

Chapter V

Regional and Urban Development

CHAPTER V

Regional and Urban Development

I. INTRODUCTION

Regional development is aimed at reducing economic disparities among regions. Through regional development, a number of national objectives, including the provision, expansion, and modernization of public services to further improve the standards of living of the people in the less developed regions, are to be realized. These regional development objectives are to be achieved through the optimal utilization of natural, human, and financial resources, and planned urbanization of selected areas. Migration of labour from resource-poor areas to areas with relatively high potential for growth facilitates the attainment of the regional development objectives. Urbanization also enables the provision of better services and facilities for the rural population in the hinterland, thereby allowing them to enjoy a better quality of life.

Resource constraints experienced by the country, directly as a result of the prolonged economic recession during the last few years, necessitated the Government to reschedule or defer a number of key projects under the Fourth Malaysia Plan which were intended to provide further impetus to regional development efforts. The rescheduling or deferment of these projects affected the pace of development, especially in the less developed regions. Nevertheless, regional development had generally succeeded in bringing about increased income and improved standards of living as well as a more equitable provision of public services. In terms of the beneficiaries, regional development programmes, especially those implemented by the various regional development authorities (RDA), benefitted not only Bumiputera who formed the majority of the target group but also other ethnic groups. These gains were made by their participation in the programmes as well as by economic activities and opportunities generated through forward or backward linkages of regional programmes.

During the Fifth Malaysia Plan period, the country will continue to experience resource constraints, and in this context, regional development will be directed towards the consolidation of efforts to ensure greater efficiency of resource utilization. In addition, industrial and urban development will take cognizance of

the prevailing market forces and the economics of location, while continued efforts will be made to raise the standards of living in the rural areas *inter alia* through the revitalization of the agriculture sector and the implementation of the rural urbanization programmes.

II. REGIONAL FRAMEWORK

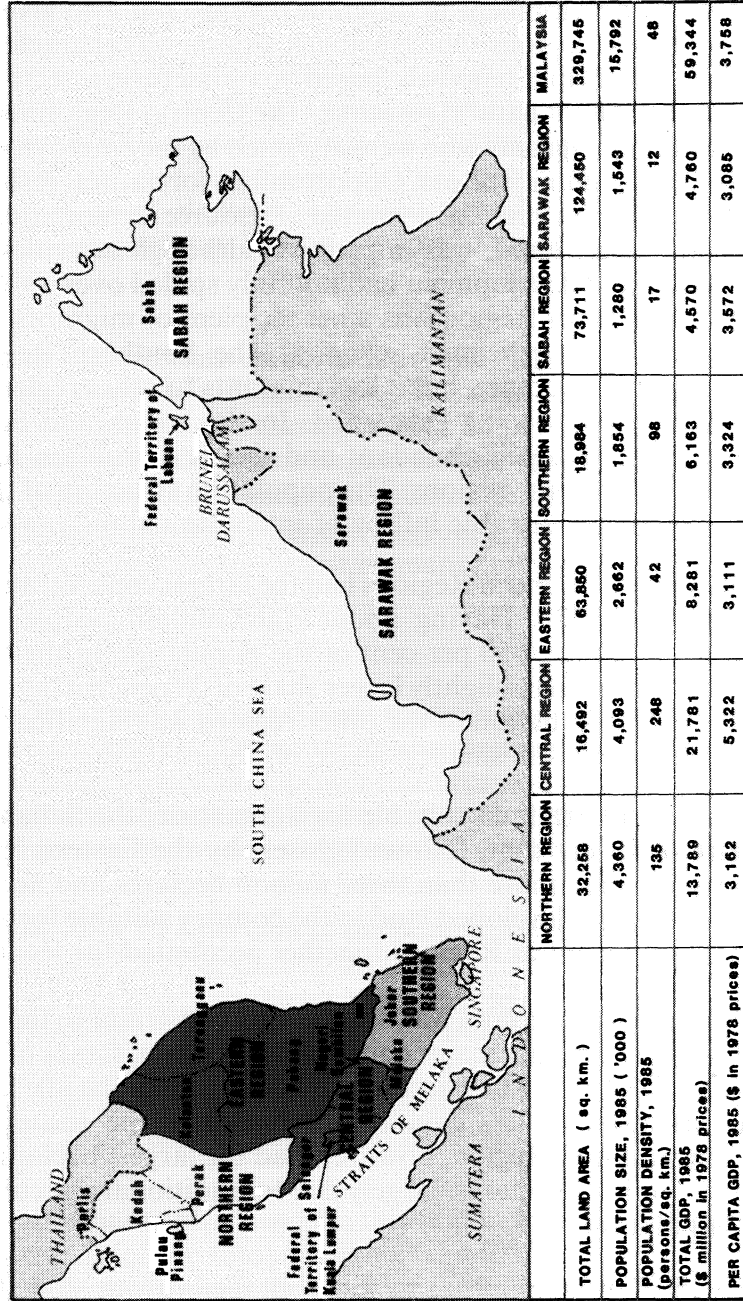
States form the basis for much of the planning and implementation of development programmes at the subnational level. Unlike the regional concept, states refer to political entities. Planning and programming on the state basis, however, have limitations since this approach fails to capture the benefits of any large-scale project in a particular state that spread to adjoining states, and neither does it recognize the fact that metropolitan centres provide specialized services to spatial units far beyond their state boundaries. Certain development projects draw on manpower and capital from outside the state. Earnings and savings generated by these projects as well as by other economic activities have not only brought about development to the state through consumption or further investments, but also to the neighbouring states within the region that provide the resources. Planning programmes on a multistate basis can lead to a reduction in overlapping investments and duplication of infrastructural projects. Besides, it can also widen the scope for the sharing of state resources as well as interstate co-operation in joint projects.

The regional approach, through the adoption of broader spatial units as a basis for planning, enables states which are poor in resources and experience growth constraints to benefit from the overall development efforts undertaken in the region. It is, therefore, important that the basic planning and implementation approach of various agencies be reoriented to incorporate the broader regional perspective. There is also the subsequent need for streamlining the planning and implementation machinery of the country in order to effectively operationalize this regional approach to development.

In this respect, the following sections emphasize regions as a framework for analysis, both inter and intraregionally, rather than states, as was adopted in previous Plans. Accordingly, as shown in Map 5-1, Malaysia can be disaggregated into six regions, namely, Northern, Central, Eastern, Southern, Sabah, and Sarawak. Each of these regions, comprising either an entire state or a group of neighbouring states, is dominated by at least a single urban centre. In the case of multistate regions, the group of states comprising the region are in a more or less uniform stage of development and have similar resources and economic activities. In the case of single-state regions, the Sabah and Sarawak Regions are considered distinct regions in view of their large physical size, location, and unique socio-economic characteristics. With regard to Johor, even though it shares certain common economic characteristics with other Peninsular Malaysian states, its pace of development and pattern of resource flow are, to a large extent, influenced by its proximity to Singapore.

MAP 5-1

REGIONS OF MALAYSIA



III. PROGRESS, 1981-85

Regional overview

The interactions of various socio-economic forces had not only brought about varying levels of development in different regions, but also given rise to features unique to particular regions. The Northern Region was characterized by a mobile population, a large but narrowly-based manufacturing sector, and a rapidly declining availability of natural resource. The Central Region received the largest number of internal migrants who were attracted by the employment opportunities in its diversified economic sectors. Opportunities for natural resource exploitation in the Central Region remained limited. Resource exploitation in the Eastern Region, on the other hand, was impressive, although activities in hydrocarbon production and land development had not fully spilled over into the manufacturing sector. The Eastern Region was a net recipient of migrants who were largely attracted to its land settlement schemes. The Southern Region had a well-balanced economic structure, but it lost migrants to other regions and its natural resources were rapidly being exhausted. In the Sabah and Sarawak Regions, natural resources were still abundant and their exploitation formed the major economic activity of these regions. The population structure of the Sabah Region was influenced by the sizeable inflow of international migrants into the region.

The Northern and Central Regions had the largest concentration of population in the country in 1985. Having about eight million people, the two regions accounted for more than 50 per cent of the population in the country, with the Northern Region having a slightly larger share of 28 per cent, as indicated in Table 5-1. The share of population in the other regions was significantly less, with the Sabah Region having the smallest share of about 7 per cent.

In terms of available land suitable for agriculture, the Sabah Region had the largest share of 38 per cent, followed closely by the Eastern Region. Together, these two regions had more than three million hectares and accounted for more than 70 per cent of undeveloped land in the country suitable for agriculture, while the Northern and Central Regions together accounted for less than 10 per cent.

Availability of suitable land was not the only constraint to the full utilization of natural resources. Another major constraint was the existence of a large hectareage of idle land. A total of 595,000 hectares or 80 per cent of the idle land in Peninsular Malaysia was more or less equally distributed in the Eastern and Northern Regions. The Sarawak Region, however, had the largest hectareage amounting to more than 2.2 million hectares, largely due to traditional agricultural practices of the local population.

The growth of the agriculture sector in all regions was slow. Nevertheless, the sector remained a major contributor to the Gross Domestic Product (GDP) in most regions, as shown in Table 5-2 and Table 5-3. In 1985, this sector contributed to no less than 20 per cent of the total output in all regions, except the

Central Region. The output of this sector was largest in the Northern Region, but the rates of growth in output and productivity of this sector were relatively less impressive compared with the other regions. The growth in output and productivity of the sector was highest in the Eastern Region.

In contrast, the performance of the mining sector at the regional level ranged from the slowest to among the fastest growing, depending on the type of mining activities in the region. Tin mining activities in the Central and Northern Regions experienced a decline, whereas petroleum and gas producing activities in the Eastern, Sabah, and Sarawak Regions registered remarkable growth. The high growth of the sector in the Southern Region was due to the exploitation of bauxite and iron ore deposits.

The manufacturing sector was important in the Central, Northern, and Southern Regions. The shares of manufacturing output in the respective regional GDPs were 21 per cent for the Northern Region, 26 per cent for the Central Region, and 22 per cent for the Southern Region compared with 19 per cent at the national level. The three regions together accounted for 88 per cent of manufacturing output in the country. In the Central Region, it was twice as large as that of the Northern Region, the second largest in manufacturing output.

Regional performance

The development of a region can be assessed through quantitative indicators of growth and through changes in the structure of the regional economies. Physical inputs in terms of natural as well as manpower resources are also important to the development of a region since their availability and exploitation partly determine the level of development in the various regions.

Northern Region. In 1985, 27.6 per cent of the population of the country lived in this region compared with 29.1 per cent in 1980. This decrease of 1.5 percentage points within five years was due to the heavy migration to the Central and Eastern Regions as well as the relatively lower rate of natural increase of the Northern Region. Compared with the 2.6 per cent annual growth rate at the national level, all four states in the region experienced lower population growth rates, ranging from 1.3 per cent to 2.0 per cent per annum during this period.

In terms of natural resource endowments, this region had very little potential, with only about 5 per cent of the total available land in the country. The region produced about 5 per cent of the log production in the country, most of which came from Perak and Kedah. Perak remained the main producer of tin ore for the region and country, but its production was undergoing a long-term declining trend.

