

MACRO-ECONOMIC IMPACT ON URBANISATION PROCESS IN MALAYSIA

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BACK GROUND

Malaysia was created in 1963 through the merging of Malaya (independent in 1957) and the former British Singapore, both of which formed West Malaysia, and Sabah and Sarawak in north Borneo, which composed East Malaysia. Singapore separated from the union in 1965.

It now has a population of 23 million comprising of three main ethnic groups, namely Malay (58%), Chinese (27%), Indians (8%) and others (7%). Islam is the National religion which is followed by the Malay majority. Bahasa Malaysia is the National language while English is the most common language for communication. Several Chinese dialects are also spoken, the most common is *Cantonese*.

The Federation of Malaysia (Malaya, Sabah, Sarawak, and Singapore) formed on 9th July 1963 adopts a parliamentary democracy as government, nominally headed by the paramount ruler and a bicameral Parliament consisting of a nonelected upper house and an elected lower house; Peninsular Malaysian states - hereditary rulers in all but Melaka, Penang, Sabah, and Sarawak, where governors are appointed by the Malaysian Government; powers of state governments are limited by the federal constitution; under terms of the federation, Sabah and Sarawak retain certain constitutional prerogatives (e.g., the right to maintain their own immigration controls); Sabah - holds 20 seats in House of Representatives, with foreign affairs, defense, internal security, and other powers delegated to federal government; Sarawak - holds 28 seats in House of Representatives, with foreign affairs, defense, internal security, and other powers delegated to federal government.

Its legal system is based on English common law and the judicial review of legislative acts in the Supreme Court at the request of supreme head of the federation. The ministerial functions of the various ministries that make up the government are governed by the various Acts and legislations which are approved by parliament.

Malaysia made a quick economic recovery in 1999 from its worst recession since independence in 1957. GDP grew 5%, responding to a dynamic export sector, which grew over 10% and fiscal stimulus from higher government spending. The large export surplus has enabled the country to build up its already substantial financial reserves, to \$31 billion at year end 1999. The stable macroeconomic environment, where inflation

and unemployment stand at 3% or less has made it possible for the country to sustain the economy. The capital controls imposed by the government in 1998 to counter the impact of the Asian financial crisis was progressively relaxed. Capital flight is still regulated and monitored although repatriation of profits from foreign investments is permitted.

GDP: - RM 312.1 billion (Yr. 2000) (RM209.3-1987 price)

GDP Growth- 8% in 2000, 2% (2001)

The Malaysian economy, according to the 2002 Economic Report is expected to grow by four to five per cent in 2002 (8% in 2000 and 2% in 2001), led by stronger performance in the manufacturing and services sectors. The prospects for an improved world economic performance remain uncertain with recovery expected to be delayed to the later part of 2002. The recovery in global electronics demand will spur growth in the manufacturing sector while expansion in the services sector will be driven by higher economic activities and government fiscal stimulus.

Manufacturing is projected to expand by 6.5 per cent (2001: 0.2 per cent); services 5.3 per cent (2001: 4.4 per cent); construction 4.3 per cent (2001: 4.9 per cent); mining 4.3 per cent (2001: 0.9 per cent); and agriculture 0.8 per cent (2001: 1.2 per cent).

The higher manufacturing output will stimulate growth in related services sub-sectors, such as gas and water, which is expected to increase by 6.9 per cent, and transportation, storage and telecommunications by seven per cent.

The finance, insurance, real estate and business services sub-sector is also expected to expand by 5.6 per cent on the back of low interest rates that will sustain demand for housing and consumer durables.

Demand for housing, in particular for low- and medium-cost units will contribute to the construction sector. It has also been given a boost by action by the government to expand spending in infrastructure projects in the health, education sub-sectors and rural development with the RM3 billion committed in March 2001 and the RM4.3 billion package in September 2001.

For 2002 the growth in the economy is expected to be driven by domestic demand. The Prime Minister, Dr Mahathir, who is also Finance Minister, said, "The government, on its part, will not hesitate to institute the necessary measures to further strengthen domestic demand as well as maintain a conducive business environment to facilitate business activities and attract investments from domestic sources,"

The effect of the US downturn before Sept 11 had some adverse impact on the Malaysian economy as manifested in the deceleration of the GDP growth from 3.1 per cent in the first quarter to 0.5 per cent in the second quarter and had caused the government to revise its growth forecast a second time for the year to one to two per cent, from an earlier revised growth forecast of five to six per cent. However, with prudent management these

effects will be minimized. The economy is fairly diversified to cushion upheavals in the global market. The agriculture sector is going to be further enhanced, while the nation forges forward to progress in the knowledge-based activities, electronics and high-technology activities and manufacturing. Knowledge-based economy is given greater emphasis by the government as a strategy to generate value added activities and products. This is perceived as having a long term growth potential ensuring sustainability of the economy in the new millennium.

