

CHAPTER X

Regional Development

I. OBJECTIVES AND STRATEGY

614. The regional development strategy under the New Economic Policy (NEP) seeks to bring about closer integration among the States of Malaysia. This will be achieved through redressing economic and structural imbalances among the regions within the country. It will draw and build upon the strengths of each region for agricultural and industrial development particularly in the less developed States, to ensure that regional development contributes towards the national goals for economic development. The underlying aim is equitable distribution not only of income but also of facilities for health, education, utilities, services, recreation, housing and most important of all, opportunities for social and economic advancement of the people in accordance with the goals of the NEP.

615. In the light of the unequal distribution of natural resources and population, selective relocation of people to areas where development opportunities and potentials exist will be a necessary element in the strategy for regional development. Such relocation is necessary to reduce pressures in areas where population density is high and the environment for development less favourable, as well as provide the labour force needed for land settlement and other development projects in population scarce areas.

616. To the extent that accelerated development of the urban sector in the less developed States entails massive capital investment, there may be a short-run trade-off between the socio-economic aims for reducing regional differences on the one hand and overall economic growth objectives on the other. In the longer run, however, such investments would not only benefit directly the areas involved but also the country as a whole as they would help avoid congestion in densely populated areas; hasten the development of resources in the East Coast of Peninsular Malaysia, Sabah and Sarawak; bring about settlement of resource-rich virgin lands; and encourage outflows of labour from congested areas to other areas with under-developed resources. In the final analysis, the regional development strategy seeks to ensure that the nation makes optimal use of its resources for the advancement of all Malaysians.

II. DIMENSIONS OF THE PROBLEM

617. The current dimensions of regional inequality may be seen in the data provided in Tables 10-1 to 10-3. Data on the *per capita* Gross Domestic Product (GDP) of the different States in Malaysia provide a measure of income differences. In 1970, Selangor including the Federal Territory had a *per capita* GDP almost 63% higher than the average for Malaysia. Sabah came next with a *per capita* GDP about 19% higher than the Malaysian average. The *per capita* GDP in Negri Sembilan, Pahang, Penang and Perak were about the average, with that of Johor, Sarawak and Malacca lower by some 10%-20%. The poorest States of Kedah, Perlis, Trengganu and Kelantan had *per capita* GDP less than two-thirds the Malaysian average, with Kelantan the poorest having a *per capita* GDP less than one-half the average and more than three times below that of Selangor.

618. A number of social indicators for 1975 shown in Table 10-2 also reflect the broad pattern of disparities in living standards. As indicated by the data on *per capita* services, the more developed States of Selangor and Penang enjoy levels of services much higher than in the least developed States. *Per capita* value added in commerce for Selangor and Penang was almost twice as high as that of the Malaysian average and five to six times higher than that of the least developed States of Kedah, Kelantan, Perlis and Trengganu. Similar disparities were evident in the case of public utilities (water, electricity and sewerage) and transport services and to a lesser extent, other services. *Per capita* services in the remaining States were closer to the national average. In spite of its high *per capita* GDP, Pahang had a low level of development in the services sectors, reflecting the frontier nature of its economy which continues to be concentrated in the primary resource-based sectors.

619. Within the public sector, the disparities are less marked for education and health, reflecting the Government's policies to provide services on a more equitable basis. Thus in education, the pupil-teacher ratio was about the same for most States, ranging from 29.6 to 32.5 with a mean of 30.8, with the exception of Negri Sembilan and Sabah which had ratios of 27.2 and 26.2 respectively. In relation to public health facilities, as indicated by population served per acute hospital bed, the less developed States are the worst off. Kelantan had 934 persons per acute hospital bed compared with the national average of 627. Negri Sembilan had 398 persons per bed. Rural health facilities, however, are more equitably distributed, with the number of rural population per health centre or rural clinic being more favourable for States like Trengganu and Kelantan and less favourable for the more developed States like Selangor, Penang and Perak.

620. With respect to ownership of vehicles, Selangor had ratios of 7.4 private cars and 8.7 motor cycles per hundred persons, Penang, 5.1 and 10.0 and Perak, 3.1 and 6.8 respectively. The average ratios for Malaysia were 3.8 and 6.9 respectively. In contrast, the corresponding ratios for the least developed States were Kelantan, 1.5 and 3.4, Trengganu, 1.2 and 3.1 and Kedah/Perlis, 1.8 and 6.1.

TABLE 10-1

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN
AND STATE, 1970**
(\$ million)

