80 (1.7%)	40 (0.5%)	41.2 (0.4%)
Manufacturing	136 (6.4%)	217 (8.4%)	448 (11.1)	755 (15.7%)	2,028 (25.3%)	2,558 (47.6%)
Construction	68 (3.2%)	90 (3.5%)	160 (4.0)	188 (4.4%)	717 (9.0%)	755 (8.1%)
Electricity, gas & water	12 (0.5%)	16 (0.6%)	24 (0.6%)	270 (5.6%)	67 (0.8%)	75 (0.8%)
Transport, storage & communicn.	75 (3.5%)	101 (3.9%)	181 (4.5%)	31 (0.6%)	395 (4.9%)	462 (5.0%)
Wholesale & retail trade, hotel	195 (9.2%)	287 (11.1%)	482 (12.0%)	210 (4.3%)	1,324 (16.5%)	1,584 (17.1%)
Finance, insurance, real estate			39 (1.0%)	78 (1.6%)	373 (4.7%)	509 (5.5%)
Government	320 (15.7%)	463 (17.9%)	520 (12.9%)	658 (13.7%)	886 (11.1%)	981 (10.6%)
Other services			163 (4.1%)	147 (3.1%)	677 (8.5%)	899 (9.7%)
Total Employed	2,126	2,590	4,020	4,817	7,999	9,271

Sources: Jomo 1990

Malaysia, 8th Malaysia Plan 2000

Table 3: Employment Growth by Sector, Malaysia, 1995-2005.

Sector	Averag Growth	Annual Rate	Net	Job ('000)	Creation Persons)	
	1995-2000 (%)	2001 - 2005 (%)	1995 – 2000	%	2000-2005	%
Agriculture, Forestry, fishing	-1.2	-1.5	-85.2	-6.7	-101.0	-6.4
Mining & Quarrying	0.3	0.5	0.7	0.1	1.1	0.1
Manufacturing	4.8	4.6	530.8	41.7	642.0	40.4
Construction	1.0	3.1	37.9	3.0	125.1	7.9
Electricity, gas & water	2.2	2.7	7.6	0.6	10.6	0.7
Transport, storage & communication	3.2	3.7	66.4	5.2	91.1	5.8
Wholesale & retail trade, hotel & restaurant	3.7	3.5	260.7	20.5	296.7	18.7
Finance, insurance, real estate	6.4	4.9	135.9	10.7	138.6	8.7
Government	2.1	1.8	95.2	7.5	89.3	5.6
Other services	5.8	5.8	222.0	17.4	294.2	18.5
Total Employed	3.0	3.2	1,270.0	100.0	1,587.7	100.0

Source: Malaysia, 8th Malaysia Plan 2000

Table 4: Mean Monthly Household Income and Incidence of Poverty 1990, 1995 and 1999

Region/State	Mean Household Income (RM)			AAGR (%)	Incidence of Poverty (%)				
	1990	1995	1999		1970	1980	1990	1995	1999
Northern Region									
Perlis	852	1,158	1,431	5.93			19.3	11.8	13.3
Kedah	860	1,295	1,612	7.23			30.0	12.2	13.5
Pulau Pinang	1,375	2,225	3,128	9.56			17.2	4.0	2.7
Perak	1,067	1,436	1,743	5.60			8.9	9.0	9.5
Central Region									
Selangor	1,790	3,162	3,702	8.41			7.8	2.2	2.0
W.P. Kuala Lumpur	2,102	3,371	4,105	7.72			3.8	0.5	2.3
Negeri Sembilan	1,162	1,767	2,335	8.06			9.5	4.9	2.5
Melaka	1,190	1,843	2,260	7.39			2.4	5.3	5.7
Southern Region									
Johor	1,220	2,138	2,646	8.98			10.1	3.1	2.5
Eastern Region									
Pahang	1,092	1,436	1,482	3.45			10.3	6.8	5.5
Terengganu	905	1,117	1,599	6.53			31.2	23.4	14.9
Kelantan	726	1,091	1,314	6.81			29.9	22.9	18.7
Malaysia	1,169	2,020	2,472	8.68	49.3	37.4	16.5	8.7	7.5

The increased in disparities is due to the forces of industrialization and globalization. Multinationals preferred to locate their factories in more developed urban centers of Kuala Lumpur, Penang and Johor for simple economic reasons. These areas have the best infrastructures especially roads and ports for ease of exporting products. These areas also tend to have better skilled workforce compared to the more backward region of east coast.