As a measure to expedite this efforts are being done to attract the best brains into the country. Incentives are given to Malaysians abroad with the required expertise to return. By mid September 2001 356 applications were received from professional overseas to return and out of which 122 were from the areas of finance, industries, medicine and ICT. The Multimedia Super Corridor(MSC), as explained later, attracted 563 companies involved in the K-based economy including 48 world-class companies. About RM6 billion have been invested by these companies providing employment to some 12,000 workers in 2000.

MACRO-ECONOMIC AND NATIONAL STRATEGIES

Since achieving independence from British rule in 1957, Malaysia has in the last 40 years shown remarkable resilience in coping with social and civil strife within a multi-cultural and multi-racial complex to the extent of emerging as one the most vibrant and promising economies of the new Asian Tigers. After the global stock market crash of 1987 and during the decade of 1988 to 1997, Malaysia experienced an average annual growth of 8.8% for its real gross domestic product (GDP), a feat never before experienced in the country. It was a period of tremendous economic growth bolstered by a new confidence to the extent that even if the country were to achieve an average 7.0% economic growth per annum, it is well on its way to meet its target of developed nation status by year 2020. This is a realistic target based on the twenty year period of 1971 to 1990 that achieved an average 7.0% real GDP growth. Malaysia has become a newly industrialized country from what was formerly a primary based economy of the post-war period overly dependent on its two main natural resource of tin and rubber. As the successor to the 20 year National Economic Policy (NEP) 1971-1990, the National Development Policy (NDP) 1991-2020 and the 30 year programme Outline Perspective Plan II, more commonly referred as the *Vision 2020* national blueprint, were supposed to take the country to newer heights to achieve the status of a developed nation with all the vestiges of a prosperous economy, sophisticated technology and a socio-culture that will be able to withstand the challenges of the new millennium.

During the decade that followed the 1987 global stock market crash, the country clearly demonstrated strong economic fundamentals characterized by low inflation, high purchasing power parity, reduction of poverty level from 49.3% in 1970 to 8.9% in 1995**, strong currency and low external borrowings to the extent that the country could

pre-pay her external loans. Her humble per capita gross national product (GNP) improved 140% from US\$2,882 in 1992 to US\$4,023 per capita GNP in 1995. The GNP value in US Dollars now would be lower due to the effect of the 1997 financial crisis and the pegging of the Ringgit to a fixed rate of 3.8 to the USD as compared to the prevailing rate of 2.5 in 1995.

As a small country with an estimated 23 million population and GNP at current prices of RM 333.7 billion (2001), Malaysia is still very much dependent on world economic trends. Being a congenital trading nation and therefore susceptible to external influences it is no different from other developing countries of the global south. The economic slow-down in the United States and other western countries is making some impact on the economic performance of the country. Proactive and positive steps are being undertaken by the government to pump prime the economy and generate domestic demand.

In January 1996, a telecommunications milestone was reached in Malaysia, with the successful launching of a Malaysian owned satellite, the Measat-1, to be followed by another, Measat-2 within a year. Measat, an acronym for Malaysia East Asia Satellite, was to revolutionise the mass-media for Malaysia by providing multi-channeled, local and international broadcasting to all parts of the country by the end of 1996. The idea was to leap-frog into a new age of broadcasting and telecommunications which was mooted by the Prime Minister, Dato' Seri Dr Mahathir Mohamed in the late 1980s. What the nation could not achieve previously or locally, was acquired or developed through various mechanisms including privatization, public-private joint venture or straight takeover of foreign technology based companies. The seeds have been sown and even with the downturn of the economy in 1997 and internal socio-political crises that followed within the region for the nation to embark into a new technology based development and growth in the new millennia.