Sector	Negri										Total		
	Johor	Kedah/Perlis ¹	Kelantan	Malacca	Sembilan	Pahang	Penang	Perak	Sabah	Sarawak		Selangor ²	Trengganu
Agriculture, forestry, fishing etc ..	489.6	426.3	139.6	105.4	181.9	224.0	155.0	486.2	405.0	319.0	399.4	100.8	3,432
Mining and quarrying ..	26.9	4.0	0.4	0.2	2.4	55.0	1.1	301.7	2.0	30.0	154.6	34.6	613
Manufacturing ..	166.7	46.5	17.9	19.8	75.9	38.5	101.2	142.4	19.0	81.0	586.0	12.4	1,307
Construction ..	24.2	37.2	19.2	4.8	27.6	11.5	45.9	39.8	48.0	46.0	172.4	4.8	481
Utilities ..	23.9	6.5	4.0	8.3	11.1	5.6	24.8	59.0	10.0	11.0	78.7	1.6	245
Transport, storage and communications...	70.6	26.4	25.0	15.7	31.8	25.5	59.6	66.4	36.0	56.0	183.1	10.1	606
Wholesale and retail trade ..	130.1	41.7	35.6	77.5	45.4	36.9	212.5	187.7	79.0	116.0	443.1	17.2	1,423
Ownership of dwellings, banking, insurance and real estate ..	84.3	56.8	29.6	27.3	33.7	40.3	77.1	114.2	58.0	66.0	220.6	27.8	836
Public administration and defence ..	89.4	46.1	28.4	36.9	43.4	46.0	34.0	83.0	40.0	45.0	280.9	21.2	794
Other services ..	88.2	51.8	29.9	38.6	36.5	28.7	83.5	117.8	73.0	90.0	217.9	18.6	874
Statistical discrepancy ..	—	—	—	—	—	—	—	—	—	—	—	—	+97
Gross domestic product (GDP) ..	1,193.9	743.3	329.6	334.5	489.7	512.0	794.7	1,598.2	770.0	860.0	2,736.7	249.1	10,708 ³
Population (000) ..	1,326	1,117	712	419	500	525	805	1,629	654	976	1,693	421	10,777
Per capita GDP (\$) ..	900.4	665.4	462.9	798.3	979.4	975.2	987.2	981.1	1,177.4	881.1	1,616.5	591.7	993.6
Ratio to Malaysian average ..	0.91	0.67	0.47	0.80	0.99	0.98	0.99	0.99	1.19	0.89	1.63	0.60	1.00

¹ Kedah and Perlis are two distinct States but are shown together here because much of the available statistical data for the two States are combined.

² Includes the Federal Territory of Kuala Lumpur.

³ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$97 million.

TABLE 10-2

MALAYSIA: SOCIAL INDICATORS ON STANDARDS OF LIVING, 1975

State	Per capita value added of selected services sectors (\$)										Rural population per health centre or sub-centre	Rural population per clinic or midwives clinic	Private cars per 100 persons	Motor-cycles per 100 persons	Percentage of households in poverty ⁴		
	Utilities		Transport		Commerce		Other services		Persons per living quarters ⁴	Persons per doctor						Students per teacher	Persons per acute hospital bed
Johor	29.8	76.4	129.8	79.7	6.1	6,716	30.5	608	19,338	3,686	3.2	6.9	45.7				
Kedah/Perlis	11.2	41.1	65.0	64.7	5.3	9,222	29.6	907	26,085	4,767	1.8	6.1	64.5				
Kelantan	10.1	44.4	71.5	59.1	4.7	11,647	32.0	934	20,045	4,334	1.5	3.4	76.1				
Malacca	37.1	62.9	221.0	107.4	6.1	5,021	29.9	587	20,353	4,219	3.9	6.3	44.9				
Negeri Sembilan	39.9	92.0	136.9	99.5	5.4	4,717	27.2	398	21,581	3,942	4.2	7.5	44.8				
Pahang	18.2	58.9	104.0	77.8	5.0	6,573	29.3	572	13,813	2,290	2.5	6.4	43.2				
Penang	55.1	123.9	306.5	137.1	6.5	3,986	32.0	638	31,170	5,870	5.1	10.0	43.7				
Perak	43.8	60.5	139.2	81.6	5.9	5,944	31.3	648	22,152	5,367	3.1	6.8	48.6				
Sabah	20.0	91.9	193.1	142.5	7.25	9,159	26.2	549	n.a.	n.a.	4.576	0.6	n.a.				
Sarawak	16.2	88.1	134.8	113.2	7.85	8,904	32.5	702	n.a.	n.a.	2.4	2.9	n.a.				
Selangor	59.4	187.6	329.2	151.6	6.1	2,327	32.4	542	26,195	5,701	7.4	8.7	29.2				
Trengganu	6.8	36.4	65.2	60.2	4.6	10,063	32.1	694	18,724	3,585	1.2	3.1	68.9				
Malaysia	32.7	89.6	170.3	101.0	5.5	4,344	30.8	627	21,6417	4,3127	3.8	6.9	49.37				

⁴ For 1970 only.⁵ For major towns and townships only.⁶ Includes private cars, taxis and hired cars.⁷ Peninsular Malaysia only.

621. The inter-State distribution of households in poverty in Peninsular Malaysia as shown in the Post Enumeration Survey of the Population Census, 1970 indicates that Selangor had the lowest incidence of poverty (59% of the national average) and Kelantan the highest (154%). Other States showing a high incidence of poverty include Trengganu (140%) and Kedah/Perlis (131%) while the remaining States ranged close to the average for the country as a whole.

III. PROGRESS, 1971-75

622. In view of the lead time required before policies and programmes initiated since the inauguration of the NEP bear fruit, significant improvements in the regional distribution of economic activity and income have as yet not become evident. As shown in Table 10-3, the *per capita* GDP of the poorest States relative to the average for Peninsular Malaysia has not changed significantly compared with the situation in 1970. Selangor's ratio, however, has dropped as the middle income States, including Sabah and Sarawak, have improved their relative positions, except for Perak and Pahang.

623. The slower growth of *per capita* GDP in Perak compared to the average is attributable to the decline in tin mining and the slow growth of agriculture. Further, although manufacturing output in Perak, other than in primary processing, almost doubled, its rate of growth was lower than for States like Johor and Penang. With regard to Pahang, the closure of the Rompin mine contributed substantially to the relative decline in its *per capita* GDP. However, the massive land development programmes initiated under the Second Malaysia Plan (SMP) in the State can be expected to improve Pahang's relative position sizeably by the end of the Third Malaysia Plan (TMP). Kedah/Perlis, Kelantan and Trengganu registered average rates of growth similar to that for the nation as a whole with the result that *per capita* GDP in these States relative to the average did not change. In the case of Kedah/Perlis, marked progress was not registered despite the impact of the Muda Scheme. This was because of the relatively large population in these States, so that inspite of the substantial increase in production from the Muda Irrigation Scheme, *per capita* income growth in the States only kept pace with the average growth for the country as a whole. In the light of the scarcity of land resources in these States, significant improvement of their position relative to the average for the country will require the sustained implementation of special programmes including the promotion of outflows of labour to labour-scarce areas.