TABLE

MALAYSIA: SELECTED KEY REGIONAL

| Indicator | Northern | | | | | Central | | |
|---|----------|---------|---------|--------|--------------|---------|--------|-----------------|
| | Total | Kedah | Perak | Perlis | Pulau Pinang | Total | Melaka | Negeri Sembilan |
| Economic (in 1978 prices) | | | | | | | | |
| <i>Per capita</i> GDP (\$) | | | | | | | | |
| 1980 | 2,811 | 2,102 | 2,853 | 2,265 | 3,649 | 4,602 | 2,297 | 3,440 |
| 1985 | 3,162 | 2,358 | 3,194 | 2,604 | 4,120 | 5,322 | 2,765 | 3,846 |
| Ratio of <i>per capita</i> GDP to | | | | | | | | |
| Malaysian average | | | | | | | | |
| 1980 | 0.87 | 0.65 | 0.89 | 0.70 | 1.13 | 1.43 | 0.71 | 1.07 |
| 1985 | 0.84 | 0.63 | 0.85 | 0.69 | 1.10 | 1.42 | 0.74 | 1.02 |
| <i>Per capita</i> GDP growth | | | | | | | | |
| (% p.a.), 1981-85 | | | | | | | | |
| 1980 | 2.4 | 2.3 | 2.3 | 2.8 | 2.5 | 2.9 | 3.8 | 2.3 |
| Demographic | | | | | | | | |
| Population ('000) | | | | | | | | |
| 1980 | 4,039.9 | 1,120.6 | 1,812.3 | 148.8 | 958.2 | 3,545.1 | 466.6 | 575.9 |
| 1985 | 4,360.4 | 1,210.9 | 1,934.6 | 165.1 | 1,049.8 | 4,092.6 | 492.5 | 625.4 |
| Population growth rate | | | | | | | | |
| (% p.a.), 1981-85 | | | | | | | | |
| 1980 | 1.5 | 1.5 | 1.3 | 2.0 | 1.8 | 2.9 | 1.1 | 1.6 |
| Unemployment rate (%) | | | | | | | | |
| 1980 | 6.1 | 6.6 | 6.3 | 7.2 | 5.1 | 4.5 | 6.4 | 5.5 |
| 1985 | 7.7 | 8.4 | 8.1 | 7.6 | 6.4 | 6.6 | 8.3 | 7.5 |
| Net internal migration | | | | | | | | |
| ('000), 1981-85 | | | | | | | | |
| 1980 | -144.4 | -50.3 | -91.2 | -0.6 | -2.3 | 95.5 | -28.6 | -19.4 |
| Socio-economic | | | | | | | | |
| Infant mortality rate | | | | | | | | |
| (per 1,000 live births) | | | | | | | | |
| 1980 | 25.1 | 28.7 | 25.2 | 24.2 | 19.9 | 21.2 | 18.8 | 23.7 |
| 1985 | 19.2 | 21.0 | 19.9 | 18.4 | 15.1 | 14.3 | 16.0 | 18.3 |
| Acute care hospital bed | | | | | | | | |
| (per 1,000 population) | | | | | | | | |
| 1980 | 1.7 | 1.1 | 1.9 | 2.4 | 1.9 | 1.7 | 2.0 | 2.8 |
| 1985 | 1.8 | 1.6 | 1.7 | 2.5 | 1.9 | 1.5 | 1.9 | 2.9 |
| Per cent of population with | | | | | | | | |
| piped water ² | | | | | | | | |
| 1980 | 69.1 | 57.2 | 68.2 | 57.2 | 87.0 | 78.3 | 76.5 | 72.8 |
| 1985 | 80.6 | 70.4 | 82.4 | 70.4 | 91.1 | 86.4 | 84.4 | 79.6 |
| Per cent of population with electricity | | | | | | | | |
| 1980 | 39.8 | 33.0 | 25.3 | 68.4 | 70.8 | 57.3 | 54.2 | 68.7 |
| 1985 | 65.6 | 60.9 | 58.0 | 90.3 | 81.0 | 85.5 | 70.9 | 91.6 |
| Motorcars and motorcycles | | | | | | | | |
| registered (per 1,000 population) | | | | | | | | |
| 1980 | 169 | 125 | 167 | 153 | 228 | 221 | 187 | 207 |
| 1985 | 254 | 197 | 241 | 231 | 348 | 389 | 283 | 305 |
| Natural resources, 1981-85 | | | | | | | | |
| New land development by FELDA: | | | | | | | | |
| Area ('000 ha.) | | | | | | | | |
| 1980 | 9.7 | 2.9 | 4.6 | 2.2 | - | 22.0 | 0.2 | 18.2 |
| 1985 | 2.4 | 0.8 | 1.2 | 0.4 | - | 4.7 | - | 4.5 |
| Number of settlers ('000) | | | | | | | | |
| 1980 | 2.4 | 0.8 | 1.2 | 0.4 | - | 4.7 | - | 4.5 |
| Idle land development ('000 ha.): | | | | | | | | |
| <i>Padi</i> | | | | | | | | |
| 1980 | 5.9 | - | 0.6 | - | 5.3 | 0.4 | - | 0.4 |
| 1985 | 3.5 | 0.2 | 3.1 | 0.1 | 0.1 | 2.0 | 0.4 | 1.3 |
| Non- <i>padi</i> | | | | | | | | |
| 1980 | 8,334 | 1,887 | 6,456 | 80 | 11 | 5,207 | 71 | 3,445 |
| 1985 | 64.8 | 12.6 | 52.2 | - | - | 33.3 | 2.2 | 16.8 |
| Log production ('000 cu.m.) | | | | | | | | |
| 1980 | 8,334 | 1,887 | 6,456 | 80 | 11 | 5,207 | 71 | 3,445 |
| 1985 | 64.8 | 12.6 | 52.2 | - | - | 33.3 | 2.2 | 16.8 |
| Forest regeneration ('000 ha.) | | | | | | | | |
| 1980 | 64.8 | 12.6 | 52.2 | - | - | 33.3 | 2.2 | 16.8 |
| 1985 | 64.8 | 12.6 | 52.2 | - | - | 33.3 | 2.2 | 16.8 |
| Mineral production | | | | | | | | |
| Tin ore ('000 tonnes) | | | | | | | | |
| 1980 | 106.6 | 1.9 | 104.4 | 0.3 | - | 68.7 | 0.2 | 1.0 |
| 1985 | - | - | - | - | - | - | - | - |
| Crude petroleum ('000 barrels) | | | | | | | | |
| 1980 | - | - | - | - | - | - | - | - |
| 1985 | - | - | - | - | - | - | - | - |
| Natural gas ('000 mmscf) | | | | | | | | |
| 1980 | - | - | - | - | - | - | - | - |
| 1985 | - | - | - | - | - | - | - | - |

Notes:

¹ Including the Federal Territory of Labuan.

² Combined figures for Kedah/Perlis, and Selangor/the Federal Territory of Kuala Lumpur.

n.a. Not available.

5-1

INDICATORS, 1980 AND 1985

| Selangor | F.T. of K. Lumpur | Total | Eastern | | | Southern | Sabah ¹ | Sarawak | Malaysia |
|----------|----------------------|---------|----------|--------|------------|----------|--------------------|---------|----------|
| | | | Kelantan | Pahang | Terengganu | Johor | | | |
| 4,610 | 6,367 | 2,631 | 1,489 | 3,182 | 3,705 | 2,916 | 3,066 | 2,292 | 3,221 |
| 4,963 | 7,783 | 3,111 | 1,740 | 3,495 | 4,719 | 3,324 | 3,572 | 3,085 | 3,758 |
| 1.43 | 1.98 | 0.82 | 0.46 | 0.99 | 1.15 | 0.91 | 0.95 | 0.71 | 1.00 |
| 1.32 | 2.07 | 0.83 | 0.46 | 0.93 | 1.26 | 0.88 | 0.95 | 0.82 | 1.00 |
| 1.5 | 4.1 | 3.4 | 3.2 | 1.9 | 5.0 | 2.7 | 3.1 | 6.1 | 3.1 |
| 1,521.6 | 981.0 | 2,243.1 | 897.8 | 802.2 | 543.1 | 1,644.9 | 1,055.1 | 1,351.1 | 13,879.2 |
| 1,822.1 | 1,152.6 | 2,661.8 | 1,026.3 | 998.7 | 636.8 | 1,854.0 | 1,279.5 | 1,542.8 | 15,791.1 |
| 3.6 | 3.3 | 3.4 | 2.6 | 4.4 | 3.1 | 2.4 | 3.9 | 2.7 | 2.6 |
| 4.4 | 3.5 | 6.5 | 7.4 | 4.7 | 7.9 | 5.3 | 8.3 | 5.1 | 5.7 |
| 6.3 | 5.9 | 8.1 | 8.1 | 7.2 | 9.4 | 6.9 | 9.3 | 8.7 | 7.6 |
| 107.9 | 35.6 | 49.5 | -25.4 | 77.4 | -2.5 | -12.5 | n.a. | n.a. | n.a. |
| 21.2 | 20.7 | 29.7 | 31.8 | 27.1 | 29.9 | 24.6 | 26.7 | 23.8 | 21.6 |
| 13.4 | 12.6 | 21.6 | 23.1 | 19.1 | 22.2 | 17.0 | 22.7 | 19.5 | 18.3 |
| 0.8 | 2.4 | 1.3 | 1.0 | 1.7 | 1.2 | 1.6 | 1.6 | 1.6 | 1.6 |
| 0.9 | 1.5 | 1.7 | 1.5 | 1.7 | 2.0 | 1.7 | 2.3 | 1.7 | 1.7 |
| 80.0 | 80.0 | 43.5 | 28.4 | 58.8 | 46.4 | 48.8 | 34.8 | 31.8 | 58.8 |
| 88.1 | 88.1 | 54.0 | 32.8 | 72.8 | 59.1 | 69.0 | 51.5 | 43.8 | 69.9 |
| 44.8 | 71.4 | 39.7 | 38.8 | 34.0 | 49.8 | 40.3 | 36.7 | 33.8 | 49.9 |
| 81.0 | 95.7 | 59.7 | 62.8 | 49.5 | 70.6 | 62.9 | 48.0 | 49.3 | 71.3 |
| 314 | 103 | 116 | 99 | 156 | 83 | 214 | 87 | 87 | 178 |
| 287 | 642 | 180 | 165 | 216 | 147 | 197 | 117 | 111 | 248 |
| 3.6 | - | 80.6 | 17.2 | 56.0 | 7.4 | 19.7 | 37.2 | - | 162.2 |
| 0.2 | - | 12.5 | 1.1 | 9.1 | 2.3 | 5.0 | - | - | 24.5 |
| 0.3 | - | 2.6 | 2.4 | 0.1 | 0.1 | 1.1 | - | 1.0 | 11.0 |
| - | - | 7.7 | 0.8 | 5.7 | 1.2 | 1.4 | - | 1.0 | 15.6 |
| 1,691 | - | 29,729 | 7,574 | 14,604 | 7,551 | 8,477 | 62,933 | 51,625 | 166,405 |
| 14.3 | - | 221.5 | 52.1 | 81.9 | 87.5 | 34.4 | 35.9 | 68.7 | 396.6 |
| 67.5 | - | 9.6 | - | 7.7 | 1.9 | 2.8 | - | - | 187.7 |
| - | - | 146,803 | - | - | 146,803 | - | 76,103 | 121,764 | 344,670 |
| - | - | 123.5 | - | - | 123.5 | - | 70.0 | 278.5 | 472.0 |