Concurrently, much conviction in the global perspective and new directions was also accorded by economic gurus and contemporary futurist authors like John Naisbitt, Kenichi Ohmae and Hamish McRae. A new liberalism was being forged to bring about the exchange of ideas amongst the learned world leaders in information technology to create a common ground for scientific and technological advancement. Words forming concepts for new paradigms, smart partnerships, synergy, co-existence, eco-media, multi-media and symbiosis give new meaning and imagination in Malaysia. They are inspirational and to an extent have become entrenched everyday phrases in planning, architecture and development. A brave new world was unfolding, manifested and symbolized in a number of world class buildings, structures, and even ambitious utopian city planning.

It was indeed a decade of national pride and great expectations, manifested in a number of national projects including the Penang bridge, the longest in Asia and third longest bridge in the world (completed September 1985); Kuala Lumpur Tower, the world's third tallest, single structure (completed late 1995); Kuala Lumpur City Center (KLCC), the world's tallest twin towers (completed late 1996), KL International Airport (KLIA) at

Sepang (completed early 1998); and Commonwealth Games Village at Bukit Jalil, Kuala Lumpur (completed mid-1998). These are all marvelous feats of architecture and engineering that were never before seen in a developing country like Malaysia. Master planning for the “intelligent” Garden City of Putrajaya, the new Federal Government Administrative Centre, located almost equidistant between KLIA and Kuala Lumpur at the center of the much purported Multimedia Super Corridor (MSC) was being conceived in early 1994 by a consortium of local architects and planners.

Meanwhile an intelligent “automobile city”, Proton City, that will house the new national car manufacturing plant and become a new growth catalyst, was also being planned. The city was to emerge ground-up on a green field site towards the northern growth corridor to Kuala Lumpur, strategically located at the Perak and Selangor boundary near Tanjung Malim. Proton City’ Master Plan was also first conceived and implemented by local architects, planners and enterprise. Numerous other urban and planning projects were being proposed or were in the midst of implementation throughout the country to act as self-sustaining, “intelligent” and integrated growth centres. The revivals of “garden cities” which characterize the local tropical, eco-culture are to permeate from Kuala Lumpur to other major growth centres.

From the urban and regional planning viewpoint, the Klang Valley in particular, that spans east-west from the capital city of Kuala Lumpur to its primary freight transportation node of Port Klang, has over the years experienced such rapid urbanization that the Government saw the need to adopt a policy to decentralize and redirect the spill-over urban growth to other regions. The decentralization policy was adopted with the primary goal of deflecting growth away from Kuala Lumpur and the Klang Valley in order to :

- i. regulate economic growth within the Klang Valley;
- ii. regularise the distribution of population and demographic growth in an expanding metropolis;
- iii. promote economic growth in the rural areas and alleviate the economic disparities between the rural and urban areas.

The Vision of the Malaysian Government was to ascertain that Kuala Lumpur and the urban fabric of Malaysian towns are characterized by lush greenery and urban green lungs that depict the identity of a well-landscaped Malaysian urban environment. The concerns were for a sustainable urban environment and the need to nurture civic consciousness and eco-cultural sensitivity within the community.

One of the key steps for the decentralization of the Klang Valley was the Cabinet’s decision to locate the new Kuala Lumpur International Airport at Sepang, approximately 50 kilometres south of the Klang Valley and adjacent to the Selangor and Negeri Sembilan State boundary back in 1992. Concurrently the idea of creating a new growth corridor southwards from Kuala Lumpur towards KLIA at Sepang was being conceived..

During the ground breaking ceremony of Putrajaya, in August 1994, the Prime Minister revealed the blueprint concept for the Multi-media Super Corridor (MSC) that spans 15 by 50 kilometers, stretching from Kuala Lumpur to KLIA, Sepang. Putrajaya then becomes the central hub of the MSC. Later the “twin intelligent” city to Putrajaya, Cyberjaya, was also conceived. The MSC will be the growth corridor of the new millennium with all the vestiges of high and sophisticated technology. This growth corridor will also be accorded massive investments in State of the Art infrastructure and utilities, from major expressways, express rail link, commuter rail link to fiber-optic cables, and very importantly a new transportation and aerospace industrial hub at its southern node, the KLIA airport.

The Government recognized the need to develop its people, in a sense to adopt a paradigm shift to cope and compete in a rapidly changing world. In order to propagate the “engine” for growth, the MSC was conceived with the notion of creating an Information Technology (IT) based urban environment. Thus, in the process, allowing and espousing the adaptation of the people to the information age of the next millennium.