New Developments In The Regional Approach

Within the integrated resource planning and management framework, regional planning in the post NEP period tries to integrate spatial planning with other sectoral planning in its implementation incorporating plans and policies already available at the national level. These include the master plans for agriculture, industry, tourism, water management and transport. The National Physical Plan 2005 (NPP) in particular which complements the Five-Year Economic Development Plans starting from the 9th Malaysia Plan embodies the strategy for national spatial development up till 2020 and provides the spatial dimension to the sectoral distribution of national resources (Department of Town and Country Planning Malaysia, 2005).

Taking into recognition the processes impacting national growth and development namely globalization and the emergence of the k-economy, spatial planning currently aims:

1. To rationalise national spatial planning for economic efficiency and global competitiveness.
2. To promote balanced regional development for national unity.
3. To optimise utilisation of land and natural resources for sustainable development.
4. To secure spatial and environmental quality and diversity for a high quality of life.

The overall spatial strategy is one of selective concentration capitalizing on the assets already accumulated in the more developed cities/regions in order to attract international investments. Three main conurbations, Kuala Lumpur, George Town and Johor Bahru have been identified as vehicles for propelling Malaysia towards the aspirations of Vision 2020 and into the era of k-economy. Already programs and mega projects have been planned and put in place to help the country realize this objective such as the Kuala Lumpur International Airport (KLIA), the Multimedia Super Corridor (MSC) with the twin cities of Putrajaya and Cyberjaya.

Globalisation and its requirements will necessarily result in the concentration of productive investments and population into a small number of city regions at the expense of the smaller and less developed ones. Realising this and more importantly, in order not to repeat history, pre-emptive actions of the NEP type is seen as crucial to balance development along regional, racial and sectoral lines. The National Physical Plan in this respect, recommended a two-tier approach to regional planning focusing on the development of National-Regional Economic Corridor and secondly Urban Regions (Figure 4). The latter have been mentioned above whereas the former is envisaged to play the role of narrowing the development gaps between regions emphasizing on infrastructure for regional integration. The strategy is on growth centers of respective states as well as transborder areas involving two or more states – Eastern Corridor states, Northern Peninsular Development Zone and South Johor Economic Region. The economic activities to be promoted in these regions are resource-based industries, forestry-based activities and industries, downstream agriculture-based activities, resort tourism, in particular eco-tourism, craft-based industries and other niche activities.

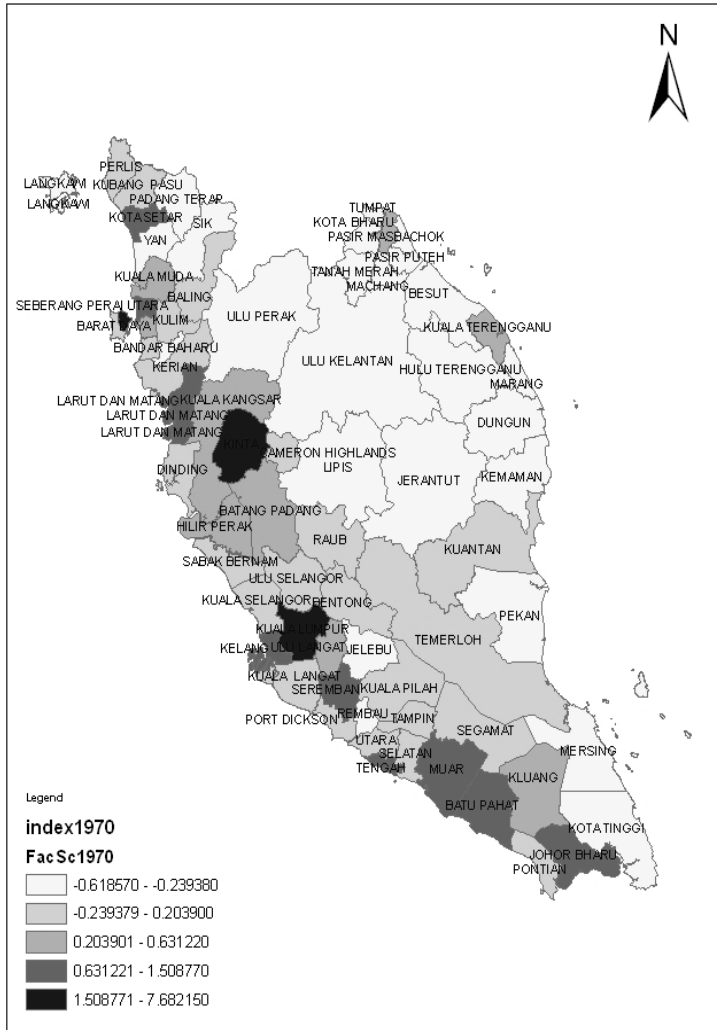


Figure 2: Factor of Socioeconomic Development in Malaysia by Districts 1970
 Source: Norhaslina, Fauza and Rosilawati 2005