TABLE

MALAYSIA: GROSS DOMESTIC PRODUCT
(\$ million)

| Sector | Northern | | | | | Central | | |
|---|----------|---------|---------|--------|-----------------|---------|--------|--------------------|
| | Total | Kedah | Perak | Perlis | Pulau Pinang | Total | Melaka | Negeri Sembilan |
| Agriculture, forestry, livestock, and fishing | 2,789 | 1,217 | 1,200 | 149 | 223 | 1,602 | 234 | 561 |
| Mining and quarrying | 1,180 | 30 | 1,125 | 7 | 18 | 853 | 13 | 23 |
| Manufacturing | 2,357 | 192 | 723 | 43 | 1,399 | 4,565 | 255 | 638 |
| Construction | 431 | 61 | 218 | 9 | 143 | 849 | 42 | 68 |
| Electricity, gas, and water | 151 | 23 | 55 | 5 | 68 | 286 | 25 | 37 |
| Transport, storage, and communications | 654 | 98 | 233 | 10 | 313 | 1,141 | 76 | 95 |
| Wholesale and retail trade, hotels, and restaurants | 1,196 | 131 | 485 | 15 | 565 | 2,785 | 125 | 113 |
| Finance, insurance, real estate, and business services | 937 | 213 | 423 | 32 | 269 | 1,562 | 104 | 178 |
| Government services | 1,154 | 279 | 504 | 49 | 322 | 1,746 | 154 | 194 |
| Other services | 238 | 55 | 80 | 10 | 93 | 534 | 18 | 27 |
| Total | 11,087 | 2,299 | 5,046 | 329 | 3,413 | 15,923 | 1,046 | 1,934 |
| GDP at purchasers' value (\$ million) | 11,358 | 2,355 | 5,170 | 337 | 3,496 | 16,313 | 1,072 | 1,981 |
| Population ('000) | 4,039.9 | 1,120.6 | 1,812.3 | 148.8 | 958.2 | 3,545.1 | 466.6 | 575.9 |
| Per capita GDP (\$) | 2,811 | 2,102 | 2,853 | 2,265 | 3,649 | 4,602 | 2,297 | 3,440 |
| Ratio to Malaysian average | 0.87 | 0.65 | 0.89 | 0.70 | 1.13 | 1.43 | 0.71 | 1.07 |

Note: ¹ Including the Federal Territory of Labuan

5-2

**BY REGION AND INDUSTRY OF ORIGIN, 1980
in 1978 prices)**

| <i>F.T. of</i> | | <i>Eastern</i> | | | <i>Southern</i> | <i>Sabah¹</i> | <i>Sarawak</i> | <i>Malaysia</i> | |
|-----------------|------------------|----------------|-----------------|---------------|-------------------|--------------------------|----------------|-----------------|----------|
| <i>Selangor</i> | <i>K. Lumpur</i> | <i>Total</i> | <i>Kelantan</i> | <i>Pahang</i> | <i>Terengganu</i> | <i>Johor</i> | | | |
| 800 | 7 | 2,170 | 564 | 1,140 | 466 | 1,615 | 1,189 | 824 | 10,189 |
| 756 | 61 | 996 | 11 | 100 | 885 | 118 | 601 | 739 | 4,487 |
| 2,570 | 1,102 | 534 | 86 | 323 | 125 | 1,109 | 110 | 257 | 8,932 |
| 457 | 282 | 232 | 60 | 119 | 53 | 200 | 159 | 195 | 2,066 |
| 110 | 114 | 70 | 24 | 30 | 16 | 54 | 39 | 40 | 640 |
| 634 | 336 | 224 | 91 | 90 | 43 | 225 | 176 | 122 | 2,542 |
| 509 | 2,038 | 370 | 91 | 197 | 82 | 473 | 280 | 279 | 5,383 |
| 339 | 941 | 428 | 139 | 173 | 116 | 359 | 221 | 180 | 3,687 |
| 475 | 923 | 654 | 220 | 274 | 160 | 459 | 254 | 296 | 4,563 |
| 196 | 293 | 83 | 19 | 46 | 18 | 70 | 48 | 48 | 1,021 |
| 6,846 | 6,097 | 5,761 | 1,305 | 2,492 | 1,964 | 4,682 | 3,077 | 2,980 | 43,510 |
| 7,014 | 6,246 | 5,902 | 1,337 | 2,553 | 2,012 | 4,797 | 3,235 | 3,097 | 44,702 |
| 1,521.6 | 981.0 | 2,243.1 | 897.8 | 802.2 | 543.1 | 1,644.9 | 1,055.1 | 1,351.1 | 13,879.2 |
| 4,610 | 6,367 | 2,631 | 1,489 | 3,182 | 3,705 | 2,916 | 3,066 | 2,292 | 3,221 |
| 1.43 | 1.98 | 0.82 | 0.46 | 0.99 | 1.15 | 0.91 | 0.95 | 0.71 | 1.00 |

TABLE

**MALAYSIA: GROSS DOMESTIC PRODUCT BY
(\$ million in**

| Sector | Northern | | | | | Central | | |
|--|----------|---------|---------|--------|--------------|---------|--------|-----------------|
| | Total | Kedah | Perak | Perlis | Pulau Pinang | Total | Melaka | Negeri Sembilan |
| Agriculture, forestry, livestock, and fishing | 3,108 | 1,348 | 1,353 | 179 | 228 | 1,908 | 250 | 661 |
| Mining and quarrying | 1,093 | 33 | 1,031 | 8 | 21 | 763 | 15 | 25 |
| Manufacturing | 2,864 | 235 | 918 | 45 | 1,666 | 5,767 | 331 | 705 |
| Construction | 634 | 91 | 334 | 19 | 190 | 1,165 | 48 | 105 |
| Electricity, gas, and water | 240 | 34 | 98 | 7 | 101 | 419 | 34 | 53 |
| Transport, storage, and communications | 922 | 128 | 331 | 16 | 447 | 1,686 | 101 | 110 |
| Wholesale and retail trade, hotels, and restaurants | 1,469 | 165 | 635 | 19 | 650 | 4,059 | 165 | 154 |
| Finance, insurance, real estate, and business services | 1,244 | 278 | 570 | 43 | 353 | 2,323 | 145 | 227 |
| Government services | 1,790 | 438 | 757 | 76 | 519 | 2,774 | 239 | 303 |
| Other services | 291 | 77 | 92 | 14 | 108 | 706 | 21 | 39 |
| Total | 13,655 | 2,827 | 6,119 | 426 | 4,283 | 21,570 | 1,349 | 2,382 |
| GDP at purchasers' value (\$ million) | 13,789 | 2,855 | 6,179 | 430 | 4,325 | 21,781 | 1,362 | 2,405 |
| Population ('000) | 4,360.4 | 1,210.9 | 1,934.6 | 165.1 | 1,049.8 | 4,092.6 | 492.5 | 625.4 |
| Per capita GDP (\$) | 3,162 | 2,358 | 3,194 | 2,604 | 4,120 | 5,322 | 2,765 | 3,846 |
| Ratio to Malaysian average | 0.84 | 0.63 | 0.85 | 0.69 | 1.10 | 1.42 | 0.74 | 1.02 |

Note: ¹ Including the Federal Territory of Labuan.

5-3

REGION AND INDUSTRY OF ORIGIN, 1985
1978 prices)

| | <i>F.T. of</i> | <i>Eastern</i> | | | | <i>Southern</i> | <i>Sabah¹</i> | <i>Sarawak</i> | <i>Malaysia</i> |
|---------|----------------|-----------------|------------------|--------------|-----------------|-----------------|--------------------------|----------------|-----------------|
| | | <i>Selangor</i> | <i>K. Lumpur</i> | <i>Total</i> | <i>Kelantan</i> | <i>Pahang</i> | <i>Terengganu</i> | <i>Johor</i> | |
| 989 | 8 | 2,812 | 683 | 1,553 | 576 | 1,735 | 1,483 | 1,000 | 12,046 |
| 667 | 56 | 1,476 | 15 | 74 | 1,387 | 175 | 1,017 | 1,482 | 6,006 |
| 3,310 | 1,421 | 703 | 137 | 387 | 179 | 1,379 | 203 | 441 | 11,357 |
| 626 | 386 | 411 | 87 | 185 | 139 | 332 | 236 | 270 | 3,048 |
| 158 | 174 | 109 | 35 | 47 | 27 | 87 | 67 | 66 | 988 |
| 941 | 534 | 359 | 120 | 148 | 91 | 390 | 246 | 202 | 3,805 |
| 748 | 2,992 | 539 | 119 | 297 | 123 | 696 | 395 | 393 | 7,551 |
| 499 | 1,452 | 567 | 187 | 239 | 141 | 501 | 313 | 264 | 5,212 |
| 758 | 1,474 | 1,105 | 364 | 457 | 284 | 722 | 399 | 480 | 7,270 |
| 259 | 387 | 120 | 22 | 69 | 29 | 86 | 55 | 54 | 1,312 |
| 8,955 | 8,884 | 8,201 | 1,769 | 3,456 | 2,976 | 6,103 | 4,414 | 4,652 | 58,595 |
| 9,043 | 8,971 | 8,281 | 1,786 | 3,490 | 3,005 | 6,163 | 4,570 | 4,760 | 59,344 |
| 1,822.1 | 1,152.6 | 2,661.8 | 1,026.3 | 998.7 | 636.8 | 1,854.0 | 1,279.5 | 1,542.8 | 15,791.1 |
| 4,963 | 7,783 | 3,111 | 1,740 | 3,495 | 4,719 | 3,324 | 3,572 | 3,085 | 3,758.0 |
| 1.32 | 2.07 | 0.83 | 0.46 | 0.93 | 1.26 | 0.88 | 0.95 | 0.82 | 1.00 |

In economic terms, the Northern Region had a *per capita* GDP of \$3,162 or 84 per cent of the Malaysian average in 1985. Its *per capita* GDP was growing at 2.4 per cent per annum during the period. Among its four component states, Pulau Pinang was the most developed with a *per capita* GDP of 10 per cent above the national average, while the three remaining states had *per capita* GDP below the national average, ranging from 63 per cent for Kedah to 85 per cent for Perak. The ratios of *per capita* GDP to Malaysian average for all the states in the region were lower in 1985 compared with their ratios in 1980, showing that these states grew less rapidly during the period.

Two of the dominant sectors of the region, agriculture and mining, experienced growth problems. The agriculture sector grew at an average annual rate of 2.2 per cent, while the mining sector declined by 1.5 per cent compared with the growth rates of 3.4 per cent and 6.0 per cent for the two sectors, respectively, at the national level. The two major crops in the region, *padi* and rubber, which constituted over 55 per cent of total agricultural output, were nearing their physical limits for expansion.

The manufacturing sector grew at 4.0 per cent per annum during the period 1981-85. The increase in manufacturing output in the region largely originated from Perak and Pulau Pinang, which together accounted for more than 90 per cent of the increment. Employment creation was significant in the manufacturing sector. Out of 15,000 jobs created in this sector, Perak and Pulau Pinang together accounted for about 13,000 jobs. The attempt to disperse industries to Kedah and Perlis under the industrial dispersal policy recorded marginal results. Other than in Kulim and Sungai Petani, the industrial estates elsewhere in Kedah and Perlis showed low occupancy rates.

Although manufacturing employment and output in Perak and Pulau Pinang had registered steady growth, the two states were characterized by a rather narrow industrial base. More than 40 per cent of the manufacturing employment in Perak were involved in textiles production, and over 60 per cent of the manufacturing employment in Pulau Pinang were concentrated in the electrical machinery and equipment subsector, especially electronics. The electronics industry, which underwent rapid expansion during the late 1970s and early 1980s, attracted female labour from neighbouring states, especially Kedah and Perak, into Pulau Pinang. Despite the inflow of migrants, Pulau Pinang recorded a net outmigration. A sizeable number of migrants from Pulau Pinang, who were largely males and better educated than its immigrants, moved to the Klang Valley in search for jobs in the modern sector activities.

Given the growing size of the labour force in the region and the limited number of jobs created during the period, agricultural states like Kedah experienced the highest unemployment rate in the region as well as sustained outmigration. The relatively higher capacity of Pulau Pinang to create employment in the secondary sector accounted for its relatively lower unemployment rate in 1985.

The slow economic growth in Perak, coupled with its large labour force growing at 1.6 per cent annually, were contributory factors explaining the outflow of about 90,000 migrants from the state during the period 1981-85. This outmigration, mainly to the Klang Valley and Pahang, constituted the largest outflow of migrants from any one state in the country.

