

Impacts of Globalisation on Economic Change and Metropolitan Growth in Malaysia: Some Regional Implications

Katiman Rostam, Mohd Fuad Mat Jali and Mohd Ekhwan Toriman
School of Social, Development and Environmental Studies,
University of Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia

Abstract: Since the last decade, globalization has significantly changed the pattern of economic activities of many developing countries including Malaysia. This economic shift has in turn brought about changes to the country's population and wealth distributions in favor of the large cities, particularly cities around Kuala Lumpur, the capital of Malaysia. The metropolitan city and its surrounding areas, by virtue of their location and other attractions, became the focus of investment of many Trans National Corporations. Expansion of industrial activities and recently service activities, to the peripheral areas has increased the level of urbanization of the region. The region is known as the Klang-Langat Metropolitan Region. The level of primacy of the metropolitan region during 2000 census as calculated using Four City Index was >71%. This pattern of polarized urbanization and economic development undoubtedly had positive implications on the country's economy. For instance, the GNP per capita for the country increased significantly from RM4,426 in 1990 to RM14,584 in 2000. This rapid economic growth mainly contributed by manufacturing and services sectors. The Klang-Langat Metropolitan Region emerged as the main player. However, such polarization of economy and urbanization can create some degree of regional imbalances. The gaps of income and other socioeconomic well beings of people in the country not only widening regionally but also ethnically. The trend now is that such a pattern of development continues to take place. These regional and racial inequalities can be major constrains for the country to achieve a long term objective of national integration.

Key words: Economic growth, trade liberalization, polarized development, metropolitan region, regional inequalities, Malaysia

INTRODUCTION

World economy has taken a new shape and direction towards the end of 1970s. The end of cold war allowed many countries to open their market. Knowledge on economy, information, science and technology developed rapidly and went far beyond the limit of anyone could imagine in the past. These development facilitated movement of good, people and information across the globe. Process of production and marketing of products became more efficient.

Production of manufactured consumer goods increased tremendously. However, in developed countries economic growth has increased the cost of labor and overall cost of production. Increase in the cost of production compelled many multinational corporations engaged in labour intensive industries in developed countries, to shift their activities to new locations particularly in the newly developing countries including Malaysia. This was followed by movements of many

manufacturing firms to regions offering cheap labour (Dicken, 1998). At the outset, labor intensive manufacturing activities were concentrated in and around major cities. The cities and their surrounding regions grew at a very rapid rate leaving behind the less developed areas. Such imbalanced economic and spatial development patterns were regarded as inappropriate for newly developed countries.

During the 1960s and 1970s, development policies of many developed and developing countries were geared towards achieving equity with growth objectives (Ariff, 1991; Lall, 1995). Redistribution of wealth through decentralized development policies widely adopted. Country such as Malaysia was not exempted.

Since the last few decades, developing countries have been increasingly integrated into a new pattern of world economy. Economic globalization has significantly changed the pattern of economic activities and levels of urbanization of many developing countries (Athukorala and Menon, 1995). The rapid worldwide

urbanization has led to a growing recognition that cities and their surrounding urban regions play a vital role in national economic life. Metropolitan cities and their surrounding urban regions are the fundamental building blocks of prosperity and quality of life, both for the nation and for families and communities. In countries all over the world, national economic competitiveness in the international marketplace is highly dependent on urban regions which are the key centers of productivity and innovation.

This is increasingly so in the so-called new economy that is knowledge and information-based, technology and communications intensive and globally oriented. Industrial and commercial activities in cities now account for between 50 and 80% of the Gross Domestic Product (GDP) in most countries of the world and the proportionate value of economic output generated by urban areas is often much larger in percentage terms than the urban share of the total national population (McKee and McKee, 2001).

In Malaysia, the global economic wave has not only brought about change to the country's economic structure but also its population and wealth distributions, in favor of the large cities. By virtue of its location and also other attractions, Kuala Lumpur and its surrounding areas have become the focus of investment of many Trans National Corporations.

Expansion of industrial activities and recently service activities to the peripheral area has increased the level of urbanization in the areas, creating an extended metropolitan region. The metropolitan region has been instrumental in the country's economic growth (Abdullah and Pedersen, 2003).

Research objectives: In conjunction with the above introduction, this study attempts to review and discuss the recent patterns of economic growth and urbanization in the Klang-Langat Valley, Malaysia. Few issues that will be addressed include:

- The pattern of polarized economic growth in the recent decades highlighting the process of modern industrialization and expansion of service activities
- The pattern of spatial expansion focusing on issues such as urban growth and rural urbanization in the peri-urban region as a result of rapidly growing metropolitan based economy
- The growth of Kuala Lumpur and other large cities in the surrounding areas forming a new metropolitan city vis-a-vis a primate city
- The regional implication of the metropolitan growth

MATERIALS AND METHODS

In this study, the economic change and metropolitan growth in Malaysia were evaluated based on secondary data obtained from various documents and reports. Malaysia economic growth was discussed based on 30 years data according on different sectors.