The 1980s and 1990s saw a major leap in the industrialization phase of the country under the Mahathir administration. Since the First 5 Year Malaysia Plan of 1966-1970, the Government had realized that for the country to progress and compete globally, it could no longer rely on its rich natural resources alone, and that the nation itself needs to transform from an agrarian based economy to that of an industrialized economy with higher value added products. The susceptibility of commodity prices to fluctuation and manipulation by external forces was felt in the 1970s and further awakening was experienced with the crash of global commodity prices in the mid-1980s. Hence, the Government reacted with a number of bold decisions to modernize and industrialize the country, starting with the venture into heavy industry and the introduction of the “privatization policy”. These were followed by the launching of the national car project, Proton, in 1983, the second national car project, Perodua in 1992, national motorcycle project, Modenas in 1995 and several more that followed. Most of these national industrial projects were forged with international companies that are willing to share their technology and in the midst of their investment, share the profits. All these endeavours may appear small tokens of achievement to the more developed nation. However, these achievements are worthy of mention in the context of a small, developing nation that only gained independence less than fifty years ago.

Under the privatization concept major infrastructure, utilities, public amenities and what used to be Government funded services were taken over by the private sector in order to improve efficiency, productivity and promote growth. New projects were made viable and speeded up by allowing the private sector to spearhead the procurement and funding of such projects under a range of concessionaire agreements. They could take a number of forms from management or operator leasing contracts, lease of assets, Built-Operate-Transfer (BOT), Built-Operate-Own (BOO), Build-Operate (BO), Build-Transfer (BT) and so on. The effect of the privatization concept has enhanced private and public sector cooperation in nation building which also fostered the “Malaysia Incorporated” nationalistic spirit. This spirit of expediting economic development, nation building and

the reduction of “red-tape’ was to permeate throughout a new paradigm of enterprise, innovation and most important of all, *New Vision*.

The strong economic performance evident in the period from 1987 to 1996 that led to a decade of rapid development was largely attributable to the following favourable conditions:

1. strong leadership, political will and vision;
2. stable and dynamic government;
3. good business environment with a highly motivated business and entrepreneurial community;
4. highly competitive labour market with access to cheaper foreign labour;
5. very good management expertise attributable to a high proportion of well-educated, English speaking, middle class work force;
6. good infrastructure and utilities services;
7. innovative government policies including , privatization, liberal incentives on trade and investments.

The successful implementation of the privatization programme had in turn led to the development of one of the best infrastructural network systems in Asia within a short period of time, including highways, rail links, telecommunications, port facilities and airports. By then urban and economic development process has been refined whereby the necessary infrastructures come before the population and investments were introduced. The MSC growth corridor exemplifies the proactive and dynamic approach to city planning and development. This is further enhanced by the introduction of the IT content. The success of the nation in all its previous challenges paved the way for another successful implementation of an innovative project which is to become another milestone in the socio-economic development of the country.

NEW URBANISM IN MULTI-CULTURAL SOCIETY

Not too long ago constrained by the insecurities of its formative years as a nation coming out of colonial rule, Malaysia was still entrenched in social conflicts, high poverty, internal guerilla warfare, and an economy very much based on its primary agricultural sector and tin mining. Malaysia is still very much a small nation of some 21 million inhabitants with a comparatively humble per capita GNP of US\$4,023 in 1995, compared with the per capita GNP of South Korea (US\$10,037), Brunei (US\$17,000), Singapore (US\$24,697), United States (US\$26,555) and Japan (US \$41,384). A multi-racial and multi-religious community in Malaysia calls for the creation of socio-economic stability; harmony and unity through various tangible or even symbolic means. In the last forty years or so since gaining independence, rapid development from what was largely a primary based economy was achieved through proper planning; unifying programmes such as those propagated in the 5 year economic plans under the NEP and NDP.

Through the years of unmitigated exposure to a multi-cultural environment, a high sense of diplomacy, co-existence, tolerance and moderation has prevailed. With the implementation of National Economic Policy (NEP) 1971-1990, Malaysia today has by and large succeeded in alleviating social and racial disparities, and national unity on the whole has been cultivated. Within its multi-ethnic and multi-religious make-up, there is a sense of unity, tolerance, and respect for individual creed and a singular minded vision for better quality of life.

