Malaysia’s Corridor Development Strategy
And The Role Of SEZs In The Northern Corridor Economic Region

Presentation by:
Northern Corridor Implementation Authority (NCIA)
28th September 2017
Presentation Outline

1. Background of Regional Economic Development in Malaysia
2. Key challenges in Regional Economic Development
3. The Northern Corridor Economic Region experience
Working In Regional Economic Development

what my parents think i do

what my friends think i do

what the govt thinks i do

what other people think i do

what i think i do

what it's really like
## Six Main Development Theories That Have Evolved From The 18th Century

<table>
<thead>
<tr>
<th>Theory</th>
<th>Description</th>
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</table>
| **Modernisation**     | - Process of development from a traditional or under-developed society to a modern society  
                        | - Through technology transfers, investments and integration of economies                                                                 |
| **Structuralism**     | - Industrialization as a necessary condition for economic development to take place  
                        | - Government should intervene by formulating the right industrial policies.                                                                |
| **Dependency**        | - Rejects the assertion of the Modernisation Theory that countries follow a similar development path i.e. from traditional to modern economies  
                        | - Argued that developed countries exploit the developing countries for their own benefit.                                                 |
| **Basic Needs**       | - Defines the minimum resources society needs to ensure its long-term well-being  
                        | - A reaction against modernist and structuralist theories of development that failed to resolve the basic problem of poverty and inequality among countries |
| **Neoliberalist**     | - Get the market conditions right; get the state out of the way; social justice and human development will follow  
                        | - Promarket & anti-government intervention, supporting the interests of big businesses                                                     |
| **New Development Theories** | - A response to pro-Western development theories  
                        | - Includes Post-Development Theory, Sustainable Development Theory, and Human Development Theory.                                           |
Regional programmes cannot work unless they fit the **cultural** and **social** context in which they are being implemented. A region’s social and cultural aspects **must be understood**.
The focus of regional development in Malaysia was to raise the standard of living and quality of life as well as to attain balanced social and economic development.

### Regional Planning
- Regional Development Authorities (RDAs) established, focusing on:
  - Reducing poverty
  - Rural development

### Joint Development Initiatives
- Growth Triangles: Joint development initiatives with Japan, China, ADB, UNDP & World Bank
- IMT-GT, BIMP-EAGA, ASEAN

### Regional Economic Corridors
- Five economic regions identified for the promotion of a balanced and equitable national economic development

### Cluster Focus
- Accelerating regional development through focused clusters based on sector and geographic advantages; with private sector to power development

### Achieving better geographic balance
- Accelerate investment, provide infrastructure and review corridor development plans

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<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
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<tbody>
<tr>
<td>1957 – late 1970’s</td>
<td>Regional Development Authorities (RDAs) established, focusing on:</td>
</tr>
<tr>
<td>1980 – late 1990’s</td>
<td>Growth Triangles: Joint development initiatives with Japan, China, ADB, UNDP &amp; World Bank</td>
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<tr>
<td>9th Malaysian Plan (2006–2010)</td>
<td>Five economic regions identified for the promotion of a balanced and equitable national economic development</td>
</tr>
<tr>
<td>10th Malaysian Plan (2011 – 2015)</td>
<td>Accelerating regional development through focused clusters based on sector and geographic advantages; with private sector to power development</td>
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</tbody>
</table>

- Agriculture Based Economy
- Resource Led Economy
- Knowledge-Based Economy
Key Challenges In Regional Development

- Inter- and intra-regional imbalances
- High proportion of low income, B40 households
- Skills and productivity

Social Challenges

Economic / Sectoral Challenges

- Agriculture
- Manufacturing
- Tourism
- Logistics & Connectivity
Challenges In Agriculture Sector

1. **Legacy issues**
   Farms characterised by smallholdings, which makes it difficult to achieve economies of scale. Results in inefficient production, high cost of production, inconsistent quality of agricultural produce, low yield, low incomes.