Meanwhile, the metropolitan economic growth which based on several economic and social indicators were evaluated together along with population census from 1991-2000 obtained from Department of Statistics and Malaysian Industrial Development Authority (MIDA). The four degree of primacy which is basically a percentage of population of a country residing in the largest city relative to the nation's total four largest cities of the country were calculated using the following equation:

$$Pn1/Pn1+Pn2+Pn3+Pn4 \quad (1)$$

Where:

- Pn1 = Population of city ranks 1
- Pn2 = Population of city ranks 2
- Pn3 = Population of city ranks 3
- Pn4 = Population of city ranks 4

Any value above 70% shows that there exists a primacy in the country. To measure income inequality of a country, this study using variation coefficient and Gini coefficient. Variation coefficient initially is an estimate of variation from the magnitude. The coefficient is calculated by dividing standard deviation of a set data with the min. Normally to calculate a standard deviation and mean, data income per capita or household income of a region is used. The higher the value of coefficient variation, the wider the income disparity between regions in the country.

RESULTS AND DISCUSSION

New patterns of economic growth: Economy of Malaysia recorded a rapid growth rate at average between 6.0-9.5% during 1970-1997 period before it shrank during 1998-2005 period as a result of economic slow down due to Asian financial crisis. After 2005, the economy has been recovering very well to record a modest rate 5.3% per anum (Ismail, 2008). The economic expansion during the last three decades before 1997 was led by manufacturing sectors (Shaari, 2000). The export of manufactured goods increased sharply from about 12.0% in 1970 to 87.0% of total export in 1997. The manufacturing share to GDP also rose from 13.3 to about 30.0% during the same period. Until 2005 electrical and electronic goods

Table 1: Malaysia: gross domestic product by industry of origin 1975, 1990 and 2005

Sector	GDP (RM million)			Average annual growth rate (%)	
	1975 ¹	1990 ²	2005 ³	1975- 1990	1990- 2005
Agriculture	4,804	14,829	21,585	11.27	3.76
Mining and quarries	792	7,688	17,504	15.15	5.42
Manufacturing	2,850	21,381	82,394	13.40	6.44
Construction	654	2,788	7,133	9.67	6.26
Services	7,811	33,465	152,205	10.00	10.00
Minus bank charges and levi	211	4,026	32,707	9.98	13.97
Plus import duty	665	2,972	5,083	9.98	3.59
GDP at purchaser's price	17,365	79,103	262,029	10.11	7.99

1: 1970 price; 2: 1978 price; 3: 1987 price

had been the main export products. Since 1970s, the Government of Malaysia has emphasized rapid industrialization to boost the country's economy. However, recently in line with the global economic change, the structure of Malaysian economy has shifted from manufacturing to service sectors. Within the period of 1990-2005 average annual growth rate of service sector was recorded at 10.0% compared to only 6.4% for manufacturing (Table 1). In 2006 service sector has recorded 7.2% compared to 7.1% in manufacturing sector. This reflects a gradual shift in the structure of the Malaysian economy from manufacturing to services.

Growth in the service sector is led by the intermediate services group comprising finance and insurance, real estate and business services, transport and storage as well as communication sub-sectors. These sub-sectors of producer services are among important activities that strengthen and facilitate manufacturing activities, particularly in the Klang-Langat Metropolitan Region.

Until 2005, service and manufacturing sectors contributed most of Malaysia's GDP. The average annual growth rate of GDP for service sector continued to remain high (10.0%) for the 1975-1990 and 1990-2005 periods. However, the average annual growth rate for manufacturing sector slightly declined from 13.4-6.4% during the same periods.

This once again reflects the shift of government policy towards service sector. In the recent decades manufacturing and service sectors tend to locate their activities close to each other to capitalize the benefits of agglomeration or urbanization economies offered by major cities particularly in the Klang-Langat Valley.

Globalization and the growth of metropolitan based economy: Globalization is a process of an increasing interconnectedness and interdependency of peoples, cultures, economies and politics at all spatial scales. The process involves deep integration of different economies across borders, creation of complex and intertwined relationships in the form of flows of capital and goods, cross-border movements of people through international

migration and tourism as well as a diffusion of information and culture, the advancement of information technology particularly the internet, the flows of cultural forms and symbols such as movies and consumerism and the rise of international organizations including Trans National Corporations.