The Malaysian multi-cultural phenomenon is a dynamic process from which many economic and even political influences were drawn. To a high degree, Malaysia has become a socio-cultural “melting pot” in that much cultural assimilation of various civilizations has permeated through from traders, religious missionaries, settlers, colonists and prospectors. Studies made by McGee (1971) between the post-war and pre-independence period 1947-1957, still showed difficulties of creating an orthogenetic cultural transformation for Kuala Lumpur, the political and cultural centre of Malaysia, where a national culture was still much lacking or existed in a piecemeal sense.

Today, this socio-cultural and socio-political condition and acceptance has undergone a high degree of transformation and permeated through into everyday life, from its spoken languages, mixed traditions and social etiquette. The socio-cultural mix has thus formed various hybrids which are unique and is often reflected in the urban environment by the rich array of art forms and architecture; – this in itself is an evolutionary orthogenetic condition.

Although Islam is the national religion, freedom of worship of other religions is also constituted, and a mix of religious celebrations and cultural fare is experienced annually. Despite differing religious adherences, individuals of various religious backgrounds can dine together, as each understood and respected the required social etiquette and the accepted religious beliefs. For this symbiotic co-existence to work, a degree of tolerance, learning and conditioning must prevail within the various races and ethnic-religious groups. This conditioning has permeated in the early up-bringing of the Malaysian child and later the child is further nurtured in the Malaysian education system.

As a product of its multi-culturalism, a very negligible number of Malaysians are unilingual. Most Malaysians today are either bilingual or trilingual and this in itself serves as a media for further cross-cultural understanding. As a legacy of its British colonial heritage and prevalent association to the Commonwealth, English has become a second language for all ethnic groups if not the first. Prior to independence and for a while after independence, the main language of instruction and education has English which also forms the *lingua franca* of the world. This allows many Malaysians to fit in easily in a global sense. Albeit within certain customary and environmental adaptation, much influence has also permeated through from the adoption of the British system during the country’s formative and modernization period until today, from the points of view of its legal, political, administrative, architectural and other cultural influences. Apart from its national language, *Bahasa Malaysia*, English is well spoken together with a number of Malay, Chinese, Indian and indigenous dialects.

Cultures are borrowed and technology transfers have occurred with greater ease since its early history. Whilst the local education system is being consolidated and modernized, since the post-war period many Malaysian students have been sent to developed countries to gain higher learning and have returned with adopted ideas and skills to further their careers. They form a large portion of the educated middle class. This further promulgated exposure and adaptation to more universal and global trends exemplified in today's age of high technology and telecommunications.

In this context, this small country of Malaysia has always been exposed to international influences and in a sense, displayed very much "globalised" socio-cultural and socio-political characteristics at a very early stage of its history. Inter and intra migration was a norm. As an overview, this exposure had allowed the country to survive the times with religious and social moderation, and nurtured a style of cultural diplomacy, tolerance and hospitality.

The leaders of Malaysia understood this historical legacy and the geopolitical advantages of its country, and have the vision of creating a new regional hub for the region. Their answer and offer to the world is the Multimedia Super Corridor (MSC) as a new business and industrial region where advanced technology, in particular information technology, could be built-in ground up within a common ground created for free trade, the exchange of ideas and information. This IT based paradigm in urbanism is an added dimension to the humanistic philosophy in the design of Putrajaya which recognizes the importance of the relationship between man and man, man and his environment and man and God.

As an extension of this philosophy, liberal reform in the interpretation of a new urbanism takes into account the cultural, situational and environmental context. The architecture that evolves aims to not only serve its function, but fit the culture of the place. The forms that they take serve as symbols of cultural, economic and artistic advancement. The overwhelming dominance of the International Style originating from the Modernist Movement during the early part of the century, had strongly influence the local urbanism and architecture. Nevertheless local architects and planners are also prolific in developing unique and world class architecture, structures and urbanisation.

The MSC project mooted by the Malaysian Government is no less an excellent initiative to carry through a global environment that is essentially borderless, where a green field site could be developed to accommodate knowledge workers, and experts could meet to discuss new technology, exchange ideas and conduct business deals. While trade and business transactions could well be carried out and resources tapped from around the world concurrently on the multitude of websites through the internet, physiologically and culturally, people are in a general sense, socially dependent and community orientated. There is still a need for the face-to-face meeting to experience the warmth of sharing common space, to discuss and build business alliances. The MSC will be the venue for such interaction and a new urbanism for multi-culturalism.