With regard to socio-economic indicators, the infant mortality rates for Kedah, Perak, and Perlis were higher than the national average, especially in the early 1980s. These relatively high rates were related to the high occurrence of poverty as well as the limited access of the rural population to social services and amenities. Kedah and Perlis had among the lowest average *per capita* household income in the country, and the proportions of population in Kedah and Perak enjoying public services were relatively small.

Central Region. This region supported about one quarter of the population of the country during the period, and its population grew at 2.9 per cent per annum, faster than the national average. Being the most developed, industrialized, and urbanized, the Central Region drew substantial urban-bound migrants from other regions, a fact which accounted for its increasing population share since the 1960s. In terms of state population, Melaka and Negeri Sembilan recorded among the slowest growth rates in the country, attributed largely to the outflow of migrants to other states in the region, namely, Selangor and the Federal Territory of Kuala Lumpur. At the regional level, these slow growth rates were more than offset by the rapid population growth of Selangor and the Federal Territory of Kuala Lumpur which averaged over 3 per cent per annum.

The forested land as well as new land available for cultivation in the Central Region were limited, this region having less than 5 per cent of the new and forested land in the country. This implied that current and future economic growth in the region would have to be generated by activities in the secondary and tertiary sectors. The agriculture sector was relatively less important in the Central Region, losing its position from the fourth largest contributor to the regional output in 1980 to the fifth by 1985.

With a *per capita* GDP of \$5,322 in 1985, about 42 per cent higher than the national average, this region was economically the most developed in the country. The main contributors to the high average *per capita* GDP for the region were Selangor and the Federal Territory of Kuala Lumpur. In the past, tin mining and plantation activities had propelled the development of Selangor, while more recently, industrial activities located in the Klang Valley became the main driving force. The Federal Territory of Kuala Lumpur, which is the seat of the Federal Government and the national centre for business, financial, and other specialized activities, recorded the highest *per capita* GDP of more than twice the national average in 1985.

The large pool of labour in the region with varying skills and specializations helped to maintain the growth momentum, especially in the secondary and tertiary activities. The sectors in the region which grew faster than the national average were manufacturing; wholesale and retail trade, hotels, and restaurants; and finance, real estate, and business services. The mining sector experienced a decline in output. The importance of the manufacturing sector in the region can be illustrated by its share in the manufacturing output and employment in the country. During the period 1981-85, the dynamic manufacturing base of the region contributed about 50 per cent of the total increase in manufacturing output and 35 per cent of the new jobs created in the country. Selangor accounted for 71 per cent of the increase in the regional manufacturing output, and the Federal Territory of Kuala Lumpur 20 per cent.

A substantial number of jobs were created in the secondary and tertiary sectors during the period, especially in the wholesale and retail trade, hotels, and restaurants sector. In Selangor and the Federal Territory of Kuala Lumpur, the expansion of Government employment was also important, especially at the start of the 1980s which coincided with the *Isi Penuh* exercise.

The Central Region enjoyed the highest quality of life in the country as evident by the favourable socio-economic indicators for Melaka, Negeri Sembilan, Selangor, and the Federal Territory of Kuala Lumpur. These indicators showed that the four states had the highest proportion of people having access to social services and amenities, the lowest infant mortality rates, and the highest ownership of motorcars and motorcycles in the country. Improvements in infant mortality for the region during this period were impressive, especially the rates for Selangor and the Federal Territory of Kuala Lumpur which fell from 21 per thousand live births in 1980 to 13 per thousand in 1985.

Eastern Region. The population of the region, which made up 17 per cent of the population of the country in 1985, grew faster than the national average. This was explained mainly by two factors. First, Pahang was the largest recipient of migrants, the majority of whom were absorbed as settlers in land development schemes. Unlike urban-bound migrants, these settlers have large families. Second, the rural migrants as well as the local population had high fertility rates compared with the national average.

The abundance of natural resources influenced the pattern of the regional economic development. Relative to its size, this region had the largest hectareage of available land suitable for agriculture. The existing agricultural land, however, was not fully utilized. The region had a large hectareage of alienated agricultural land left idle due to a number of reasons, including ageing manpower left behind after the outmigration of younger members of the labour force seeking better opportunities outside the area, and holdings that were not only uneconomic but also having absentee landlords.

Kelantan had the lowest *per capita* GDP in the country at \$1,740 or 46 per cent of the national average of \$3,758. The *per capita* GDP of the Eastern Region, however, was not the lowest in the country in 1985 due to the higher *per capita* GDPs in the other two states in the region. The *per capita* GDP of Terengganu at \$4,719, for example, placed it among the few states that had their *per capita* GDPs above the national average.

The economic mainstay of the region was still agriculture and mining. Agriculture contributed 34 per cent of the regional GDP in 1985. The growth rate for agriculture in the region, at 5.3 per cent per annum, was much faster than the national average due to the increasing number of land development schemes with matured crops, especially in Pahang and Terengganu, as well as the increased exploitation of forest resources. Agriculture in Kelantan depended less on large-scale land development and more on forest exploitation, *padi* farming, and livestock rearing.

Mining was the second largest sector in the region. More than 90 per cent of the mining output of the region, however, was attributed to the exploitation and extraction of crude petroleum and natural gas in Terengganu. These activities accounted for 43 per cent and 26 per cent of the national production, respectively. Almost one half of the GDP of Terengganu was attributed to the petroleum-dominated mining sector. Other minerals, such as iron ore and gold, were also mined in the region. About 60 per cent of the raw gold production in the country came from the Central Belt in Pahang.

Efforts to utilize the potential arising from the petroleum activities in Terengganu had successfully led to the establishment of a few large-scale capital intensive industries, including a petroleum refinery and a sponge iron and billet plant in the Paka-Chukai corridor. Nevertheless, the linkages between these industries and the rest of the regional economy had yet to be realized and private investments expected from the activities had not been forthcoming.

In Kelantan and Pahang, manufacturing activities were not significant, in spite of various programmes designed to attract outside investors. The few industries established were resource-based, especially palm oil processing and sawmilling. The delay in the operation of the Kuantan Port led to some setbacks in the establishment of industries in designated industrial estates in the region, especially in Pahang.

The inflow of industries which was expected following major improvements in the infrastructure of the region did not materialize. Lack of readily available skilled workers was another reason for the reluctance of industrialists to invest in the region. A large proportion of the immigrants comprised the lower skilled workers.

The socio-economic indicators showed that there were some improvements in the quality of life in the Eastern Region. The infant mortality rate decreased from 29.7 per thousand live births in 1980 to 21.6 per thousand in 1985. There was also an improvement in the provision of medical services and public utilities during the period, although in relative terms, the provision of these services and amenities was below the national average.

Southern Region. Although the region experienced an outflow of migrants, especially higher skilled or urban-bound workers, it managed to attract a significant number of settlers to various land development schemes. Land suitable for agriculture, however, had almost been fully exploited, and in order to effect a structural change in the economy, increasing attention had been given to the establishment of manufacturing activities. The transition of the regional economy to modern activities was reflected by the larger contributions of the secondary and tertiary sectors in the output of the region. The share of the transport, storage, and communications sector as well as that of the wholesale and retail trade, hotels, and restaurants sector increased from 4.7 per cent and 9.9 per cent to 6.4 per cent and 11.3 per cent, respectively. Although the share of the manufacturing sector declined slightly, its contribution to the increase in the total output of the region was highest.

Overall, all sectors performed reasonably well. Except for the very slow growth of the agriculture sector, many other sectors were growing faster than the national average, notably mining; construction; electricity, gas, and water; and transport. The growth in the construction industry was attributed to public sector projects as well as the expansion of construction activities for residential buildings. The large public sector investment made in the provision of electricity and piped water, contributed to the substantial growth of the electricity, gas, and water sector. The proportion of people served with piped water increased by 20 percentage points, from 49 per cent in 1980 to 69 per cent in 1985. The opening of the Pasir Gudang Port and the Sultan Ismail Airport in Senai contributed to the growth of the transport sector in the region.

Sabah Region. During the Fourth Plan period, the population of the region increased rapidly to 1.3 million people due mainly to two factors, namely, its high natural growth rate of population and the influx of international migrants, especially in the 1970s. The high rate of natural increase of the region, coupled with the fertility impact of the inflow of female migrants in the child-bearing age, gave rise to a larger proportion of its population falling within the 0 – 14 age group during the period.

The natural resources were continuously exploited to generate productive activities and to accelerate socio-economic development. A total of 1.3 million hectares of forested land was logged to generate \$3,775 million in revenue, and 37,200 hectares of new land were planted with oil palm and cocoa by the Federal

Land Development Authority (FELDA). In addition, the mining sector contributed substantially to the total GDP of the region through the increased exploitation of the hydrocarbon and copper deposits in the region.

The economy of the Sabah Region grew at a high rate of 7.2 per cent per annum, while its *per capita* GDP grew at 3.1 per cent. All sectors, except the transport, storage, and communication sector, Government services sector, and other services sector, recorded annual growth rates above their national averages. The agriculture sector, which contributed about 39 per cent of the regional output in 1980, declined to about 34 per cent in 1985. The demand created in the agriculture, construction, manufacturing, and mining and quarrying sectors, however, was not met by the increase in the local labour force. This situation gave rise to an inflow of readily available mobile labour from neighbouring countries. The high unemployment in this region was partly attributed to the rapid growth of the labour force.

Increased provision of public services during the period 1981-85 improved the standards of living of the population. Health conditions improved substantially as shown by the decline in the infant mortality rate, while medical facilities and educational level increased slightly. Other socio-economic indicators also showed that a larger segment of the population was provided with piped water and electricity, and there was an increase in the number of motorcars and motorcycles registered per thousand population.

Sarawak Region. Sarawak, the largest region in terms of land size, with 1.5 million people at the end of 1985, was thinly populated. The population growth rate was 2.7 per cent per annum, higher than the national growth rate.

During the Fourth Plan period, increased forest exploitation had raised log production from 8.7 million cubic metres to 10.6 million cubic metres. This activity provided \$1,600 million in revenue and employed 96,000 people in the logging and timber industries. About 75 per cent of the total land suitable for agriculture were under shifting cultivation practices. The hydrocarbon production also broadened its economic base. The processing of liquified natural gas (LNG) in the Bintulu plant started during this period, and all the production were exported to Japan under a long-term contract.

The small population and high economic growth of 9.0 per cent per annum, the highest in the nation, enabled the *per capita* GDP of the region to expand rapidly at 6.1 per cent per annum. The mining and quarrying sector grew rapidly at 14.9 per cent, also the highest in the country. Relatively higher growth was recorded in the transport; electricity, gas, and water; and Government services sectors. Agriculture, although playing a decreasing role, employed about 50 per cent of the economically active labour force.

Not only did the Sarawak Region perform well economically, but it also experienced improvements in the quality of life of the population. Its infant mortality rate declined by 4.3 per thousand live births from 23.8 per thousand in 1980 to 19.5 per thousand in 1985. About 12 to 15 per cent more people had access to piped water and electricity in 1985 compared with those in 1980, although the provision of these utilities in the region was still below the national level, partly due to the scattered population.

Urban development

Urban development complements the strategy for reducing the imbalances among regions and areas. The strengthening of urban centres¹ in less developed states and regions, and the evolution of a network of urban system within the regions, were directed towards the greater spread of urban development. These were achieved through the establishment of townships in the RDA areas and the implementation of rural urbanization projects. Steps were taken to formulate the National Urbanization Policy (NUP) in order to guide urban development.