The process of economic globalisation has been facilitated by liberalization and deregulation of trade policies of developed and developing countries. The waves of liberalization swept through developing world in the 1980s. By 1990s, developing countries including Malaysia have been liberalizing their trade policies. In many cases, financial liberalization has been much more rapid. Privatization has also served to deepen integration of developing countries into the global production and financial systems by encouraging capital inflows and bringing foreign ownership of state-owned enterprises.

The increased reliance on freely functioning markets and private incentive and initiative are the core of neoliberal policies. Such policies have brought about optimal resource use and increased productivity. Lower income taxes and flexible labour markets encourage investment and economic growth while at the same time eliminating unemployment.

However, for a longer term development, trade liberalization is the single most important measure, as this enables countries to exploit their comparative advantage and increase their wealth. Protectionist policies and the so-called import-substitution strategy are seen to have not only failed but were the principal cause of the perceived failure of development (Chang, 2002). It is for such reasons also that state intervention is no longer necessary and developing countries are pressed to liberalize trade policies.

Economic globalization has some significant impacts on the spatial economic policy of the country. In Malaysia, development policies have undergone several phases of change. During the past two decades after independence (1957), the government had given more emphasis on developing the under developed regions. Rural development programme were carried out by

opening up new land for agricultural expansion and rural urbanisation. Rural industrialization programmes were also carried out in the less developed areas as a strategy to correct rural-urban and regional as well as ethnic socioeconomic imbalances. These policies were spelt out in the country's past development policies. However, beginning 1980s the presence of such powerful globalizing forces had liberalized the government policies.

Since 1986 as spelt out in the Sixth Malaysia Plan, it was obvious that the decision to locate economic activities has been subjected to market forces. The government only facilitates the process of investment by creating a conducive climate that is necessary for the economic growth. Some obvious implications of this policy shift have been the concentration of manufacturing and service activities in the principle growth regions such as Johore and Selangor particularly the Klang-Langat Valley.

The central region consists of the states of Selangor, Federal Territory Kuala Lumpur, Negeri Sembilan and Melaka is regarded as the most developed region in Malaysia. During 2001-2005, the region received 2,017 industrial projects (42.0 %) out of 4,807 projects for the whole country.

Concentration of manufacturing activities in a metropolitan region normally can be associated with the competitiveness of the region over other region in the country. The economic contribution of metropolitan regions is anchored by the provision of creative activity, interaction, specialization and diversity that is essential for innovative ideas, methods and products to develop and thrive.

In the global economy of the present time, urban areas such as the Klang-Langat Metropolitan Region functions primarily in several distinct and essential ways

to generate regional and national prosperity. In addition to availability of excellent infrastructural provision, the market and workforce centers, metropolitan regions also play vital roles as centers of innovation and services including advanced and highly specialized services; centers of culture, sports, entertainment, conventions and tourism; centers of education, research and health care; centers of transportation and trade and centers of light manufacturing and technology development (Table 2). The provision of advanced services gives metropolitan cities competitive advantages in the form of agglomeration and urbanization economies. Urbanization economies as measured by the presence of and interrelationship between various producer services in the metropolitan region, provide a vital attraction for firms particularly Trans National Corporation (TNC) to locate their activity in the region.

Producer services such as telecommunication, computerization, engineering consultants, advertising agencies and to a lesser degree shipping, property agents and developers, forwarding agency and share brokers are concentrated in the major cities particularly Kuala Lumpur, Petaling Jaya, Shah Alam, Klang and Subang Jaya. These cities are located in the Klang-Langat Metropolitan Region. The presence of these highly specialized services have enabled the region to emerge as the most competitive and developed metropolitan region in the country.

The Klang-Langat Metropolitan Region is essentially the principle growth area for the central region of Malaysia. The Region consists of mainly Federal Territory Kuala Lumpur and the southern corridor of the state of Selangor. In terms of GDP and GDP per capita the metropolitan region can be regarded as the richest in Malaysia. Although, there is no readily available figure to

Table 2: Selected producer services present in kuala lumpur and selangor, 2002

Services	Federal territory Kuala Lumpur		Selangor		Malaysia		Contribution of Kuala Lumpur and Selangor (%)	
	Establi- shment	Gross output (RM Mil.)	Establi- shment	Gross output (RM Mil.)	Establ- ishment	Gross output (RM Mil.)	Gross output (RM Mil)	Gross output (RM Mil)
Construction	554	5,972.3	970	15,204	4,328	41,756.0	35.2	50.7
Shipping	44	4,905.9	55	413	364	6,952.0	39.3	76.5
Property agency	149	46.6	120	47	416	124.0	64.7	75.7
Bus transportation	28	383.3	9	48	260	1,007.0	14.2	42.8
Overland haulage	56	416.0	54	1,611	802	4,004.0	13.7	50.6
Tourist agency	341	1,729.2	49	165	1,007	3,057.0	38.7	61.9
Forwarding agency	16	201.4	261	1,061	771	1,700.0	35.9	74.2
Cargo and haulage	5	44.3	36	156	141	836.0	29.1	23.9
Advertisement agency	90	1,483.2	62	494	191	2,013.6	79.6	98.2
Hotel	209	1,348.8	56	633	1,869	4,914.2	14.2	40.3
Telecommunication	40	19,050.0	16	2,503	59	21,555.0	94.9	99.9
Computerisation services ¹	204	3,129.0	181	3,425	502	6,808.0	76.7	96.3
Engineering consultant ²	155	615.0	149	374	522	1,255.0	58.2	78.8
Share broker and foreign exchange	48	674.5	14	286	97	1,361.0	63.9	70.6