624. The improved relative income positions of Johor and Negri Sembilan were mainly due to substantial increases in rubber and palm oil production, while Penang and Malacca advanced through industrialization. The relative increases in the position of Sabah and Sarawak originated from the growth of forestry and petroleum production respectively.

TABLE 10-3

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN
AND STATE, 1975**
(\$ million in 1970 prices)

Sector	Negeri										Trengganu	Malaysia	
	Johor	Kedah/Perlis	Kelantan	Malacca	Sembilan	Pahang	Penang	Perak	Sabah	Sarawak			Selangor ⁹
Agriculture, forestry, fishing, etc ..	786.6	518.0	174.9	148.7	280.3	328.7	171.2	588.7	554.0	339.0	508.6	164.1	4,563
Mining and quarrying ..	20.0	8.0	0.7	0.6	3.0	21.0	1.0	248.4	5.0	169.0	130.1	5.0	612
Manufacturing ..	332.7	87.3	35.4	51.0	128.6	93.5	229.0	248.7	42.0	127.0	780.8	40.6	2,197
Construction ..	46.1	49.4	27.0	20.8	44.5	24.9	69.2	56.6	73.0	63.0	224.4	11.7	711
Utilities ..	45.1	13.9	8.0	17.5	22.6	11.5	49.2	79.2	15.0	18.0	117.9	3.3	401
Transport, storage and communications..	115.4	51.2	35.2	29.7	52.1	37.2	110.6	109.3	69.0	98.0	372.3	17.6	1,098
Wholesale and retail trade ..	196.1	80.9	56.6	104.3	77.5	65.6	273.7	251.5	145.0	150.0	653.4	31.5	2,086
Ownership of dwellings, banking, insurance and real estate ..	109.9	72.7	39.0	43.0	52.3	54.6	103.6	134.9	79.0	90.0	295.0	34.9	1,109
Public administration and defence ..	134.5	69.3	42.7	55.6	65.0	69.3	51.5	124.8	67.0	65.0	422.6	31.9	1,199
Other services ..	120.5	80.6	46.8	50.7	56.3	49.1	122.4	147.5	107.0	126.0	300.9	29.1	1,237
Statistical discrepancy ..	—	—	—	—	—	—	—	—	—	—	—	—	+102
Gross domestic product (GDP) ..	1,906.9	1,031.3	466.3	521.9	782.2	755.4	1,181.4	1,989.6	1,156.0	1,245.0	3,806.0	369.7	15,315.0
Population (000) ..	1,511	1,245	792	472	566	631	893	1,807	751	1,113	1,985	483	12,249
Per capita GDP (\$) ..	1,262.0	828.4	588.8	1,105.7	1,382.0	1,197.2	1,323.0	1,101.1	1,539.3	1,118.6	1,917.4	765.4	1,250.3
Ratio to Malaysian average ..	1.01	0.66	0.47	0.88	1.11	0.96	1.06	0.88	1.23	0.90	1.53	0.61	1.00
Population growth rate, 1971-75 ..	2.7	2.2	2.2	2.4	2.5	3.8	2.1	2.1	2.8	2.7	3.2	2.8	2.6

⁸ Kedah and Perlis are two distinct States but are shown together here because much of the available statistical data for the two States are combined.

⁹ Includes the Federal Territory of Kuala Lumpur.

¹⁰ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$102 million.

IV. REGIONAL CHANGE, 1976-90

625. Under the TMP, more intensive efforts will be made to improve the relative positions of the lowest income States over time. Policies and programmes will aim at the expansion of agricultural productivity in these States; development of their physical infrastructure, including transportation links with other States in the country; the establishment of new growth centres; the promotion of industrial development; and the location of a greater variety of Government establishments therein. These policies and programmes are expected to improve the regional distribution of economic activity and income as shown in Tables 10-4 and 10-5 for the years 1980 and 1990. During 1976-90, Trengganu and Kelantan will show the fastest rates of growth of *per capita* GDP at 8.9% and 8.0% per annum respectively compared with the mean of 5.4% for Malaysia. Kedah/Perlis will also show a faster rate of growth, at 6.6%, than the average. Among the higher income States, Pahang is expected also to show a faster rate of growth of *per capita* GDP at 7.5% per annum. On the other hand, Sabah and Selangor will show slower growth rates than the average at 3.9% and 4.6% respectively. The remaining States will have growth rates closer to the average ranging from 5.3% for Negri Sembilan to 5.8% for Penang.

626. Kelantan's *per capita* GDP will increase from \$589 in 1975 to \$1,878 in 1990 compared to the average for Malaysia of \$1,250 and \$2,767. Similarly, Trengganu's *per capita* GDP will increase from \$765 to \$2,737 and Kedah/Perlis's from \$828 to \$2,148. By 1990, the poorest States would have improved their absolute and even relative positions considerably. Kelantan's *per capita* GDP relative to the mean will grow from 47% in 1975 to 68% in 1990; Kedah/Perlis from 66% to 78%; and Trengganu from 61% to 99%. The States of Malacca, Negri Sembilan, Pahang, Perak, Penang, Johor, Sabah and Sarawak will have *per capita* incomes around the national average. The major changes will be the reduction of disparities between the richest and the poorest States, as well as increased incomes in the poorest States relative to the average. Thus the *per capita* GDP of Selangor relative to the average will decline from 153% of the average in 1975 to 137% in 1990.