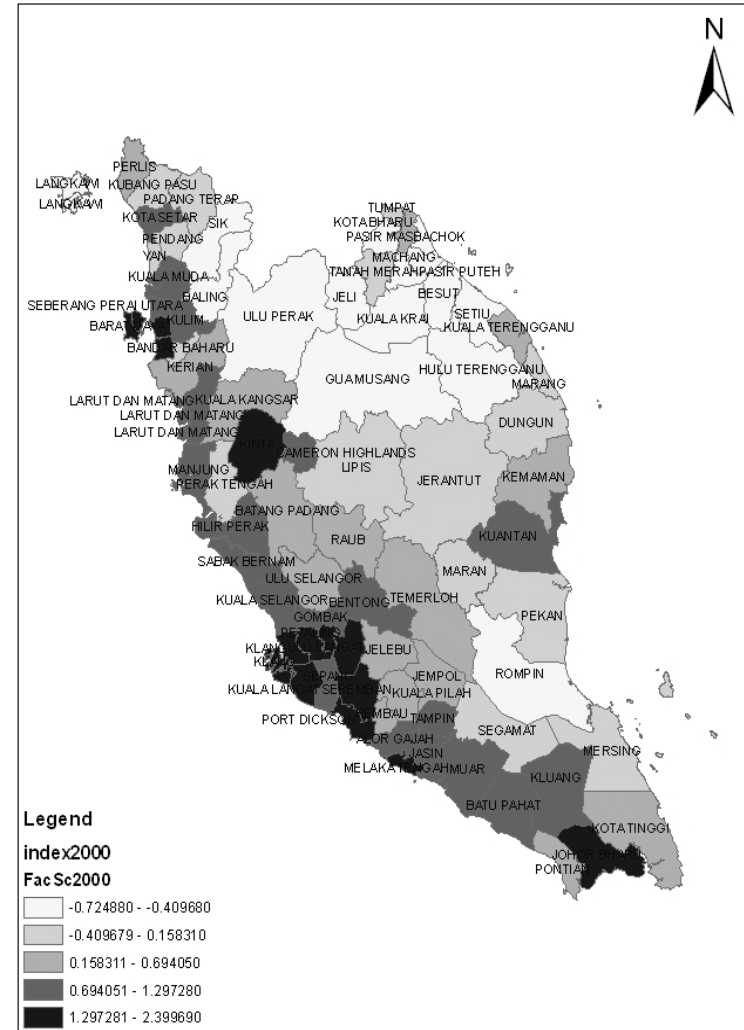
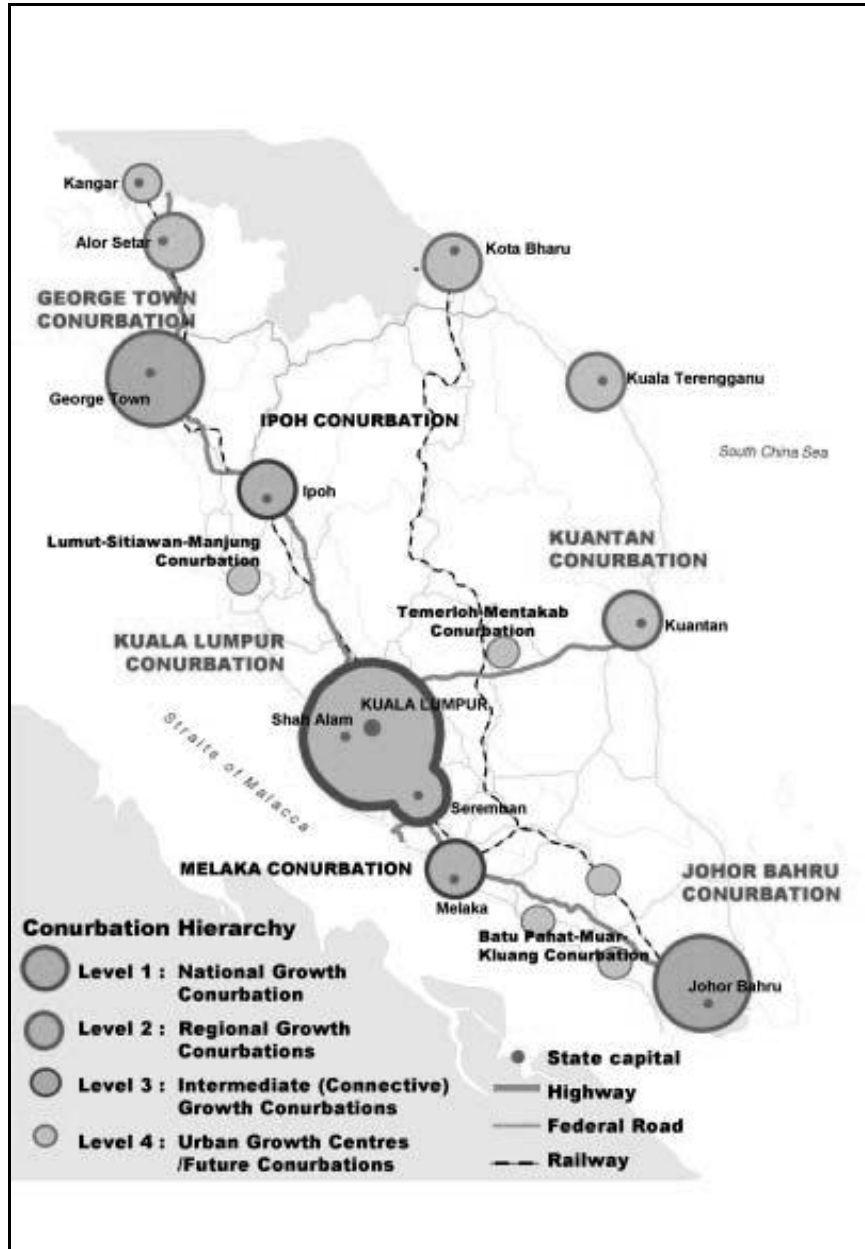