¹Figure 2003, ²Figure 2000

represent the region, the figure for the state of Selangor and Federal Territory Kuala Lumpur may provide some indications on the level of development attained by the region. In 2005, the GDP for the state of Selangor and Federal Territory Kuala Lumpur combined was RM88.25 billion or 33.68% of the country's total. As for GDP Per Capita, in 2005 Federal Territory Kuala Lumpur was the highest and Selangor was only second to Pulau Pinang. The average annual growth rates for the period 1990-2005 exceeded 8.0%. Even during economic difficulty, Kuala Lumpur and Selangor had successfully obtained nearly 25% of FDI in Malaysia. It is obvious from the preceding discussion that the pattern of Malaysia's economic development tended to concentrate in the central region. The Klang-Langat Metropolitan Region, the core and principle growth area of the region emerged as the most developed and competitive in the country. This pattern of polarized development will certainly have some regional implications. The major implications may be discussed as in the following section.

Metropolitan growth and index of urban primacy: The rate of urbanization in Malaysia is one of the rapid in this region. During the past three decades from 1970-2000, the average annual growth rates of urban population in this country were >4.9% compared to only about 2.3% for the country's population as a whole. In 2000, >60% of Malaysia's population lived in urban areas (population >10,000). Although, the rate is slowing down it is estimated that by 2005 >65% of population

of this country is urban. In the recent years, there is evident to show that the trend of urban growth has been in favor of the large cities (Table 3).

During the 1980-1991 period, Malaysia's large urban centers with population above 500,000 grew at a much slower rate (-2.2%) than any other categories of urban size. This pattern of growth could be associated with the decentralization development policies adopted by the government under NEP to assist rural population living in the less developed states particularly those located in the east coast, Sabah and Sarawak.

Intermediate cities such as Penang, Johor Baharu, Ipoh and Kuantan grew at much steady rates than the city in the upper size category. However, during the 1990-2000 period, pattern of urban growth in Malaysia took a new turn whereby four large cities in upper category grew at a very rapid rate (11.2%).

It was during this time that implementation period of NEP ended. The NEP, to a certain extent had been very effective in reducing regional, rural-urban, as well as ethnic imbalances. While intermediate centers outside the central region recorded only a moderate growth rate, cities in the Klang-Langat Valley such as Kuala Lumpur, Klang, Shah Alam, grew at a very rapid rates (Table 4). Pattern of urbanization in Malaysia during the last few decades has been characterized by the growth of metropolitan city. Since the late 1980s, under intense pressure from global market economies, the government has liberalized its trade policies by allowing firms to locate their activities in and around Kuala Lumpur.

Table 3: Malaysia's urban population growth by size, 1970, 1980, 1991 and 2000

Urban size category (000)	1970			1980		1991		2000			
	No.	Population (000)	Annual growth rate (%) 1970-80	No.	Population (000)	Annual growth rate (%) 1980-91	No.	Population (000)	Annual growth rate (%) 1991-00	Population (000)	
>500,000	0	0	-	2	1,476.5	-2.2	1	1,145.3	11.2	4	3,142.1
100,000-499,999	5	1,218.8	4.6	10	1,936.4	8.7	24	5,015.4	3.1	29	6,617.7
50,000-99,999	12	806.7	-1.6	10	689.1	2.5	13	909.5	4.2	19	1,329.6
25,000-49,999	10	364.5	-1.2	9	323.1	7.4	21	734.9	6.6	36	1,321.8
10,000-24,999	24	360.8	4.7	39	582.2	5.4	66	1,057.5	2.6	82	1,348.0
Total	51	2,750.8	6.5	70	5,007.3	5.2	125	8,862.6	4.9	170	13,759.2

Only urban settlements >10,000 population during the 2000 census were taken into account