Urban population increased by 23 per cent, and it was growing faster than the rural population due to the rapid growth in the industrial sector, rural-urban migration, and the expansion of administrative boundaries of intermediate-sized urban centres such as Kota Bharu, Kuala Terengganu, and Taiping. In addition, despite the pockets of labour shortages in the plantation sector, the reduced absorptive capacity in the agricultural activities resulted in more concentration of population in the urban areas in search of employment. In 1985, a total of 5.9 million people or 38 per cent of the total population resided in the urban areas, as shown in Table 5-4.

The six regional growth centres of Kuala Lumpur, Georgetown, Johor Bahru, Kuantan, Kuching, and Kota Kinabalu played an important role during the Fourth Plan period in urbanizing their respective regions. They acted as a catalyst of growth for the secondary urban centres within their respective regions. The Northern Region had a lower rate of urban growth compared with the other regions, partly due to outmigration. It was contrasted by a wide difference in urbanization levels among the component states with Perlis being the least urbanized state in the country. It was also dominated by two large urban centres, Georgetown and Ipoh, which together provided high-order services² to the region as a whole. Centres such as Alor Setar, Kulim, and Sungai Petani performed adequately the role of secondary towns, as part of the urban strategy.

Urban population was concentrated in the Central Region, which had 40 per cent of the urban population in the country. This agglomeration encouraged the growth of industrial, commercial, financial, and administrative activities within

¹ Urban centres refer to gazetted areas with population of 10,000 or more.

² High-order services are specialized services which are available in large urban centres. These include specialized medical services, colleges and universities, merchant banks, and specialized business services.

the Kuala Lumpur conurbation areas. The spread of urban development within as well as outside the Klang Valley helped towns like Shah Alam, Bangi, Seremban, and Port Dickson to progress, but they fell short of the population targets as projected in the structure plans. In the Eastern Region, rapid urban growth was recorded around the three major urban centres of Kota Bharu, Kuala Terengganu, and Kuantan. Urban growth was prominent in coastal Terengganu, especially in the state capital and within small urban centres, such as Chukai, Dungun, and Kerteh, which performed the role of service centres for petroleum and natural gas activities.

The Southern Region became increasingly urbanized with Johor Bahru as the main focus of growth, while the Johor Bahru-Pasir Gudang strip progressed in line with the development strategy for metropolitan Johor Bahru. The other urban centres, namely, Batu Pahat, Keluang, and Segamat also grew. The Sabah and Sarawak Regions, in contrast, recorded low urbanization rates which were linked to the predominance of the agriculture sector and the limited industrial base in the region. Urban development in these regions was also not well spread, with a few large urban centres dominating, namely, Kota Kinabalu, Sandakan, and Tawau in Sabah and Kuching, Miri, and Sibu in Sarawak.

The urban areas in Malaysia were well served with piped water and electricity. In 1985, 93 per cent of urban areas had piped water and 92 per cent were supplied with electricity. In addition, central sewerage system was extended to Georgetown, Kota Kinabalu, Kuala Lumpur, and Shah Alam.

Despite the progress achieved in urban development, urban problems, such as traffic congestion, inefficient public transport systems, shortage of housing among the lower income group which gave rise to squatter settlements, and environmental problems in the large urban centres, persisted. The poor absorptive capacity of the urban centres underscored the importance of a comprehensive urban policy to manage urban growth. In this context, the NUP was initiated in the early 1980s. Phase I of the NUP study was completed, and it provided a dossier of information on the urban sector. Phase II of the study, which will begin in the early part of 1986, is expected to be completed in the same year. In consonance with the objective of ensuring orderly development of urban centres, structure plans were prepared to provide detailed proposals for the implementation of urban programmes and guidelines for development controls. Up to 1985, structure plans for Kuala Lumpur and Johor Bahru were completed. Twelve other structure plans, including those for Seberang Prai in the Northern Region, Seremban in the Central Region, and Kuala Terengganu in the Eastern Region, were in various stages of implementation.

New township programmes, which began in the 1970s as part of the effort to spread urban development, continued to be implemented during the Fourth Plan period. The new townships in RDA areas experienced limited growth. Up to the

TABLE 5-4

**MALAYSIA: DISTRIBUTION OF URBAN POPULATION BY REGION,
1980, 1985, AND 1990
(*000)**

| Region/State | 1980 | | 1985 | | 1990 | | Urbanization rate (%) | | | Average annual rate of urban growth (%) | | |
|--------------------------------------|---------|----------|---------|----------|---------|----------|-----------------------|-------|-------|---|---------|---------|
| | Urban | Total | Urban | Total | Urban | Total | 1980 | 1985 | 1990 | 1981-85 | 1986-90 | 1981-90 |
| | | | | | | | | | | | | |
| Northern | 1,220.7 | 4,039.9 | 1,404.1 | 4,360.4 | 1,597.4 | 4,657.6 | 30.2 | 32.2 | 34.3 | 2.8 | 2.6 | 2.7 |
| Kedah | 162.5 | 1,120.6 | 183.9 | 1,210.9 | 207.9 | 1,300.5 | 14.5 | 15.2 | 16.0 | 2.5 | 2.5 | 2.5 |
| Perak | 589.8 | 1,812.3 | 637.4 | 1,934.6 | 684.7 | 2,040.5 | 32.5 | 32.9 | 33.6 | 1.6 | 1.4 | 1.5 |
| Perlis | 13.2 | 148.8 | 16.4 | 165.1 | 20.5 | 183.6 | 8.9 | 9.9 | 11.2 | 4.3 | 4.5 | 4.4 |
| Pulau Pinang | 455.2 | 958.2 | 566.4 | 1,049.8 | 684.3 | 1,133.0 | 47.5 | 54.0 | 60.4 | 4.4 | 3.8 | 4.1 |
| Central | 1,803.4 | 3,545.1 | 2,332.5 | 4,092.6 | 2,960.8 | 4,716.0 | 57.0 | 57.0 | 62.8 | 5.1 | 4.8 | 5.0 |
| Melaka | 109.5 | 466.6 | 114.4 | 492.5 | 120.4 | 521.3 | 23.5 | 23.2 | 23.1 | 0.9 | 1.0 | 0.9 |
| Negeri Sembilan | 188.5 | 575.9 | 232.8 | 625.4 | 283.8 | 673.7 | 32.7 | 37.2 | 42.1 | 4.2 | 4.0 | 4.1 |
| Selangor | 524.4 | 1,521.6 | 832.7 | 1,822.1 | 1,193.8 | 2,158.2 | 34.5 | 45.7 | 55.3 | 9.2 | 7.2 | 8.2 |
| Federal Territory of K.L. | 981.0 | 981.0 | 1,152.6 | 1,152.6 | 1,362.8 | 1,362.8 | 100.0 | 100.0 | 100.0 | 3.2 | 3.4 | 3.3 |
| Eastern | 695.9 | 2,243.1 | 858.6 | 2,661.8 | 1,067.8 | 3,168.4 | 31.0 | 32.3 | 33.7 | 4.2 | 4.4 | 4.3 |
| Kelantan | 250.1 | 897.8 | 305.7 | 1,026.3 | 378.0 | 1,173.7 | 27.9 | 29.8 | 32.2 | 4.0 | 4.2 | 4.1 |
| Pahang | 211.9 | 802.2 | 253.9 | 998.7 | 306.2 | 1,244.0 | 26.4 | 25.4 | 24.6 | 3.6 | 3.7 | 3.7 |
| Terengganu | 233.9 | 543.1 | 299.0 | 636.8 | 383.6 | 750.7 | 43.0 | 47.0 | 51.1 | 4.9 | 5.0 | 5.0 |
| Southern (Johor) | 584.5 | 1,644.9 | 731.2 | 1,854.0 | 901.2 | 2,063.2 | 35.5 | 39.4 | 43.7 | 4.5 | 4.2 | 4.3 |
| Johor | 584.5 | 1,644.9 | 731.2 | 1,854.0 | 901.2 | 2,063.2 | 35.5 | 39.4 | 43.7 | 4.5 | 4.2 | 4.3 |
| Sabah (including the F.T. of Labuan) | 210.6 | 1,055.1 | 289.4 | 1,279.5 | 388.3 | 1,517.4 | 20.0 | 22.6 | 25.6 | 6.4 | 5.9 | 6.1 |
| Sarawak | 238.2 | 1,351.1 | 296.4 | 1,542.8 | 366.3 | 1,754.6 | 17.6 | 19.2 | 20.9 | 4.4 | 4.2 | 4.3 |
| Malaysia | 4,753.2 | 13,879.2 | 5,912.2 | 15,791.1 | 7,281.8 | 17,877.2 | 34.2 | 37.4 | 40.7 | 4.4 | 4.2 | 4.3 |

end of 1985, the new townships of RDAs benefitted 188,000 settler families which represented 23.6 per cent of the total population of the RDAs with new townships, as shown in Table 5-5. These settlers, who were originally from rural areas, resided in various new townships and settlement areas of the Pahang Tenggara Development Authority (DARA), Jengka Regional Development Authority (JENGKA), Johor Tenggara Development Authority (KEJORA), Kelantan Selatan Development Authority (KESEDAR), and Terengganu Tengah Development Authority (KETENGAH), thereby getting better access to urban services and facilities. The new township programmes, to a limited extent, also facilitated the participation of the originally rural population in productive modern sector activities. Although limited success was achieved in large-scale industrial development, the RDAs were able to establish the basic infrastructure and initiate the utilization of existing available local resources. A number of medium and small-scale industries were also established in the RDA areas, the majority of which were concentrated in DARA, KETENGAH, and Kedah Regional Development Authority (KEDA) areas.

Although progress had been achieved in the RDA development programmes, especially in terms of population settled and land developed, such progress was limited. The creation of non-agricultural employment opportunities was slow and inadequate. Within DARA and KETENGAH areas, for example, 80 per cent or more of the working population were still involved in agriculture by the end of 1984. The population residing in RDA townships was small compared with that in the hinterland. Taking DARA, KEJORA, KETENGAH, and JENGKA areas together, less than one third of their total population resided in towns, and in this respect, the development of new townships only provided a marginal impact in upgrading the quality of life and generating employment opportunities for the hinterland population.

In order to supplement the programmes of RDAs to bring about higher quality of life to the rural population through the provision of urban services and amenities, the rural urbanization strategy of regrouping existing villages to form urban nuclei was initiated. Each village would have a minimum population of about 2,500. The villages participating in the programme would benefit from the activities of small-scale industries and co-operative farming, and the provision of basic infrastructure and social services at minimum cost. Twenty-seven pilot projects were identified and were in various stages of planning and implementation. The states which had started to implement all the projects identified in their respective areas were Johor, Kelantan, Melaka, Pahang, Perlis, and Pulau Pinang.

IV. PROSPECTS, 1986-90

Overview of regional development

During the next five years, regional development will be supported by a number of policies which will guide the planning and implementation of programmes and projects to take advantage of the settlement system, the spatial distribution of

resources and productive capacities as well as the inter and intraregional economic linkages. These policies will be incorporated in the National Spatial Plan and the NUP studies which are expected to be completed in the early part of the Fifth Plan period. These two studies, which will provide the basis for the integration of spatial planning with the planning and implementation at the macro, sectoral, and project levels, will take cognizance of the national level plans already in existence, including the Industrial Master Plan (IMP) and the National Agricultural Policy (NAP).

The prospects for development during the latter part of 1980s were examined on the basis of past trend as well as on the expected economic performance of the country. The Northern and Central Regions are expected to remain the most populated regions in the country, as shown in Table 5-6. The combined share of the two regions in 1990, however, will be slightly less compared with their share in 1985. The relatively high fertility rates in the Eastern and Sabah Regions as well as the continuing flow of migrants into these regions will significantly increase the population and the percentage share of these regions *vis-a-vis* that of the Central and Northern Regions. The Central Region will remain the major destination of migrants from other regions, and by 1990, will surpass the Northern Region as the most populated region in the country.