Figure 3: Factor of Socioeconomic Development in Malaysia by Districts 2000
 Source: Norhaslina, Fauza and Rosilawati 2005



Source: Malaysia 2005

Figure 4: Hierarchy of Conurbations in Malaysia

Conclusion

Regional development disparities in Malaysia seemed to have worsened during the past two decades due to industrialization, urbanization and globalization. In order to remain globally competitive, the Abdullah Badawi administration has recently embarked on new development corridor initiatives. The first is the South Johor Economic Region (Iskandar Development Region) which capitalizes on its proximity to Singapore. It is to be developed mostly for foreign investors and as a response to globalization. The second is the Northern Peninsular Development Region centered around Penang and is meant to further develop the agriculture sector of the region. The East Coast Corridor, considered the least developed in the Peninsular, will be announced at the end of the year. Whether the development of these corridors will reduce regional disparities remain to be seen. However, it is expected that the South Johor will grow faster than the other two regions due to its proximity to Singapore and the globalization factor. If that happens, the regional gaps may widen further.

References

- Jomo, K.S. (1990). *Growth and Structural Change in the Malaysian Economy*. Hong Kong: Macmillan Press.
- Malaysia. (2001). *Eighth Malaysia Plan 2001-2005*. Kuala Lumpur: Percetakan Nasional
- Malaysia. (1971), *2nd Malaysia Plan, 1970-1975*. Kuala Lumpur: Government Printers.
- Malaysia, *9th Malaysia Plan, 2006-2010*. Kuala Lumpur: Government Printers
- Department of Town and Country Planning, Malaysia. (2005). *National Physical Plan*. Kuala Lumpur.
- Johari Mat. (1983). *Regional Development in West Malaysia: A Comparative Effectiveness Study of JENGKA, DARA, KEJORA and KETENGAH*. Kuala Lumpur. INTAN
- Kamal Salih. (1981). *Malaysia and the World System: A Perspective Essay on Incorporation, Social Groups and the State*. Mimeograph. Universiti Sains Malaysia. Penang.
- Kamal Salih and Young, M.L. (1988). *Evaluation of Regional Development Experience in Malaysia*. Paper presented for the Meeting on Regional Development Policy in ASEAN. Phuket.
- Ibrahim Ngah. (1993). *Business Activities in New Townships in Rural Areas of Peninsular Malaysia*. Unpublished Ph D Thesis. University of Leeds.
- Norhaslina Hassan, Fauza Abd Ghaffar and Rosilawati Zainol. (2006). *Mapping Spatial Distribution Growth and Economic Development in Malaysia (1970-2000)*. Kuala Lumpur. CEDER.