2. **Weak marketing environment**
   - Farmers cannot sell their produce directly to hypermarkets and retailers
   - Agricultural products do not meet the quality standards demanded by the market

3. **Low rate of technology adoption and good agricultural practices by farmers**
   - Low productivity, high production costs and poor quality of produce

4. **Ageing farmers**
   - The farmers are more than 55 years old
   - The youth are not attracted to work in a farming environment
Challenges In Manufacturing Sector

1. **The k-economy**
   - Freedom of movement in capital and labour are the main characteristics here.
   - As a region evolves, it will have to explore on new areas of competitiveness.

2. **Current offerings in industrial parks:**
   - Inability to attract talent to live in the area
   - Unsatisfactory support services
   - Lack of industry clustering
   - Legacy issues

3. **Critical shortage of knowledge workers.**
   - Results in low-tech SMEs
   - General lack of R&D and innovation among SMEs
   - Lack of industry-university collaboration
Challenges In Tourism Sector

1. Underperforming key attractions
   - Great potential of natural tourist attractions not fulfilled.
   - Bad business acumen leads to facilities being in state of disrepair.

2. The lack of marketing and branding push
   - Private sector drive at key sites still lacking.
   - Communication skills to be enhanced (storytelling and command of English).
Challenges In Logistics & Connectivity

1. Congestion in existing transport hubs has lead to inefficiencies
   - Existing logistic infrastructure and processes are not ready to cater to the growth in NCER
   - Infrastructure bottlenecks

2. The efficiency of public transport has not been keeping pace with the development of the region
   - Lack of integration between transport services in the region

Enhancements in efficiency and integration needed
Despite the successful poverty eradication and rural development, the Malaysian economy has been affected by various external factors, such as changes in technology, economic liberalisation and intense urban migration.
NCER is strategically located within Indonesia Malaysia Thailand – Growth Triangle (IMT-GT) with close proximity to India and China.

- **Population**: 1.379 bil (China)
- **Population**: 1.324 bil (India)
- **Population**: 631 mil (ASEAN)

**Other Data**

- **Population 2015**: 6.5 mil
- **GDP as at 2015 (at 2010 constant price)**: RM 169 bil
- **Total Area**: 31,445 sq km
Capitalising The Unique Strengths Of NCER

1. Strategically Located
   - IMT-GT & ASEAN
   - Good infrastructure and connectivity

2. Key To The Nation’s Food Security Agenda
   - Modern Agriculture
   - Usage of Technology

3. Top Tourists Destinations
   - Langkawi
   - Pulau Pinang
   - Belum Rainforest

4. Strong Manufacturing Ecosystem
   - Strong Cluster and ecosystem
   - Existing Talents & Skills
Focusing On 3 Priority Sectors, Leveraging On Its Economic Strengths

NCER is a brownfield area that leverages on the strengths of its economic activities
NCER Is Currently At The 3rd Wave Of Its Development

The NCER has come a long way, through tailored development programmes that have been delivered up gradually to ensure a smooth implementation.
Infra connectivity has the power to integrate economies by deepening trade, investment and business links.

It can expand and strengthen regional production networks and supply chains of goods and services.

It improves inclusivity, productivity and competitiveness; and stimulates economic activity, trade and investment.
NCER Is Currently At The 3rd Wave Of Its Development

2nd Wave: Capacity Development

Private Investment

RM79.9 bil Total Cumulative Investment

2009 → 2016

Jobs Creation

103,597 Total Cumulative Jobs Creation
NCER Is Currently At The 3rd Wave Of Its Development

3rd Wave:
Concentration and Specialisation

5 Strategic Thrusts Of Blueprint 2.0

- Enhancing inclusiveness towards an equitable society
- Re-engineering growth and productivity in priority sectors
- Strengthening infrastructure to support connectivity and growth
- Fostering talent development for an advanced region
- Addressing investors’ needs

The Northern Corridor Economic Region Development Blueprint (2016 -2025) (Blueprint 2.0)

Growth Nodes
7 Projects

Transcending Borders
28 Projects

Localised High Impact
45 Projects
7 Growth Nodes Of NCER

- **Perlis Inland Port (PIP)**
  - Focus Clusters: Consolidation & Distribution Centre

- **Chuping Valley Industrial Area (CVIA)**
  - Focus Clusters: Green Manufacturing, Halal Industries, Renewable Energy Generation

- **Batu Kawan Development**
  - Focus Sectors: Manufacturing, Property, Logistics, Tourism