The regional economic structure will undergo some changes. The dominance of the agriculture sector will be slightly reduced with only two regions, the Eastern and Sabah, having agriculture as the largest contributor to the regional GDP, as indicated in Table 5-7. By 1990, the manufacturing sector will be the largest sector in the Northern, Central, and Southern Regions, while the mining sector will continue to be the major sector in Sarawak.

Agricultural development efforts in the Eastern Region will be consolidated to fully exploit its abundant land resources. The land settlement schemes within the Eastern Region will have to compete with other regional programmes for the same pool of potential settlers from the traditionally migrant-sending states such as Kedah and Kelantan. In addition, productivity in modern agriculture in the region is lower than those in the Central and Southern Regions. With regard to the mining sector, the high growth of the petroleum-led sector in the Eastern and Sarawak Regions during the early 1980s is expected to be maintained.

Regional prospects

Northern Region. In terms of natural resources, this region has limited new land suitable for agriculture, with only about 159,000 hectares or 4 per cent of the total new agricultural land in the country during the period. The size of existing agricultural land left idle amounts to 291,000 hectares. A major strategy to increase agricultural output will be to raise productivity and rehabilitate idle land for productive uses, in addition to developing its limited new agricultural land.

TABLE 5-5
PENINSULAR MALAYSIA: TOTAL URBAN¹ AND RURAL POPULATION OF
THE REGIONAL DEVELOPMENT AUTHORITIES, 1980 AND 1985²

| RDAs | 1980 | | | 1985 | | |
|--------------------|---------|------|----------------------|---------|------|-----------|
| | Urban | % | Total | Urban | % | Total |
| New townships | | | | | | |
| DARA | 91,213 | 16.6 | 548,870 | 188,276 | 23.6 | 611,059 |
| KEJORA | 35,979 | 39.2 | 91,777 | 76,956 | 54.6 | 64,109 |
| KETENGGAH | 30,974 | 28.8 | 107,645 | 52,023 | 22.8 | 175,777 |
| KESEDAR | 1,877 | 2.6 | 71,027 | 25,432 | 28.3 | 64,562 |
| JENGA | 18,254 | 12.5 | 145,953 | 29,165 | 15.1 | 164,511 |
| Existing townships | 4,129 | 3.1 | 132,468 | 4,700 | 3.2 | 142,100 |
| KEDA ³ | 245,096 | 36.6 | 1,133,870 | 261,447 | 33.9 | 510,713 |
| PERDA | 245,096 | 36.6 | 669,684 | 261,447 | 33.9 | 510,713 |
| Total | n.a | n.a | 464,186 ⁵ | n.a | n.a | n.a |
| | 336,309 | - | 1,682,740 | 449,723 | - | 1,121,772 |
| | | | | | | 2,083,869 |

Sources: *Regional Development Authorities.*

Notes:

- ¹ The term 'urban' as used in RDA context differs from the definition used for other existing towns in the country. Urban population in RDAs include the total population in the new townships and settlement centres.
- ² Estimates.
- ³ KEDA was established in 1981, the 1980 figures are estimated.
- ⁴ Lembaga Kemajuan Wilayah Pulau Pinang.
- ⁵ Estimates excluding the population residing in metropolitan areas of Pulau Pinang. Actual area of PERDA is still not gazetted.
n.a. Not available.

TABLE

MALAYSIA: SELECTED KEY

| Indicator | Northern | | | | | Central | | |
|--|----------|---------|---------|--------|--------------|---------|--------|-----------------|
| | Total | Kedah | Perak | Perlis | Pulau Pinang | Total | Melaka | Negeri Sembilan |
| Economic (in 1978 prices) | | | | | | | | |
| Per capita GDP (\$) 1990 | 3,539 | 2,571 | 3,481 | 2,947 | 4,848 | 5,950 | 3,273 | 4,388 |
| Ratio of per capita GDP to Malaysian average, 1990 | 0.84 | 0.61 | 0.82 | 0.70 | 1.15 | 1.41 | 0.77 | 1.04 |
| Per capita GDP growth (% p.a.), 1986-90 | 2.3 | 1.7 | 1.7 | 2.5 | 3.3 | 2.3 | 3.4 | 2.7 |
| Demographic | | | | | | | | |
| Population ('000), 1990 | 4,657.6 | 1,300.5 | 2,040.5 | 183.6 | 1,133.0 | 4,716.0 | 521.3 | 673.7 |
| Population growth rate (% p.a.), 1986-90 | 1.3 | 1.4 | 1.1 | 2.1 | 1.5 | 2.8 | 1.1 | 1.5 |
| Unemployment rate (%) 1990 (projected) | 10.2 | 10.6 | 10.9 | 9.9 | 8.9 | 9.3 | 10.8 | 10.2 |
| Net internal migration ('000), 1986-90 | -155.7 | -54.1 | -98.1 | -0.5 | -3.0 | 113.0 | -29.5 | -20.1 |
| Natural resources, 1986-90 | | | | | | | | |
| New land development by FELDA: | | | | | | | | |
| Area ('000 ha.) | 11.0 | 1.0 | 9.8 | 0.2 | - | 3.4 | - | - |
| Number of settlers ('000) | 1.1 | 0.1 | 1.0 | - | - | 4.2 | - | 3.6 |
| Idle land development ('000 ha.): | | | | | | | | |
| Padi | 11.9 | - | 11.9 | - | - | 3.1 | - | 1.6 |
| Non-padi | 103.4 | 51.4 | 35.4 | 9.3 | 7.3 | 23.9 | 6.6 | 7.6 |
| Log production ('000 cu.m.) | 8,650 | 1,945 | 6,625 | 80 | - | 5,335 | 70 | 3,530 |
| Forest regeneration ('000 ha.) ('000 ha.) | 96.0 | 20.0 | 76.0 | - | - | 30.1 | 2.5 | 14.4 |

Note: ¹ Including the Federal Territory of Labuan.
n.a. Not available.

5-6.

REGIONAL INDICATORS, 1986-90

| <i>Selangor</i> | <i>F.T. of K.Lumpur</i> | <i>Total</i> | <i>Eastern</i> | | | <i>Southern</i> | <i>Sabah¹</i> | <i>Sarawak</i> | <i>Malaysia</i> |
|-----------------|-----------------------------|--------------|-----------------|---------------|-------------------|-----------------|--------------------------|----------------|-----------------|
| | | | <i>Kelantan</i> | <i>Pahang</i> | <i>Terengganu</i> | <i>Johor</i> | | | |
| 5,249 | 8,855 | 3,539 | 1,973 | 3,680 | 5,752 | 3,709 | 3,957 | 3,528 | 4,229 |
| 1.24 | 2.09 | 0.84 | 0.47 | 0.87 | 1.36 | 0.88 | 0.94 | 0.83 | 1.00 |
| 1.1 | 2.6 | 2.6 | 2.5 | 1.0 | 4.0 | 2.2 | 2.1 | 2.7 | 2.4 |
| 2,158.2 | 1,362.8 | 3,168.4 | 1,173.7 | 1,244.0 | 750.7 | 2,063.2 | 1,517.4 | 1,754.6 | 17,877.2 |
| 3.4 | 3.4 | 3.5 | 2.7 | 4.4 | 3.3 | 2.2 | 3.4 | 2.6 | 2.5 |
| 8.9 | 9.0 | 10.5 | 10.6 | 10.3 | 10.9 | 9.5 | 11.4 | 10.8 | 10.1 |
| 127.8 | 34.8 | 66.5 | -29.0 | 98.0 | -2.5 | -13.6 | n.a. | n.a. | n.a. |
| 3.4 | - | 89.1 | 13.7 | 70.8 | 4.6 | 25.1 | 64.5 | 2.0 | 195.1 |
| 0.6 | - | 15.1 | 3.0 | 11.0 | 1.1 | 5.7 | 3.9 | - | 30.0 |
| 1.5 | - | 32.9 | 7.1 | 11.4 | 14.4 | 2.5 | - | - | 50.4 |
| 9.7 | - | 74.5 | 33.2 | 19.8 | 21.5 | 17.0 | - | 3.0 | 221.8 |
| 1,735 | - | 30,485 | 7,765 | 14,980 | 7,740 | 8,695 | 45,000 | 58,000 | 156,165 |
| 13.2 | - | 223.0 | 50.9 | 126.9 | 45.2 | 18.3 | 37.0 | 60.8 | 464.4 |

TABLE

MALAYSIA: GROSS DOMESTIC PRODUCT
(\$ million in

| Sector | Northern | | | | | Central | | |
|--|----------|---------|---------|--------|--------------|---------|--------|-----------------|
| | Total | Kedah | Perak | Perlis | Pulau Pinang | Total | Melaka | Negeri Sembilan |
| Agriculture, forestry, live-stock, and fishing | 3,387 | 1,446 | 1,500 | 211 | 230 | 2,074 | 275 | 725 |
| Mining and quarrying | 808 | 33 | 746 | 7 | 22 | 513 | 17 | 30 |
| Manufacturing | 3,798 | 301 | 1,191 | 60 | 2,246 | 7,716 | 425 | 899 |
| Construction | 812 | 122 | 442 | 26 | 222 | 1,471 | 58 | 145 |
| Electricity, gas, and water | 375 | 54 | 153 | 11 | 157 | 625 | 53 | 83 |
| Transport, storage, and communications | 1,317 | 184 | 476 | 23 | 634 | 2,393 | 152 | 155 |
| Wholesale and retail trade, hotels, and restaurants | 1,805 | 208 | 824 | 25 | 748 | 5,642 | 219 | 203 |
| Finance, insurance, real estate, and business services | 1,654 | 366 | 766 | 60 | 462 | 3,320 | 194 | 298 |
| Government services | 2,135 | 522 | 882 | 97 | 634 | 3,339 | 284 | 357 |
| Other services | 349 | 100 | 105 | 20 | 124 | 895 | 25 | 54 |
| Total | 16,440 | 3,336 | 7,085 | 540 | 5,479 | 27,988 | 1,702 | 2,949 |
| GDP at purchasers' value (\$ million) | 16,481 | 3,344 | 7,103 | 541 | 5,493 | 28,058 | 1,706 | 2,956 |
| Population ('000) | 4,657.6 | 1,300.5 | 2,040.5 | 183.6 | 1,133 | 4,716 | 521.3 | 673.7 |
| Per capita GDP (\$) | 3,539 | 2,571 | 3,481 | 2,947 | 4,848 | 5,950 | 3,273 | 4,388 |
| Ratio to Malaysian average | 0.84 | 0.61 | 0.82 | 0.70 | 1.15 | 1.41 | 0.77 | 1.04 |

Note: ¹ Including the Federal Territory of Labuan.