Table 4: Population growth of major cities in the klang-langat valley, 1991-2000

Cities	Population 1991 (,000)			Population 2000 (,000)			Average annual growth rate (% total)
	Urban center	Urbanized area	Total	Urban center	Urbanized area	Total	
Kuala Lumpur	1,145.3	-	1,145.3	1,297.5	-	1,297.5	1.3
Klang	243.4	125.0	368.4	317.5	314.1	631.7	6.0
Petaling Jaya	254.3	96.6	351.0	220.7	217.4	438.1	2.5
Subang Jaya	53.8	25.2	79.0	255.5	167.8	423.3	18.7
Ampang Jaya	132.4	158.0	290.5	159.8	319.1	478.6	5.5
Shah Alam	119.6	38.9	158.4	166.6	153.0	319.6	7.8
Kajang	46.3	54.2	100.5	86.1	121.3	207.3	8.1
Selayang	124.2	10.0	134.2	164.8	22.9	187.7	3.7
Batu 9 Cheras	21.2	29.7	50.9	32.7	86.1	121.3	9.6

World class infrastructural facilities including those related to information technology have been developed to enhance the cities' position in the world hierarchy. Greater emphasis has also been given to develop human resource to meet the growing demand for high skill labor from public and private economic sectors. These enabled Kuala Lumpur and other large cities in the Klang-Langat Valley to become more competitive in attracting foreign and domestic investments. The region received most FDI and more employment opportunities have been generated.

This has encouraged migration of people from within and outside the country into the metropolitan region, particularly to the peripheral areas of the Klang-Langat Valley where the cost of doing business and property are much cheaper (Rostam, 2009). Functions of metropolitan city Kuala Lumpur has changed from administrative and social to commercial and other services required by manufacturing activities.

Although, the growth of Kuala Lumpur slowed down the metropolitan region as a whole expand drastically. Cities in the region such as Subang Jaya, Klang, Shah Alam, Kajang and Cheras grew very rapidly. As a result, a new urban conurbation consisting at least 9 cities with total population >4.11 million emerged.

Changing economic policy of the government during the 1990s gave a new bearing to the pattern of urbanization in Malaysia. The principle growth areas in the central region became the focus of economic activities and played a vital role in the country's economic development. Metropolitan region has been the engine of economic growth for the nation. More land required to accommodate the new development.

Many rural areas in and around the Klang-Langat Valley has been converted into new townships. Housing, industry and commerce became the dominant land uses of the area. At the same time, population of the areas increased drastically. This gave rise to many new urban centers in the region such Subang Jaya, Ampang Jaya, Selayang, Cheras and Balakong. In fact, 9 out of 30 top cities in Malaysia are located in the Klang-Langat Valley with a total population exceeding 4.1 million (Table 5).

The emergence of a large urban conurbation is unavoidable if the country choose to participate actively in the global economy. A metropolitan city with modern and up to date technology is a prerequisite for any one country to play effective roles in the global economy. Naturally, Kuala Lumpur with a population of only slightly above 1 million is not a primate city. However, primacy is not an absolute term or a rigid concept. It is a relative concept and its meaning may change over time. Using Four City Index of primacy Eq. 1 the degree of primacy for Kuala Lumpur was calculated.

Table 5: Population of the largest 30 urban centers in malaysia 1991 and 2000

Urban center	Population (000)		
	1980	1991	2000
Kuala Lumpur	919.6	1,145.3	1,305.8
Klang	192.1	368.9	631.7
Johor baru	556.9	441.7	630.6
Ipoh	293.8	468.8	574.0
Ampang jaya	13.0	290.4	475.3
Petaling jaya	207.8	351.0	438.1
Kuching	227.9	227.9	423.9
Subang jaya	0.0	79.0	423.3
Shah alam	19.0	158.4	319.6
Kota kinabalu	59.5	160.2	305.4
Seremban	132.9	193.2	290.1
Kuantan	131.5	202.4	289.4
Sandakan	73.8	156.7	275.4
Kuala trengganu	188.3	228.1	255.1
Kota baru	167.9	234.6	252.7
Tawau	45.3	124.9	213.9
Kajang and Sg. chua	28.9	100.5	207.3
Taiping	146.0	200.3	199.9
Bandar baru selayang	0.0	134.2	187.7
Alor star	69.4	164.4	186.5
Georgetown	248.2	219.6	180.6
Batu 9 cheras and Balakong	3.5	52.0	177.5
Sungai Petani	45.3	117.0	174.6
Miri	53.8	102.9	167.5
Sibu	86.9	133.5	166.3
Bukit mertajam	28.7	122.0	165.4
Melaka historical city	87.5	113.8	149.5
Kluang	50.3	98.7	134.9
Bandar penggaram	64.7	84.1	123.2
Kulim	26.8	58.3	117.4

Figures for 1991 and 2000 refer to population of the urban center and its surrounding urbanized areas

Using the 2000 figures from Table 5, the degree of primacy for Kuala Lumpur is only 41.56%, below the level that primacy can be considered as pronounce.