627. A significant change will be in the regional distribution of the manufacturing sector. In Peninsular Malaysia in 1970, 58% of manufacturing output, other than in primary processing, originated from Selangor, mainly in the urbanized Klang Valley. A further 37% originated from the more developed States on the West Coast—Penang, Perak, Negri Sembilan and Johor—with the remaining States producing only 5% of manufacturing output.

628. As a result of Government's policies for the dispersal of industries during the SMP, the share of Selangor in manufacturing output dropped to 47% whereas that of all other States increased. The States of Penang, Perak, Johor and Negri Sembilan increased their share to 15%, 12%, 12%

TABLE 10-4

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF
ORIGIN AND STATE, 1980**
(\$ million in 1970 prices)

Sector	Johor	Kedah/ Perlis ¹¹	Kelantan	Malacca	Negeri Sembilan	Pahang	Penang	Perak	Sabah	Sarawak	Selangor ¹²	Trengganu	Malaysia
Agriculture, forestry, fishing, etc. . .	938.2	652.1	271.2	169.5	373.2	730.4	212.1	693.9	651.0	511.0	579.8	303.5	6,106
Mining and quarrying	24.4	9.6	1.0	0.8	3.7	25.5	1.2	302.9	57.0	215.0	158.4	6.0	806
Manufacturing	556.3	208.1	104.7	95.2	204.3	291.0	433.3	439.9	79.0	234.0	1,113.8	112.3	3,872
Construction	76.1	71.1	42.1	39.7	66.1	53.6	103.4	86.3	114.0	100.0	306.9	27.7	1,087
Utilities	70.2	27.5	16.7	27.6	34.2	31.1	78.7	106.1	24.0	29.0	164.1	12.7	622
Transport, storage and communi- cations	179.3	82.7	51.6	43.3	70.2	76.8	179.6	179.8	106.0	152.0	482.5	32.1	1,636
Wholesale and retail trade	296.7	148.3	95.9	140.9	123.6	132.3	357.9	353.7	223.0	232.0	954.7	63.0	3,122
Ownership of dwellings, banking, insurance and real estate	159.9	106.6	60.5	66.8	80.0	93.9	151.3	185.1	123.0	138.0	437.9	55.0	1,658
Public administration and defence . .	208.2	108.1	66.3	87.1	101.2	108.7	101.4	193.8	110.0	106.0	655.1	49.9	1,896
Other services	172.4	134.0	79.0	75.1	87.4	93.8	166.9	204.8	175.0	205.0	498.9	54.8	1,947
Statistical discrepancy	—	—	—	—	—	—	—	—	—	—	—	—	+ 321
Gross domestic product (GDP)	2,701.7	1,548.1	789.0	746.0	1,143.9	1,637.1	1,785.8	2,746.3	1,662.0	1,922.0	5,352.1	717.0	23,073.1
Population (000)	1,730	1,370	893	527	650	753	1,049	2,034	876	1,278	2,272	544	13,976
Per capita GDP (\$)	1,561.7	1,130.0	883.5	1,415.6	1,759.8	2,174.1	1,702.4	1,350.2	1,897.3	1,503.9	2,355.7	1,318.0	1,650.9
Ratio to Malaysian average	0.95	0.68	0.54	0.86	1.07	1.32	1.03	0.82	1.15	0.91	1.43	0.80	1.00
Population growth rate, 1971-80 . . .	2.7	2.1	2.3	2.3	2.7	3.7	2.7	2.3	3.0	2.7	3.0	2.6	2.6

¹¹ Kedah and Perlis are two distinct States but are shown together here because much of the available statistical data for the two States are combined.

¹² Includes the Federal Territory of Kuala Lumpur.

¹³ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$321 million.

TABLE 10-5

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF
ORIGIN AND STATE, 1990**
(\$ million in 1970 prices)

Sector	Johor	Kedah/ Perlis ¹⁴	Kelantan	Malacca	Negeri Sembilan	Pahang	Penang	Perak	Sabah	Sarawak	Selangor ¹⁵	Trengganu	Malaysia
Agriculture, forestry, fishing, etc. . .	1,489.3	968.9	474.2	238.2	613.4	1,445.1	299.9	1,067.8	914.0	812.0	786.6	784.5	9,858
Mining and quarrying	42.5	20.4	5.6	6.3	11.7	40.8	11.9	423.5	195.0	269.0	241.0	11.8	1,280
Manufacturing	1,775.9	824.9	461.8	346.1	565.8	908.1	1,593.3	1,533.7	452.0	1,106.0	3,164.6	412.7	13,144
Construction	198.5	150.7	106.9	98.4	140.8	128.7	214.3	212.5	235.0	209.0	574.9	76.3	2,346
Utilities	191.6	111.2	72.3	72.3	83.0	93.4	189.9	244.7	61.0	71.0	375.8	47.1	1,613
Transport, storage and communi- cations	424.5	274.6	180.6	97.2	137.7	185.1	365.4	448.0	225.0	323.0	887.5	82.5	3,631
Wholesale and retail trade	740.8	411.9	252.9	301.0	309.5	334.5	656.9	826.4	460.0	518.0	2,014.5	167.4	6,994
Ownership of dwellings, banking, insurance and real estate	377.5	263.3	165.7	161.7	185.8	206.7	282.2	414.2	258.0	290.0	920.2	120.6	3,646
Public administration and defence . .	463.6	239.3	165.7	173.2	224.4	239.3	176.3	430.4	221.0	230.0	1,457.0	110.4	4,131
Other services	413.6	293.3	188.0	161.0	208.3	196.7	386.7	485.6	361.0	424.0	962.1	122.2	4,203
Statistical discrepancy	—	—	—	—	—	—	—	—	—	—	—	—	-749
Gross domestic product (GDP) . . .	6,117.8	3,558.5	2,073.7	1,655.4	2,480.4	3,778.4	4,176.8	6,086.8	3,382.0	4,252.0	11,384.2	1,899.5	50,097 ¹⁶
Population (000)	2,228	1,657	1,104	652	833	1,069	1,350	2,505	1,237	1,766	3,008	694	18,103
Per capita GDP (\$)	2,745.9	2,147.6	1,878.4	2,539.0	2,977.7	3,534.5	3,093.9	2,429.9	2,734.0	2,407.7	3,784.6	2,737.0	2,767.3
Ratio to Malaysian average	0.99	0.78	0.68	0.92	1.08	1.28	1.12	0.88	0.99	0.87	1.37	0.99	1.00
Population growth rate, 1971-90 . . .	2.6	2.0	2.2	2.2	2.6	3.6	2.6	2.2	3.2	3.0	2.9	2.5	2.6