- **Kedah Science & Technology Park (KSTP)**
  - Focus Clusters: Agro Science, Advanced Materials, ICT

- **Kedah Rubber City (KRC)**
  - Focus Clusters: Catalytic Anchor Tenants, Specialised Latex & Rubber Products, Precision Engineered Rubber Product

- **Greater Kamunting Conurbation (GKC)**
  - Focus Sectors: Agriculture, Manufacturing, Tourism

- **Manjung-Aman Jaya Maritime City**
  - Focus Sectors: Manufacturing, Agriculture, Fisheries & aquaculture, Tourism, Infrastructure, Halal Hub, Human resource & labour
NCIA’s Unique Approach Ensures Effective Delivery

- Devise standards and policies, direction and strategies to accelerate development of NCER
- Ensure integration of plans and policies between the Federal Government, state governments and local authorities
- Ensure the vision for key thrust areas are aligned with NCER’s vision

- Promote and uphold NCER’s brand to attract investments to the region
- Engage with government agencies and potential investors
- Assist investors in other investment matters to ensure ease of doing business e.g. licensing, land matters etc.

- Ensure alignment of key thrust area developments and key enablers in line with NCER’s vision
- Secure private investors into NCER through providing assistance to investors and coordinating investment approvals
The Journey So Far…

1. NCER GDP 2005 - 2009 and 2010 - 2014 At Constant Prices (In RM 'mil')

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>2005</td>
<td>87,593</td>
</tr>
<tr>
<td>2006</td>
<td>95,159</td>
</tr>
<tr>
<td>2007</td>
<td>101,464</td>
</tr>
<tr>
<td>2008</td>
<td>106,268</td>
</tr>
<tr>
<td>2009</td>
<td>100,584</td>
</tr>
<tr>
<td>2010</td>
<td>127,720</td>
</tr>
<tr>
<td>2011</td>
<td>135,972</td>
</tr>
<tr>
<td>2012</td>
<td>143,776</td>
</tr>
<tr>
<td>2013</td>
<td>151,000</td>
</tr>
<tr>
<td>2014</td>
<td>159,924</td>
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</tbody>
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   CAGR 3.5%

2. Median Monthly Household Income Of NCER (In RM)

   - 2002: 1,810
   - 2004: 1,927
   - 2007: 2,111
   - 2009: 2,315
   - 2012: 3,023
   - 2014: 3,797

   CAGR 5.8%

   3%
• The government allocates a sizeable development and operating budget to implement five-year development plans. This ensures the implementation of the programmes and projects identified in the plan as well as the attainment of their development objectives.
Key Success Factors

Stakeholder Coordination and Alignment

Quadruple Helix Model

- Coordination and alignment with various stakeholders is seen as key to seamless/timely delivery.
- This is achieved by leveraging on tools made available by various entities.
The main objective of the economic corridors was to spread the growth to all regions and avoid concentration of growth to the capital city, Kuala Lumpur.

This serves to help harmonise Federal and State-level plans.
The Malaysian Government has positioned the private sector to spearhead the country’s economic development, with the Government playing the role of enabler and facilitator.
Key Success Factors

A More Active Role For The Academia

- The academia has been engaged like never before in delivering regional development initiatives.
Key Success Factors

Positioning Inclusivity As The Overarching Goal

- Community engagement strategies were put in place to take account of outcomes from the programmes and ensure that local leaders are kept informed of decisions/ progress.
### Blueprint 2.0 Targets

<table>
<thead>
<tr>
<th>TARGETS</th>
<th>YEAR 2020</th>
<th>YEAR 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>RM225 bil</td>
<td>RM300 bil</td>
</tr>
<tr>
<td>Mean Household Income</td>
<td>RM8,265</td>
<td>RM12,964</td>
</tr>
<tr>
<td>B40 Mean Household Income</td>
<td>RM3,852</td>
<td>RM6,043</td>
</tr>
<tr>
<td>Cumulative Investment</td>
<td>RM109.5 bil</td>
<td>RM146.5 bil</td>
</tr>
<tr>
<td>Job Creation</td>
<td>129,197</td>
<td>161,197</td>
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THANK YOU