However, if the whole population of Klang-Langat Metropolitan Region combined which include Kuala Lumpur, Petaling Jaya, Subang Jaya, Shah Alam, Klang, Bandar Baru Selayang, Ampang Jaya, Kajang and Cheras Batu Sembilan-Balakong, were taken into account, the level of primacy for the conurbation is 71.90%. This qualifies Klang-Langat Metropolitan Region to be considered as a primate city. Urban primacy which previously regarded as undesirable due to various problems associated with its existence now is seen to be relevant and necessary for any country to participate actively in the global market economy. In Malaysia, the Klang-Langat Metropolitan Region is growing very rapidly. Although, it might not yet qualify to be regarded as a mega city but its role in providing a favorable climate for investment is vital for the country's economic growth. Nonetheless, the presence of such huge primacy is not without price that people have to bear. The following section only highlights some of these problems.

Table 6: composite index of quality of life of malaysia, 1990-2002

Years	Income	Working environment	Transport and communication	Health	Education	Housing	Environment	Family life	Social participation	Public services	Culture	Composite index
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1995	105.1	113.2	108.1	105.6	104.9	114.2	103.9	107.7	103.6	87.7	97.5	104.3
2000	108.5	118.5	115.4	113.2	114.2	116.2	90.4	102.4	104.1	74.2	109.6	106.4
2002	107.5	119.9	120.9	115.8	117.4	116.5	98.2	107.2	110.6	80.1	114.1	109.8

Quality index is based on 1990 (100.0) situations. Quality Index >100.0 indicates that the living; conditions of people in the country is better and vice versa; Embong (2004)

Table 7: regional socio-economic imbalances in malaysia, 1970-2004

Years	Variation coefficient ¹	Year	Gini coefficient ²
1970	0.3513	1970	0.50
1976	0.2800	1979	0.51
1990	0.3905	1990	0.44
2000	0.4469	1999	0.44
2004	0.3900	2004	0.46

Coefficient variation for 1970 refers to Peninsular Malaysia as in Ghani (2000). Figures for 1980, 1990, 2000 and 2004 were calculated from various data sources particularly Ali and Hassan (2008), Aslam and Ali (2007). ²Figures for Gini coefficient were adopted from: Ali and Ismail (1996)

Some regional implications: Malaysia's GDP grew rapidly to record an average of >7.0% per annum before Asia financial crisis in 1997 and regained its momentum of growth after 2005 to record >6.0% per annum. On one hand, the Composite Index of Quality of Life for the country had been on the way up from 100.0 in 1990-109.0 in 2002 (Table 6). The level of overall household income, working environment, transport and communication facilities, health, housing, family life and social participation, increased significantly. On the other hand, the index for environmental conditions and public service facilities worsened.

The index is a composite measure of three dimensions of human development. There is economic status, social and environmental conditions. Although, the index is not in any sense a comprehensive measure of human development because it does not include important indicators such as gender or income inequality and more difficult to measure indicators like respect for human rights and political freedoms, it is useful tool for viewing human progress and the complex relationship between income and well-being. In 2005, Malaysia ranked 36 out of 111 countries in the world for which data were available, by the Economist Intelligence Unit for its Quality of Life Index-QLI (Leete, 1996). Another measurement of development is the Human Development Index (HDI), devised and calculated annually by the United Nations Development Program (UNDP). The HDI is preferable to a simple measure of per capita income because it takes into account other factors as well, including life expectancy and other measures of general well-being. In the UNDP's 2004 Human Development Report, Malaysia ranked 59 out of 177 countries for which the UNDP was able to calculate an HDI score. HDI score

for Malaysia was 0.793, just on the threshold of the UNDP's definition of a Highly Developed Country (HDI score of 0.800 or above). Lim (2005) argued, from the HDI score, it seems that Malaysia is indeed well on track for achieving Vision 2020.

But the index does not show for instance intra ethnic income disparity. Malaysia's HDI position in the world changed drastically. This was proven in 2007 when Malaysia ranked 63 out of 99 countries in the world in terms of HDI (Osman, 2008; World Bank, 2007). The later score of HDI tend to suggest that the quality of life of people in this country is worsening. The HDI also suggests that despite achieving greater economic efficiency, the country is facing serious problems arising from imbalanced patterns of economic development. It is obvious that polarized economic development has been the product of Malaysia's recent policy adoption of liberal trade policy under intense pressure of economic globalization. Regional socio-economic imbalances may take place in several dimensions and one of them is income inequality. Income inequality of a country can be measured using Variation coefficient and Gini coefficient. Gini coefficient is the most common measure of inequality. Table 7 shows regional income disparity in Malaysia using both Variation coefficient and Gini Coefficient for selected years between 1970 and 2004.