¹⁴ Kedah and Perlis are two distinct States but are shown together here because much of the available data for the two States are combined.

¹⁵ Includes the Federal Territory of Kuala Lumpur.

¹⁶ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$749 million.

and 6% respectively. The remaining States accounted for 8% of manufacturing output. It is targetted that by 1990, Selangor's share will drop to about 31%; the shares of Penang, Johor, Perak and Negri Sembilan together will increase to about 49%; and the less developed States together will increase their contribution to about 20%.

629. Inter-State migration in the past has been fairly significant. With Government's assistance and encouragement, it can be expected to gather momentum as people respond to differences in the location of opportunities for better employment and income. The projections in this regard compared to the magnitude of past movements are shown in Table 10-6. Between 1957 and 1970, some States registered a net outflow of population with the largest from Perak, some 83,000 people moving out of the State; Kedah/Perlis, Kelantan, Negri Sembilan, Johor and Malacca also experienced large outflows of population. On the other hand, Selangor experienced the largest net in-migration with about 144,000 people, followed by Pahang, Penang, and Trengganu.

TABLE 10-6
PENINSULAR MALAYSIA: POPULATION GROWTH AND
EXPECTED NET INTER-STATE MIGRATION, 1970-90
(000)

State	Population				Average annual growth rate (%)	Net migration	
	1970	1975	1980	1990		1957-70	1970-90
Johor	1,326	1,511	1,730	2,228	2.6	- 20	—
Kedah/Perlis	1,117	1,245	1,370	1,657	2.0	- 32	-191
Kelantan	712	792	893	1,104	2.2	- 31	- 94
Malacca	419	472	527	652	2.2	- 15	- 38
Negri Sembilan	500	566	650	833	2.6	- 25	—
Pahang	525	631	753	1,069	3.6	+ 48	+193
Penang	805	893	1,049	1,350	2.6	+ 11	+ 92
Perak	1,629	1,807	2,034	2,505	2.2	- 83	-199
Selangor	1,693	1,985	2,272	3,008	2.9	+144	+237
Trengganu	421	483	544	694	2.5	+ 3	—
TOTAL	9,147	10,385	11,822	15,100	2.5		

630. During 1971-90, it is expected that the rate of labour outflow will grow sizeably in the case of Perak, Kedah, Kelantan and Malacca with the principal receiving areas being Selangor, Pahang and Penang as well as Sabah and Sarawak. Indeed, sizeable movements of labour from Kedah/Perlis and Kelantan are imperative if the economic position of these States is to be meaningfully improved relative to the national average. No net movements of labour are envisaged in the case of Johor, Negri Sembilan and Trengganu in the light of the prospective economic performance of these States in relation to the natural increase of their population.

V. POLICIES FOR REGIONAL DEVELOPMENT

631. New land development will continue to be a major means by which the Government will seek to push the location of future growth in agriculture, manufacturing and services towards the poorer States. In Peninsular Malaysia as shown in Table 10-7, some five million acres of land suitable for agricultural purposes are still available for development, after allowing for the requirements of forest and ecological conservation. In addition, another two million acres of alienated land suitable for agriculture have still to be developed for crop production. In Sabah, about 5.3 million acres are suitable for agricultural development but cropland currently occupies only about 0.9 million acres. In Sarawak, about 13.1 million acres are suitable for agricultural development with 1.1 million acres under permanent settled crops and some 5.6 million acres under shifting cultivation.

TABLE 10-7

MALAYSIA: AVAILABILITY OF SUITABLE LAND FOR AGRICULTURE, 1975 (000 acres)

State	Land area	Land suitable for agriculture		
		Alienated	Available	Total
Johor	4,693	1,791	1,282	3,073
Kedah/Perlis	2,541	1,159	250	1,409
Kelantan	3,720	710	217	927
Malacca	418	349	22	371
Negri Sembilan	1,642	686	338	1,024
Pahang	8,870	1,847	2,545	4,392
Penang	253	157	3	160
Perak	5,154	1,332	519	1,851
Sabah	17,750	948	4,357	5,305
Sarawak	30,750	6,720 ¹⁷	6,400	13,120
Selangor	1,980	830	149	979
Trengganu	3,196	555	866	1,421
TOTAL	80,967	17,084	16,948	34,032

¹⁷ All land currently under agriculture or settlements of which about 5.6 million acres are under shifting cultivation and under native customary rights.