5-7

BY REGION AND INDUSTRY OF ORIGIN, 1990
1978 prices)

| <i>Selangor</i> | <i>F.T. of K. Lumpur</i> | <i>Total</i> | <i>Eastern</i> | | | <i>Southern</i> | <i>Sabah¹</i> | <i>Sarawak</i> | <i>Malaysia</i> |
|-----------------|------------------------------|--------------|-----------------|---------------|-------------------|-----------------|--------------------------|----------------|-----------------|
| | | | <i>Kelantan</i> | <i>Pahang</i> | <i>Terengganu</i> | <i>Johor</i> | | | |
| 1,066 | 8 | 3,555 | 866 | 2,035 | 654 | 1,750 | 1,736 | 1,211 | 13,713 |
| 429 | 37 | 2,103 | 19 | 73 | 2,011 | 234 | 1,458 | 1,873 | 6,989 |
| 4,491 | 1,901 | 1,096 | 181 | 511 | 404 | 1,830 | 364 | 705 | 15,509 |
| 773 | 495 | 592 | 112 | 250 | 230 | 460 | 309 | 356 | 4,000 |
| 231 | 258 | 173 | 54 | 74 | 45 | 134 | 104 | 102 | 1,513 |
| 1,330 | 756 | 545 | 176 | 218 | 151 | 592 | 355 | 292 | 5,494 |
| 1,041 | 4,179 | 744 | 153 | 421 | 170 | 980 | 548 | 533 | 10,252 |
| 705 | 2,123 | 774 | 259 | 327 | 188 | 686 | 433 | 363 | 7,230 |
| 908 | 1,790 | 1,438 | 462 | 565 | 411 | 861 | 482 | 587 | 8,842 |
| 325 | 491 | 163 | 28 | 92 | 43 | 107 | 67 | 70 | 1,651 |
| 11,299 | 12,038 | 11,183 | 2,310 | 4,566 | 4,307 | 7,634 | 5,856 | 6,092 | 75,193 |
| 11,328 | 12,068 | 11,212 | 2,316 | 4,578 | 4,318 | 7,653 | 6,005 | 6,190 | 75,599 |
| 2,158.2 | 1,362.8 | 3,168.4 | 1,173.7 | 1,244 | 750.7 | 2,063.2 | 1,517.4 | 1,754.6 | 17,877.2 |
| 5,249 | 8,855 | 3,539 | 1,973 | 3,680 | 5,752 | 3,709 | 3,957 | 3,528 | 4,229 |
| 1.24 | 2.09 | 0.84 | 0.47 | 0.87 | 1.36 | 0.88 | 0.94 | 0.83 | 1.00 |

Regeneration activities in the region will encompass 96,000 hectares of land or one fifth of the land to be regenerated at the national level, as a means of checking the depletion of forest resource.

At the regional level, the *per capita* GDP of the Northern Region is expected to grow at 2.3 per cent per annum, less than the national *per capita* GDP growth rate. The *per capita* GDP of Perlis and Pulau Pinang, are projected to grow faster than the growth at the national level and will be relatively higher than those of Kedah and Perak.

Agriculture, the largest sector in Kedah, Perak, and Perlis in 1985, will continue to dominate the economy of these states up to 1990. Future improvements in agriculture, however, will be made mainly through productivity gains. An important factor hindering the vitality of the rural sector in the Northern Region is the small farm size, especially in Kedah and Perlis, where the average size of farm holdings is 0.9 hectare per farmer compared with the estimated national average of 2.5 hectares. The low farm receipts, in comparison with the returns from the manufacturing activity in the region as well as other parts of the country, have the effect of accelerating labour movements out of the rural sector. The major objective of agricultural development in this region will be to narrow income differentials between urban and rural sectors through maximizing farm earnings, increasing size of holdings, and embarking on new modes of farm management and organization.

Despite the predominance of the agriculture sector in three of the four states comprising the Northern Region, the manufacturing sector will be the largest sector of the region by 1990. Manufacturing output is concentrated in Perak and Pulau Pinang, and will grow at 5.3 per cent and 6.2 per cent per annum, respectively, together accounting for about 90 per cent of sectoral output of the region in 1990. It is expected that the two states will move towards the diversification of their industrial base with the expansion of their manufacturing sector. Textiles, light engineering, and food processing industries are expected to make a larger contribution to the sectoral output. Such diversification will provide for a greater stability of the sector and create jobs requiring a larger range of skills. Heavy investment in infrastructural and communication facilities, initiated during the 1970s and early 1980s, have substantially improved the linkages among the growth centres and are expected to facilitate the diversification process.

The relatively small manufacturing sector in Kedah is envisaged to increase its growth rate from 4.1 per cent to 5.1 per cent per annum. Much of the industrial activities in the state will be in Kulim and Sungai Petani. Perlis will experience some growth in manufacturing output, especially in resource-based industries, in the late 1980s. The expansion of the manufacturing activities in the two states will generate a considerable number of new jobs during this period.

The sizeable manufacturing sector in Perak and Pulau Pinang will be the most important generator of jobs, creating about 19,000 jobs during the period 1986-90. Despite the satisfactory growth of manufacturing activities in the two states, it is necessary to diversify its industrial base to increase the vitality of this sector. The availability of supportive and business services in the states will facilitate the diversification process and reduce overspecialization in a particular industry. In Pulau Pinang, the opening of the Penang Bridge is expected to stimulate tourism as well as enable Georgetown to perform its designated function more effectively as the growth centre for the Northern Region.

Central Region. This region, having the largest output and the most diversified industrial base, is expected to remain as the main generator of growth and to pave the way for the establishment of modern economic activities in the country. The *per capita* GDP of the Central Region is projected to grow at 2.3 per cent per annum, with its two most dynamic sectors being electricity, gas, and water; and finance and business services. Output from the two sectors will originate mainly from the Federal Territory of Kuala Lumpur. Although the annual growth rate for the manufacturing sector of the region will be below the national average, its manufacturing output in absolute terms will account for nearly one half of the sectoral output at the national level. The bulk of the manufacturing output will originate from Selangor, which produces 39 per cent more than Melaka, Negeri Sembilan, and the Federal Territory of Kuala Lumpur combined.

In contrast to the favourable performance of the secondary and tertiary activities, the agriculture sector, which is the fifth largest in 1985, will decline to sixth by the end of the decade in terms of its GDP contribution. During the period 1986-90, the Central Region will have the least amount of new land suitable for agriculture, constituting only 3 per cent of the total land available in the country. About one third of the 86,000 hectares of idle agricultural land will be rehabilitated by the end of the Plan period.

The sectoral growth in output during the second half of the decade will contribute to the number of jobs created in the region. The manufacturing sector will create 37,000 jobs, of which 73 per cent will be generated in Selangor alone. The electronics and electrical machinery industry in Melaka and Negeri Sembilan has grown rapidly in recent years. The industrial strategy of these two states will take advantage of the concentration of industries in the Klang Valley, a strategy which will help in strengthening the horizontal as well as the vertical integration of industries in the region. With regard to the industrial development of the whole Central Region, appropriate ancillary industries to support the development of heavy industries, currently pursued in the country, will be undertaken.

Besides the manufacturing sector, the wholesale and retail trade, hotels, and restaurants sector, and the Government services sector will continue to generate jobs in the region. In Melaka, the strategies and programmes implemented to

enhance tourist resource will stimulate the tertiary sector activities. There is scope for Melaka to integrate its effort to attract local and foreign tourists with that of the other neighbouring states.

Within the region, the Klang Valley will attract the youthful and educated labour force from Melaka and Negeri Sembilan. At the same time, the recent growth in southern Johor will become an increasingly important destination for a sizeable number of migrants from Melaka. The main source of migrants to Selangor and the Federal Territory of Kuala Lumpur from outside the region will be Johor and Perak. Over the years, the Central Region has accumulated growing pools of professional, managerial, technical, and skilled manpower and has developed substantial agglomeration economies and infrastructure for industrial development. These factors, coupled with the excellent linkages which the Federal Territory of Kuala Lumpur has throughout the country as well as with other parts of the world, provide the conducive environment for the establishment of more industrial ventures in the Central Region.

Eastern Region. The major thrust of development for the Eastern Region during the Fifth Plan period will continue to be the exploitation of natural resources. The share of agriculture in the total output of the region, although still the largest, will decline in view of the expansion anticipated in the petroleum and gas sector. The land suitable for agriculture in the region has not been fully exploited. In the next five years, a larger hectarage of land will be developed, with 71,000 hectares in Pahang, 14,000 hectares in Kelantan, and 5,000 hectares in Terengganu. In order to increase the scope for agricultural development, efforts will also be concentrated on the rehabilitation of 300,000 hectares of idle land. The maturing of oil palm plantations in KESEDAR areas is expected to increase the importance of modern agricultural activity which will facilitate the establishment of more downstream processing industries in Kelantan. In line with the National Forestry Policy, exploitation of forested land will be reduced to a stable level of about 33,000 hectares per annum from 1986 onwards.

The share of mining and manufacturing output will increase. Output from sustained petroleum and gas extraction activities will account for a greater share of the GDP of Terengganu. The full operation of the petroleum refinery and gas plant as well as the sponge iron and billet plant in the state are expected to stimulate investment activities in the area, mainly through the establishment of downstream activities of the petroleum and gas-related industries. Some investments will continue to be made in resource-based industries such as timber and palm oil processing.

The increasing role of Kuantan as a regional growth centre, especially through the full operation of its port, will make Kuantan more attractive as an interregional trading centre as well as the outlet for agricultural produce and manufactured products from the region. This will also stimulate the growth of the

business services sector in Pahang. The expansion of the Kuantan Airport, in order to cater for wide-bodied aircrafts, will strengthen the position of Kuantan as the gateway to tourism in the region.

Southern Region. The manufacturing sector will surpass the agriculture sector in terms of its contribution to the regional GDP by the end of the period. By 1990, manufacturing is expected to account for about 24 per cent of the total output of the region compared with about 23 per cent for the agriculture sector. Full utilization of the Pasir Gudang Port and the completion of the North-South Highway are expected to strengthen the linkages of the region with other regions, leading to the expansion of regional markets and the sources of labour for industrial activities in the region. Efforts at promoting the utilization of services available at local ports will encourage the handling of a larger volume of Malaysian exports at the Pasir Gudang Port rather than being channelled through a third country.

Another important sector that is expected to emerge in the Southern Region by 1990 is that of wholesale and retail trade, hotels, and restaurants. While wholesale and retail activities will expand to meet the increasing demand for these services in the region, the growth of the hotels and restaurants services, to some extent, will be due to the expansion of tourism in the region, catering for foreign tourists. In this context, the promotion of the Desaru-Mersing Complex and the establishment of the Tanjung Belungkor-Changi Point ferry service are expected to be the main contributory factors for growth of tourism in the region.

Sabah Region. The economy of the Sabah Region is expected to grow at 5.6 per cent per annum, but given its high population growth rate, its *per capita* GDP will expand at 2.1 per cent per annum. The agriculture sector will continue to be the main contributor of GDP. In the next five years, 64,000 hectares of new land will be developed and 3,900 settlers settled. In view of the expected decline in the output of sawlogs production, attention will, therefore, be given to the diversification of the timber industries into activities such as pulp and paper production.

The mining sector, the second largest contributor of GDP, will be the fastest growing in the region. During this period, further investigation through a technical assistance programme will be undertaken to explore the mineral prospects around the Kinabalu and Ulu Segama areas.

Industrial development will continue to be promoted, and its activities will mainly comprise timber product processing and light industries. Greater utilization of the local ports at Kota Kinabalu, Labuan, Lahad Datu, Sandakan, and Tawau for exporting local produce, is expected following the expansion of the regional economic activities during the Plan period.

The effect of international migration will continue to be felt during the Fifth Plan period. The labour force will grow to slightly more than half a million people by 1990, expanding faster than the creation of new jobs projected for the region. In view of this, the unemployment rate will rise to 11.4 per cent.

Sarawak Region. The *per capita* GDP is estimated to grow at 2.7 per cent per annum, higher than the national average of 2.4 per cent. Mining will continue to be the most important sector, contributing about one third of the regional GDP. Production of natural gas will expand following the increased utilization of gas by the LNG plant and the ASEAN Ammonia-Urea plant in Bintulu, while crude petroleum will be exploited at a decreasing level.

The agriculture sector will play the second most important role in the economy of the region. During the period 1986-90, the Sarawak Region is projected to be the leading sawlogs producer in the country, accounting for 37 per cent of the national production. The large tract of idle land suitable for agriculture will be rehabilitated through programmes such as integrated agricultural development projects and rural development. These programmes will introduce modern and higher productivity agricultural practices to the people.