During the 1971-1990 in which period the New Economic Policy (NEP) was implemented, the Gini Coefficient tended to go down. This could be the direct impact of the NEP which in its implementation the government had given much emphasis to rural areas particularly in the less developed regions. After 1990, the index seemed to increase steadily. The rural-urban divide once again seemed to be widening. Table 8 shows income disparity between rural and urban areas. Since the last few decades, level of income inequality in Malaysia has been on the rise. UNDP on Human Development Report estimated that in 2005, individual income disparity in Malaysia as measured by Gini's coefficient was 0.492. According to the recent data from the World Bank, individual inequality in Malaysia, as measured by Gini coefficient was the second worst in all of the ASEAN countries.

Table 8: Income disparity between rural and urban households in Malaysia, 1970, 1990 and 2004

Area	¹ Average household monthly income (RM at current prices)			² Gini coefficient		
	1970	1990	2004	1970	1999	2004
Rural	392	951	1,744	0.46	0.42	0.40
Urban	497	1,617	3,680	0.50	0.43	0.44
Malaysia	264	1,167	3,022	0.50	0.45	0.46

¹Figure for 1999 and 2000 adopted from DSM (2006); ²Figure for 1970 extracted from OPP2 (DSM, 1991) and Ali and Ismail (1996)

Table 9: Average gross household monthly incomes and gini coefficients by ethnic groups in Malaysia, 1970, 1990 and 2004

Ethnic group	Average gross household Monthly Income (RM)			Gini coefficient		
	1970	1990 ¹	2004 ²	1970	1990	2004
Malay	177	940	2,711	0.47	0.43	0.452
Chinese	399	1,634	4,437	0.46	0.42	0.446
Indian	310	1,209	3,456	0.46	0.39	0.425
Others	813	955	2,312	n.a	n.a	0.462
Malaysia	264	1,167	3,249	0.50	0.44	0.462

Value at current price. Figure for 1970 refers to Peninsular Malaysia only (n.a = not available) Ali and Ismail (1996); DSM (2006)

In fact, out of 127 countries for the World Bank provides data, Malaysia ranks 101 in terms of the Gini coefficient. The following discussion highlights several dimensions of regional socio-economic imbalances using income as the main indicator.

Rural-urban income disparity in Malaysia had increased steadily from 1:1.81 in 1999 to 1:2.11 in 2004 (DSM, 2007). Such an increase can be attributed to high incidences of rural poverty especially in the less developed states. The number of poor and the hard core poor people in the rural and urban areas are still increasing, although various effort have been carried out to alleviate and uplift their socio-economic well beings.

Lack of investment and employment opportunities in rural areas, digital divide, lack of coordination and overlapping functions of various rural development agencies have been identified as among important reasons for the presence of such phenomena in this country.

Regional and rural-urban income disparities were not the only problem faced by Malaysia's policy makers in the recent decades. Another dimension of regional socio-economic imbalances can be viewed in terms of inter-ethnics income disparity. Malaysia is a country of multi ethnic society.

In 2005 the Malays and other indigenous made up about 60% of the country's population; the second largest ethnic group was Chinese (26%) and followed by Indians (7.0%) and others (7.0%). In terms of income, until 2004 the average monthly household's incomes of the Chinese and Indians were well above the national average (Table 9). It is obvious that there exists some degree of

income inequalities between ethnic groups in Malaysia. Average gross monthly incomes among the Malays for all three measurement years were well below the national average. On the other hand, gross incomes of the Chinese, Indians and other ethnic groups were well above the national average. The dimension of income disparity is actually much more complex that any one can imagine. This is especially true when we looked into the pattern of intra ethnic income disparity. Although, Gini coefficient for all three major ethnic groups slightly went down during the 1990s, the figures went up again in 2004. This indicates that income disparity inter and intra ethnic groups in Malaysia is still exist and widening.

Responses from the policy makers: The government of Malaysia, being policy makers, is fully aware on the existence of persistent socio-economic inequalities in this country. Allowing inequality to persist can negatively impact growth, besides threatening national unity and societal stability.

In addressing this problem the government seeks to follow a more balance approach by focusing on capacity building and raising competitiveness under the pressure from global competition and liberalization (DSM, 2006). In doing so the government will continue to pursue a development policy that emphasizes growth with distribution.

In brief, some of the government efforts in addressing socio-economic imbalances in this country include implementing corridor development programs outside central region such as Iskandar Development Region, East Coast Development Corridor and Northern Corridor Economic Region, providing better infrastructure to facilitate the growth of more economic activities in rural areas and reducing employment and income disparity between ethnic groups.

CONCLUSION

Economic globalization generates opportunities for developed and developing countries to gain access to foreign markets beyond their own nation's political boundary.