632. While the bulk of new land development in Peninsular Malaysia will be in the land-rich States of Pahang, Johor and Trengganu, the development of all available reserves of suitable agricultural land in the poorer States of Kedah, Perlis and Kelantan will be accelerated. Some 150,000 acres will be developed in Kedah/Perlis and 190,000 acres in Ulu Kelantan between 1970 and 1990. These will help to siphon-off some of the underemployed and landless in the densely populated rice-growing areas. In addition, high priority will be given to the poor in these and other States to find more productive employment in Federal land development projects in land-rich

States like Pahang. Table 10-8 shows the targets for new land development by States in Peninsular Malaysia between 1970 and 1990. In Sabah, new land development on the East Coast will serve both to diversify the State's economy as well as provide opportunities to the indigenous population on the West Coast. In Sarawak, development in the Miri-Bintulu region will provide opportunities to reduce land pressures in the First and Third Divisions.

TABLE 10-8
MALAYSIA: PROJECTED LAND DEVELOPMENT BY
STATE, 1971-90
(000 acres)

State	Oil palm	Rubber	Other crops	Total
Johor	320.2	164.8	99.4	584.4
Kedah/Perlis	—	105.2	45.9	151.1
Kelantan	32.3	116.5	39.6	188.4
Malacca	3.5	18.6	—	22.1
Negri Sembilan	123.9	164.9	17.7	306.5
Pahang	827.0	134.0	222.8	1,183.8
Penang	5.5	—	—	5.5
Perak	44.7	98.6	77.1	220.4
Sabah	210.0	5.0	299.0	514.0
Sarawak	238.0	75.0	281.0	594.0
Selangor	40.5	37.9	10.5	88.9
Trengganu	255.4	85.5	96.0	436.9
TOTAL	2,101.0	1,006.0	1,189.0	4,296.0

633. As low productivity is at the heart of the poverty problem, the development of existing agricultural areas containing households with a high incidence of poverty, will have a major impact on reducing regional disparities. *In situ* development will constitute a major means for socio-economic progress in Kelantan, where an integrated effort for the development of the Kelantan Plain will be undertaken. This will include the expansion of extension services, credit, marketing and fertilizer subsidies, the extension of drainage and irrigation facilities and the replanting of old rubber and coconut smallholdings. Although Johor is a relatively more developed State, the Southwest Johor coastal region south of Muar, with its large population, constitutes a poverty region. The problems here are peaty soils and in particular, poor drainage, improvement of which is necessary for the rehabilitation of extensive acres of rubber and coconut smallholdings. To this end, an integrated project for drainage improvement coupled with agricultural re-development will be carried out. Other concentrations of low productivity agriculture are to be found in the traditional indigenous settlement areas along the coastal and riverine areas. Agricultural development package projects of the type to be carried out in Kelantan and Johor will be replicated in these areas with such modifications as may be necessary to suit local conditions.

634. Forestry is another major resource-based sector with considerable opportunities for the restructuring of regional imbalances. In Sabah, forestry will continue to be an important sector in the State's economy although its importance will decline in relative terms as resources are depleted and as other sectors grow in importance. An important potential for the State with its low population density is the development of a pulp and paper industry based on short rotation species.

635. Sarawak's forest industries also are expected to expand with the development of the unutilized hill or dryland forests, as distinct from the swamp forests which have been largely depleted. The first in a series of major timber industries to be established will be enterprises utilizing timber from the land development projects in the Miri-Bintulu region.

636. In Peninsular Malaysia, forest-based industries will progressively shift from their present concentration on the West Coast to the forest timber-rich States of Pahang, Perak, Kelantan and Trengganu. Forestry will be particularly important in Kelantan since the State does not have much land suitable for agriculture which has not already been developed. The efficient location of wood processing industries will enable forestry to play an important role in the industrial development of these States. It is also important that the establishment of wood processing industries provide for efficient management. Factory design as well as investment in capital equipment for these industries will have to be adapted to the conditions in the region.

637. The development of mineral resources will directly affect the economic position of a number of States. The most important development in this sector will be the off-shore oil and gas deposits of Sabah, Sarawak, Pahang and Trengganu which will make dramatic contributions to the economies of these States. The development of copper in Sabah is already contributing to the State's economy. On the basis of present information, the potential exist for further development of copper as well as other base metals in Sabah and in a central belt in Peninsular Malaysia stretching from Kelantan to South Pahang. An aerial geophysical and a geochemical survey for this belt will be carried out under the TMP. Further prospects for alluvial tin also exist in Perak and Selangor, off-shore in the Straits of Malacca and primary sources in the tin-bearing granite of the Main Range.

638. The manufacturing sector will have a particularly important role in regional development. The sector's share in the economy is projected to grow from 14% in 1975 to 26% in 1990. Thus the sector will provide large scope for redistributing economic activity away from the established manufacturing regions, especially in the Klang Valley towards the less developed States. Many of the less developed States including Sabah, Sarawak, Pahang, Trengganu and Kelantan have large potentials for forestry and agro-based industries. To encourage investment in these and other manufacturing activities in the less developed States, a broad range of

measures will be adopted. This will include fiscal incentives, development of industrial estates and ready built factories, development of infrastructure including electricity and development of inter-regional highways to facilitate linkages between the major producing and marketing centres and ports of the nation.

639. As urban growth is inter-related with industrial expansion, the development of urban centres will play a key role in the strategy for reducing current regional imbalances. Thus development of urban centres, both existing and new, will be planned to reinforce the regional production strategies of the Government. One requirement will be to build up cities and towns in the regions that include the poorer States. Another will be to strengthen linkages among the various cities and towns in the country through the development of a "denser" system of urban centres of different sizes and specializations. The overall objective is to spread urban development rather than perpetuate its polarization in particular regions. This will help to ensure that the greatest number of people possible benefit from urban growth through the opportunities created for an expanded range of jobs, services and amenities which large urban regions provide.