The manufacturing sector, although still small in size, is envisaged to grow at 9.8 per cent per annum. The industrial sites in Miri and Sarikei and the extension of the Petra Jaya industrial site will perform a leading role in fostering the growth of industrial activities in the region.

Urban development

Urban development will continue to be part of the overall framework of regional development. The urban development strategy will include the consolidation of efforts, the concentration of development as well as the modernization of rural areas. The programmes for satellite towns, infrastructure, and urban renewal for the six regional growth centres are expected to enhance their roles in the respective regions, while growth of secondary growth centres will be encouraged through the implementation of programmes that will cater for increased growth and reduced urban diseconomies. This approach will provide a two-tiered basis for the evolution of a closely-knit national urban system. By 1990, about 41 per cent of the total population will reside in the urban areas. The strategy of concentrating industrial growth in selected urban centres will take advantage of scale and agglomeration economies to generate employment, attracting urban-bound migrants who will constitute the major component of urban population growth.

The Northern Region will continue to have a lower rate of urban growth compared with the other regions, attributed, among others, to continued out-migration. In this region, Georgetown, as the regional growth centre, will be more

dynamic with increased utilization of the port facilities arising from the completion of the East-West Highway and the Penang Bridge, while Ipoh is expanding its range and hierarchy of services to complement the role of Georgetown.

The highest urbanization rate will still be recorded by the Central Region, with 63 per cent of the population residing in the urban areas. Klang Valley will be the focus of urban development, with Kuala Lumpur growing moderately and Bangi as well as Shah Alam experiencing accelerated growth. This trend towards a more dispersed development is in line with the objective of bringing about an orderly hierarchical pattern of urban development, with each level playing its designated role and function.

Urban population growth in the Eastern Region is projected to be higher than the national level. This trend will be influenced by the growth in the industrial and commercial activities in the Paka-Chukai corridor as well as the steady growth of the urban centres such as Kota Bharu and Kuala Terengganu. Within the Eastern Region, Terengganu will remain the most urbanized state by 1990, with almost one half of its population living in the urban areas. A greater proportion of the population in Kelantan will reside in the urban areas following the growth of the surrounding urban areas of Gua Musang, Jeli, Kuala Kerai, and Tanah Merah.

In the Southern Region, almost one half of the population will reside in the urban areas by 1990. Growth in urban population is likely to occur around and within the Johor Bahru conurbation, stretching to the north and the east of the metropolitan area. The Kuantan-Segamat Highway is expected to channel more activities towards this area to take advantage of the port facilities, and Johor Bahru will be equipped to cope with these new demands. The completion of the Johor Bahru Structure Plan will provide the necessary guideline for efforts to transform Johor Bahru into a better planned city which is able to cope with the greater volume of urban activities as well as generate more economic growth for the region.

An orderly pattern of urban development will foster increased economic linkages among scattered urban centres. This is especially true in respect of the Sabah and Sarawak Regions. Urban development will ensure that Sandakan and Tawau provide suitable outlets for agricultural and logging activities in the hinterland. The ancillary services as well as port facilities will be reinforced, and linkages with Kota Kinabalu be strengthened to benefit from its high-order services. The Pan Borneo Highway linking Kuching in Sarawak to Kota Kinabalu in Sabah will help integrate the two regions as well as open up the hinterland for development. Bintulu, which will be equipped with high-order services, will be the focus of growth, serving as the nucleus for industrial activities such as gas and petroleum processing. The development of Bintulu will form an important part of the efforts to broaden the industrial base of Sarawak. With the expected increase

in urban growth in the two regions, Kota Kinabalu and Kuching will not only be better equipped to serve as regional growth centres for the respective regions, but also to participate fully in the development of the interregional trade with Peninsular Malaysia.

The urban areas will be well provided with utilities by 1990, where 97 per cent and 95 per cent of the population will enjoy piped water and electricity supplies, respectively. Modern sewerage system will be extended to most major towns in Malaysia by 1990. At the same time, the problems of low-cost housing and squatter settlements will be eased, with steps taken to ensure that the range of housing, such as compact houses and low and medium-cost flats, is consistent with the needs and affordability of the people. Intraurban transportation will be improved. The system of zoning to be implemented in urban areas will help to reduce further environmental pollution in the process of urban development.

In order to enhance the role of urban development in the national economy, the NUP will provide a more comprehensive urban development planning. The roles and functions of urban centres will be more clearly defined according to city-size categories. The economic function of urban centres and their linkages to metropolitan centres of different hierarchy will be identified. At the micro level, structure plans will continue to be prepared. By 1990, structure plans for all state capitals in Peninsular Malaysia will be completed. Local plans of some of the towns will be prepared to implement the policies and programmes outlined in the structure plans.

All development efforts of RDAs will be streamlined to serve a wider population coverage in order to effect a more balanced level of socio-economic development between the new townships and their hinterlands. The new townships of RDAs will be developed as settlement centres and allowed to follow their natural growth process rather than as artificially induced small-scale version of existing major cities. Facilities such as urban infrastructure and buildings will, therefore, be constructed with minimum cost but having adequate space for future expansion. These facilities will be upgraded according to effective demand and the standards of living of the population. Major facilities already established in the new townships will be fully utilized by attracting an increased number of settlers through package programmes, along with the emphasis on non-agricultural employment generating activities. With regard to projects that are being implemented in phases, the remaining phases will be reviewed and shortened to minimize cost, wherever possible.

In the business sector, a wider range of urban-based activities, such as consumer-oriented services and other small-scale businesses, will be promoted in the new townships. The standards for the provision of urban facilities will be less rigid in meeting the local authority regulations and standards and procedures of the public works authority. The relaxation of these requirements in the provision

of urban facilities will help promote better opportunities for those with limited resources to participate in business activities. The development of new townships will focus more on the implementation of a comprehensive manpower programme which will further enable the newly settled population to fully participate in the new urban activities. Furthermore; greater attention will be given to the social needs of the settlers and their family members through the enhancement of the environment that will be conducive to the strengthening of family ties, creating good neighbourliness as well as fostering close community relationships.

Efforts will be made to increase the involvement of settlers in off-farm activities, in addition to tree crop cultivation. These will be accompanied by measures to raise their awareness on the potential for participation in investment and commercial activities, such as investing in shares, forming co-operatives, and participating in rural commercial and industrial projects. Good saving habits will be encouraged among the settlers as a means of improving their economic wellbeing, while wasteful consumption habits discouraged. In addition, the children of settlers will be provided with training in order to prepare them for participation in commercial and industrial activities.

At the lower settlement level, the new townships in RDAs are expected to provide some impact on the development of urban areas. Existing villages and settlement centres will be developed through the rural urbanization concept by regrouping them to form urban nuclei. This concept will be implemented in all rural development projects in which elements of commercial farming and small-scale industrial activities will be incorporated. Parallel to this, agricultural programmes will contain elements of modernizing traditional villages to increase productivity based on the rural urbanization strategy. Idle land will also be developed according to these concepts. The pilot projects undertaken by the states will be evaluated when they are fully implemented.

V. REORIENTATION OF REGIONAL AND URBAN DEVELOPMENT STRATEGIES

Based on the evaluation of past experiences in regional development, a reorientation of regional and urban development strategies will be undertaken during the Fifth Plan period. This regional approach is directed towards a more effective development of the natural, human, and financial resources of the regions. This framework can also be instrumental in bringing about greater co-ordination of development efforts. In reorienting existing strategies for regional and urban development, three issues will need to be considered within the regional framework.

First is the concentration in the development of industries and urban growth centres. The move to de-emphasize states in favour of regions for planning has direct implications on industrial location and the selection of growth centres for priority development. In the past, there was a tendency to develop industrial

estates at many locations and spread resources thinly, while new townships experienced problems in attracting settlers into the schemes and creating downstream activities.

Experiences in the implementation of both the industrial dispersal and new township development programmes emphasize the need for consolidating and concentrating development. Concentration of efforts in selected centres of the lagging regions will enable industrial estates to reap benefits arising from agglomeration economies and attract greater private sector involvement. There are benefits to be gained from interstate co-operation in joint programmes as a way of widening the potentials for industrial development within the region. In accelerating industrial development during the Fifth Plan, attention will be directed to the growth of selected industries, and more importantly, consideration will be given to the economics of location in determining the siting of industries.

The adoption of new guidelines for the development of existing and future townships will enable the planning and implementation of the programmes to be undertaken with more pragmatism. The development of townships will be complemented by the rural urbanization programme which is designed to modernize the rural settlements. In addition, existing urban areas will be selected for development to serve as secondary growth centres to complement the regional growth centres.

Second is the need to strike a balance between people-prosperity and place-prosperity strategies. One of the strategies for reducing regional disparities is to move people to where the jobs are or the people-prosperity strategy. This is carried out by accelerating growth in the leading areas, either within or outside the region, which enjoy some measure of comparative advantage and economies of scale, while, at the same time, facilitating the smooth operation of the labour market to encourage workers to move so that they are able to reap higher returns from their labour inputs. The other strategy is to move jobs to where the people are or the place-prosperity strategy. Programmes implemented under this strategy are designed to provide employment to the population living at particular location, and population movements into these areas, if any, constitute a minor element. Both these approaches have advantages as well as trade-offs. In the past, programmes to reduce interstate disparities placed heavy emphasis on the place-prosperity strategy to the extent that too many locations with limited resources were developed. Consequently, growth was dispersed over too many centres in the country to reap the benefits emanating from economies of scale.

During the Fifth Plan period, a balance will be made between the two strategies. Within each region, steps will be taken to restructure the agriculture sector in order to infuse new vigour into this sector and modernize the rural areas through

the rural urbanization programme. Along the same front, policies and programmes to promote selected urban centres for greater private sector participation and involvement will be undertaken, and constraints to private sector investment will be removed so that these centres are able to increase their absorptive capacity to meet the rapidly expanding labour force.

Third is the role of population mobility in reducing interregional disparity. With region as a unit for planning, selected centres having growth potentials will be developed to absorb the urban-bound migrants originating from the region, while activities in rural areas, especially agriculture, will be revitalized to raise the income of the labour force remaining behind. At the same time, this planning approach will encourage intraregional migration towards centres of opportunity.

The current mobility pattern in the country shows a continuing trend of urban-bound migrants moving from the less developed regions to the Klang Valley in the Central Region. These migrants, who tend to be young, better educated, and more productive, constitute an important resource which could be utilized for the development process of the region of their origin and to assist in the reduction of regional imbalances in the country. It is, therefore, important to facilitate the development of a desirable internal migration pattern within regions, and to this end, positive measures to promote such movements will be formulated. One or several centres in a region will be developed to attract the rural-urban migrants as well as those who move from smaller to larger towns, thereby reducing the interregional flow of migrants from the less to the more developed regions of the country. The collection and dissemination of information on labour will be improved to facilitate the matching of the demand and supply of labour as well as to enable relevant agencies to plan and develop manpower. In addition, the smooth operation of the labour market will be maintained. These programmes will encourage the release of labour from the traditional rural subsistence sector to the high productivity urban industrial sector within the region, while ensuring that the socio-economic and demographic characteristics of the migrant sending and receiving areas are not adversely affected.

VI. CONCLUSION

The significant role of regional and urban development in reducing economic disparities among regions is recognized. It provides the opportunity for the people of the less developed regions of the country to enjoy a similar quality of life and equal opportunities for advancement as the people in the more developed regions. In order to be effective in attaining this objective, however, the regional and urban development strategy must be continuously reviewed. In the Fifth Plan, the reorientation of the regional development strategy calls for the translation of regional policies into concrete plans and programmes for direct implementation at the ground level. In the final analysis, such implementation requires the support from both the Government agencies involved in development as well as the people.