To gain access to world market developed and developing countries have to liberalize their trade policy. Liberalization of trade policies has facilitated movement of capital, people and information across the world. The new economy generally is dominated by the TNCs. Their activities are concentrated in more developed metropolitan region. Metropolitan region becomes center for manufacturing and services activities. Metropolitan region is instrumental for economic growth because of its

competitiveness. Klang-Langat Metropolitan Region in the central region of Peninsular Malaysia provides an example of this pattern of economic and urban growth. Concentration of economic activities, accompanied by a rapid population growth has resulted in the formation of a primate city.

Such a pattern of polarized urbanization has created regional imbalances between developed and urbanized region on the west coast and the less developed region in the east coast as well in Sabah and Sarawak. Income disparity not only evident, as indicated by Gini coefficient between rural and urban region but also noticeable between ethnic groups in Malaysia.

These regional and racial inequalities can be major constrains for the country to achieve a long term objective of national integration. The government has introduced several initiatives in trying to narrow down the regional socio-economic disparities in the country. Recently five economic development corridors have been introduced as a long term measure to overcome regional imbalances and at the same time achieving equity with growth development objectives.

ACKNOWLEDGEMENTS

The researchers are thankful to the Centre for Research Innovation and Management (CRIM), University of Kebangsaan Malaysia for funding the research and School of Social Development and Environmental Studies for general assistant.

REFERENCES

- Abdullah, A. and P.B. Pedersen, 2003. Understanding Multicultural Malaysia. Pearson Press, Kuala Lumpur.
- Ali, H. and A.A.G. Hassan, 2008. Investment incentives and regional differentials in the Malaysian states. *Int. Rev. Bus. Res. Papers*, 4: 147-162.
- Ali, H.H. and R. Ismail, 1996. Hubungan Antara Pertumbuhan Ekonomi Dengan Agihan Pendapatan: Kes Malaysia. In: *Kemiskinan Dalam Arus Pembangunan Ekonomi di Malaysia*, Siwar, C. and N.A.H. Idris (Eds.). Penerbit Universiti Kebangsaan Malaysia, Bangi.
- Ariff, M., 1991. *The Malaysian Economy: Pacific Connections*. Oxford University Press, Kuala Lumpur.
- Aslam, M. and A. Ali, 2007. Malaysia: The role of state and foreign capital in regional development. *Asian Profile*, 35: 33-58.
- Athukorala, P. and J. Menon, 1995. Developing with foreign investment: Malaysia. *Econ. Rev.*, 28: 9-22.
- Chang, H.J., 2002. *Kicking Away the Ladder: Development Strategy in History Perspective*. Anthem Press, London.
- Dicken, P., 1998. *Global Shift: Transforming the World Economy*. 3rd Edn., Paul Chapman, London.
- Embong, A.R., 2004. *Globalisation, Culture and Inequalities*. Universiti Kebangsaan Malaysia Press, Bangi.
- Ghani, S., 2000. *Urbanisation and Regional Develpment in Malaysia*. Utusan Publication and Distributors, Kuala Lumpur.
- Ismail, N.W., 2008. Growth and convergence in ASEAN: A dynamic panel approach. *Int. J. Econ. Manage.*, 2: 127-140.
- Lall, S., 1995. Malaysia: Industrial success and the role of the government. *J. Int. Dev.*, 7: 759-773.
- Leete, R., 1996. *Malaysias Demographic Transition: Rapid Development, Culture and Politics (South-East Asian Social Science Monographs)*. Oxford University Press, Kuala Lumpur, USA., ISBN-10: 967653109X, pp: 250.
- Lim, G., 2005. Debating an equitable Malaysia: Towards an alternative new national agenda. *Aliran Monthly*.
- McKee, D.L. and Y.A. McKee, 2001. Edge cities and the viability of metropolitan economies: Contributions to flexibility and external linkages by new urban service environments. *Am. J. Econ. Sociol.*, 60: 171-184.
- Osman, O., 2008. *Emerging Governance and Economic Issues in the Construction Industry in Malaysia*. Universiti Sains Malaysia Press, Penang.
- DSM, 1991. *General report of the population and housing census*. Department of Statistics Malaysia, Kuala Lumpur.
- DSM, 2006. *General Report of the Population and Housing Census*. Department of Statistics, Kuala Lumpur.
- DSM, 2007. *General Report of the Population and Housing Census*. Department of Statistics, Kuala Lumpur.
- Rostam, K., 2009. Economic globalisation and change: Implications on geographical education in Malaysia. *Eur. J. Social Sci.*, 9: 533-543.
- Shaari, I., 2000. Economic growth and income inequality in Malaysia, 1971-95. *J. Asia Pac. Econ.*, 5: 112-124.
- World Bank, 2007. *World Development Indicators 2007*. The World Bank, Washington DC.