640. In the selection of towns for development, priority will be given to those having favourable prospects for the creation of agglomeration economies through the location and growth of mutually supportive industrial and service establishments. At the same time, excessive and uncontrolled growth of existing large metropolitan areas will be avoided for the diseconomies which they create—urban congestion, rising opportunity costs of land, problems of water supply and waste disposal as well as the social problems arising from urban squalor. Thus, the strategy for urban development will seek a balance between the positive and negative features of urban growth.

641. Particular attention will also be given to the need to integrate the development of new growth centres with their hinterland. Thus, urban centres will be located to assure reasonable access to the rural population. The aim will be not only to bring industries and services to the rural areas but also urbanization to rural areas.

642. The urban development strategy to be adopted for each of the main geographical regions in the country will vary somewhat. Along the East Coast of Peninsular Malaysia, comprising the States of Pahang, Trengganu and Kelantan, the principal objective will be the creation of an integrated system of cities and towns with Kuantan as the regional hub. With the port of Tanjung Gelang now under construction, expansion of the airport and improvement of the main highway links to Kuala Lumpur and Segamat, Kuantan which is in a central position in relation to the East Coast of Peninsular Malaysia and particularly Pahang Tenggara and Trengganu Tengah will grow rapidly into a major metropolitan centre. It should be capable of providing by 1990 a broad range of opportunities currently

enjoyed by cities like Kuala Lumpur and Georgetown in Penang. Although the population of Kuantan is currently smaller than that of Kota Bharu or Kuala Trengganu, it is projected to grow into a city whose population will exceed 200,000 by 1990. Kota Bharu, Kuala Trengganu and Temerloh/Mentakab will grow to contain populations similar to those of towns like Ipoh, Malacca and Seremban currently.

643. In the endeavour to establish a denser urban structure in the East Coast providing for efficient transmission of the benefits of urban development throughout the region, the following towns and their links with each other will receive priority: the corridor connecting Machang with Tanah Merah, Kuala Krai and Pasir Puteh in Kelantan; Jeli and Gua Musang in Kelantan; Raub, Jerantut, Maran, Bukit Ridan and Kuala Rompin in Pahang; Durian Mas in Trengganu Tengah; Chukai in Trengganu; and Pekan in Pahang. With such a system of urban centres on the East Coast, most of the rural population in the region will be provided with easy access to urban-based opportunities each within about an hour's commuting distance.

644. In the central region of the West Coast of Peninsular Malaysia comprising Selangor, Negri Sembilan and Malacca, the network of urban centres is already largely in place with the City of Kuala Lumpur and the Klang Valley continuing to develop as the apex of the regional and national urban systems. In planning for the region as a whole, the main aim will be to spread out urban growth from the current major centres to outlying towns. To this end, urban growth in Negri Sembilan will be promoted around Kuala Pilah Bahau to fill an existing gap on the east side of the State, while Tanjung Malim/Ulu Bernam in Selangor will be developed so as to make up for the current lack of a sizeable urban centre in the north of Selangor.

645. Among the Northern States on the West Coast of Peninsular Malaysia—Perlis, Kedah, Penang and Perak—Georgetown in Penang is the largest urban centre. The region contains a fairly dense network of urban centres between Georgetown and Ipoh with links extending to Sungai Petani in the north and Bidor in the south. The main aim will be to extend this urban structure northwards into Kedah and Perlis and provide greater opportunity for more centralized urban development in addition to that taking place in Georgetown and Butterworth. In the north, the development of Alor Star with the Muda area as its hinterland will be emphasized. Other areas to be developed include Sungai Petani and the closely allied towns of Kangar, Arau and Beseri. To the east, Baling and Grik will be developed as sub-regional centres and to the south, Telok Anson and Lumut/Sitiawan.

646. In the Southern Region which comprises Johor, the town of Johor Bahru is rapidly growing as the regional hub with the development of the port of Pasir Gudang and the airport at Senai as well as the development of Johor Tenggara and Southwest Johor. Urban planning within the region will give priority to the efficient development of Johor Bahru itself as well as

potential second order towns with good access to it including Batu Pahat, Muar, Kluang and Kulai, all four of which will continue to benefit from the development of the rich resources in their hinterlands. Further north, the aim will be to centralize urban growth at Mersing/Jemaluang in the northeast and Segamat in the north.

647. The implementation of the above strategies for each of the regions in the country would create a new inter-related urban system in the East Coast of Peninsular Malaysia; extend the present system in the north of Peninsular Malaysia into the poorer States; and spread out urban development more evenly throughout the country. They would contribute to reducing disparities between the poorer States and the rest of the country and help an increasing number of Malaysians to move into higher income urban occupations.

VI. REGIONAL DEVELOPMENT, 1976-80

Policies

648. Regional development during the Plan period will be aimed at pushing development further to the less developed States. Continuation of development trends in the sixties will exacerbate further the current disparities between States. With more aggressive policies to push development further towards the least developed States, Trengganu's *per capita* GDP will be raised to about the national average while that of Kedah/Perlis will reach almost 80% and Kelantan almost 70% by 1990. These will be brought about by measures to increase agricultural productivity, step up new land development in Trengganu and Kelantan and attract industries and investments. Public expenditures on infrastructure development and services will go a long way towards improving the investment climate in these States and equally important, the quality of life of the poor.

649. The private sector will be encouraged to participate in new land development through joint-ventures with Government agencies. It is also expected to participate in joint-ventures as well as on its own in mining and industrial development. Government policies will be geared to ensure that the private sector utilizes these opportunities for investment.

650. More strongly differentiated locational incentives to guide investment will also be developed. Currently, locational incentives are given in the form of additional income tax exemption of one year for pioneer status projects, or an additional 5% of investment tax credit for firms not enjoying pioneer status, if they are located in development areas. In addition, a separate Locational Incentive Scheme provides for tax relief to projects located in areas gazetted as Locational Incentive Areas, the maximum period of tax exemption being ten years—the duration depending on the size of capital investment and employment, the local content and whether the product is a priority product.

651. To raise *per capita* income further in the less developed States, policies for settler selection for land development schemes in States such as Pahang, Johor and Trengganu will give preference to applicants from other States where *per capita* income is low and opportunities for development are few, namely Kelantan, Kedah and Perlis. In this connection, Pahang could be expected to serve as the main receptacle for agricultural settlers. Selangor and Penang will attract labour for employment in the manufacturing and services sectors. Malacca and Perak may be expected to experience labour outflows at the same rate as between the inter-censal years of 1957-70, while Negri Sembilan, like Johor and Trengganu are not expected to have significant net migration.

Programmes and projects

652. During the SMP, a number of Masterplans for the development of specific regions were completed. These included plans for the Klang Valley, Penang, Pahang Tenggara, Johor Tenggara, Kelantan, Trengganu Tengah, Negri Sembilan Timor, Miri-Bintulu and Johor Selatan. In addition, Masterplan studies were initiated for South Perak (the Trans-Perak Region), North Perak, Selangor outside the Klang Valley and the Kuantan-Tanjung Gelang region.

653. The Pahang Tenggara, Johor Tenggara and Miri-Bintulu plans are concerned with the development of undeveloped resource-rich regions providing opportunities for agricultural development and forest-based industries. The Klang Valley, Penang and South Johor development plans on the other hand are to guide development in rapidly urbanizing and industrializing regions. The other Masterplans identify opportunities for the redevelopment or further development of areas already largely developed, but which offer opportunities for urban growth, industrial development, intensification of agriculture and, to a varying extent, the development of new natural resources.

654. During the TMP, a Masterplan will be prepared for the development of *Sabah* to integrate prospective developments in the State including new land development, infrastructure expansion and industrial and mining growth. Particular emphasis will be given to promote the participation of the indigenous people in the development of the State.

655. The implementation of projects identified by the above Masterplans in the course of the TMP will be a major means for regional development. Land development projects in Pahang Tenggara, Johor Tenggara and Trengganu Tengah besides promoting the development of these States will provide opportunities for the poor in other States. In *Johor*, an integrated

drainage and agricultural redevelopment project started in the SMP will be continued into the TMP to redevelop the south coastal region between Muar and Kukup, a chronically poor region of rubber, coconut and pineapple smallholders and fishermen. In addition to periodic flooding other physical difficulties encountered in the area include salt water intrusion into cropland in the immediate coastal areas as well as problematical peat and acid sulphate soils. In *Trengganu*, land schemes will be developed to cater specially for poor fishermen. The development of the Jerangau/Jabor/Tanjung Gelang highway and the hydro-electric potential of Sungai Trengganu at Kuala Kenyir will be major projects contributing to the development of the State. The development of Tanjung Gelang in Pahang as the principal port for the East Coast will have a major impact in developing the East Coast as will the Kuantan/Segamat highway.

656. In *Kelantan*, an integrated agricultural development project through Farmers' Development Centres will be implemented in the Kelantan Plain. A project will also be undertaken to prepare a Masterplan for urban and industrial development for the State. In Ulu Kelantan, major developments will include the construction of the Kuala Krai/ Gua Musang highway, eventually to link up with Kuala Lipis; and new land development covering about 30,000 acres for the cultivation of rubber by FELDA. The East/West Highway connecting Jeli with Grik, when completed in 1979, will provide a closer link between Kelantan and Penang. The two highway projects will also make a significant contribution to security operations.

657. In *Kedah* and *Perlis*, the main programmes will be concerned with increasing productivity in the Muda irrigation area through the increased provision of complementary farm inputs. In addition, major efforts will be made to develop the remaining areas of suitable land for agriculture, while an urban and industrial development Masterplan will be prepared for the two States. In *Malacca*, a regional Masterplan is being prepared by a joint task force comprising Federal and State officials under the overall co-ordination of the Federal Town and Country Planning Department to guide urban and industrial development in the State.

658. In *Perak*, implementation of projects identified in the Masterplan for the Trans-Perak region will form an important component for development in the State. These will include projects for opening up new land for padi, oil palm and cocoa while at the same time providing for flood protection and more intensive use of land in existing rubber and mixed crop smallholdings.

659. In *Sarawak*, major projects will include forestry and land development in the Miri-Bintulu region, the development of the port at Tanjung Kidurong and several trunk road projects including the Bako/Kuching road, the Bintulu/Tanjung Kidurong road, the Beluru/Long Teru road and the construction of bridges along the Miri/Bintulu road.

VII. CONCLUSION

660. As a result of historical patterns of development the different States and regions of Malaysia have shown very different rates of development, resulting in very unequal distribution of income, amenities and opportunities. To overcome existing inequalities, a shift in the pattern of investment is necessary giving more emphasis to the less developed States. This will not only enable Malaysians living in widely different regions of the country to enjoy a similar quality of life and equal opportunities for advancement, but will also bring about the development of untapped natural resources for the further development of the nation as a whole.