The KLIA airport as an integral part of the MSC, located about 40 km south of the federal capital, Kuala Lumpur is no less an overt reinstatement of the traditional Malaysian coastal “trading outpost”. Only this time it has been designed by both local and international airport technologists, engineers and architects in an environment which is technologically sophisticated with a vast new horizon in the form of IT. It has been planned and designed with a typical Malaysian identity for an “Airport City”, complete with State of the Art and integrated facilities and amenities. It is to be a tropical oasis and a people meeting place, catering for various cultures, providing all the necessary amenities and conveniences of modern travel – a symbiosis of culture, environment and technology.

TRENDS IN URBANISATION

The high rate of urbanization is due to a number of factors, one of which is a high rate of rural to urban demographic drift. This has been exacerbated by the pre-war immigration of largely indentured Chinese, Indian and Indonesian labourers and during the post-war in-migration of misplaced people. The city with all its wondrous attractions, sophistication and entertainment has always been a lure for rural-urban in-migration.

Lately, another factor for rapid urbanization and demographic growth is attributed to the waves of foreign immigration (either legal or illegal) consisting predominantly unskilled workers from poorer countries seeking work in what was then “booming” Malaysia. This is a “push” factor created largely by external socio-economic strife, plus a “pull” factor created by the upgrading of the Malaysian socio-economic strata and the demand for cheaper labour in the labour intensive agricultural, industrial, construction and other service industries. According to the 1997 estimates, there were nearly 1.5 million non-Malaysian citizens or 7 % of the total population, not inclusive of illegal immigrants. This is a characteristic of the country’s liberal dynamism whereby immigration policies were relaxed for easy access to competitive labour as well as an exemplification of South-South cooperation. Rapid urbanisation is heightened by the fact that the country’s economy is now more dependent on its secondary (manufacturing) and tertiary (retail and commercial services) industries as its main economic income earner rather than primary agricultural economic activities.

As early as March 1984, the Federal Government had already mooted plans for a twin city in Bukit Tinggi (Janda Baik) at the Selangor-Pahang border off the Karak Highway, approximately 30 km east of Kuala Lumpur on the highland. However, the plans were shelved during the recession that followed. The twin city was again revived in the early 1990s. This time its location was very much influenced by the decision to first locate the new KLIA Airport at Sepang towards the Selangor-Negeri Sembilan border, 70 km south of Kuala Lumpur.

In mid-1995, with the ground-breaking ceremony held at Putrajaya, the new Federal Government Administrative Center, and the revelation of the Multimedia Super Corridor

(MSC) by the Prime Minister Dato' Seri Dr Mahathir Mohamed, a quaternary, higher tier service industry seems to have made its mark in Malaysia, that which are knowledge based, highly skilled, IT related industries, aerospace industries, tourism and research and development enterprises. The MSC, an approximate 15 by 50 km (9 by 30 mile) high-technology, high infrastructure based growth region, predominantly and especially characterized by high tier, high value-added industries and services, will form the economic thrust of Malaysia's economic future in the new millennium. The MSC seeks to invite the participation of foreign investors, foreign knowledge workers and expertise to create a new business and economic region with such incentives ranging from tax breaks, better infrastructure, utilities, amenities and a better international business environment in both physical and non-physical sense.

In November 1st 1998, the Government restructured the scope of the former Energy, Telecommunications and Post Ministry to Energy, Communications and Multimedia Ministry of which included regulatory broadcasting functions. A Malaysian Communications and Multimedia Commission were also formed to govern the three inter-related industries of telecommunications, broadcasting and computing for better coordination and development. This move further consolidates the Government's determination and conviction to see through the successful implementation of the MSC.

With the establishment of the KLIA as the most advanced international transportation hub at the MSC's southern node, Putrajaya at the middle as the administrative center and Kuala Lumpur to the north consolidated as the financial and commercial center of the country, further urbanization and agglomeration of urban centers, rapid rural-urban drift is inevitable. The related ills such as speculative development, squatters, illegal foreign workers, unmitigated congestion, pollution and social ills will be main concerns of the regional and local planners.

For certain parts of the country experiencing higher urbanization with better infrastructure and utilities, particularly in the West Coast States of the peninsula the aggregate growth has always been higher relative to the rest of the country. While the trends showed that the rate of population growth is decreasing within the Klang Valley, in favour of less congested outlying areas, Selangor remains the fastest growth state in Malaysia absorbing the spill-over from the Klang Valley. ^{p. 139, 7MP} At same time average household size has reduced from what used to be 5.0 to 4.6 per household. In 1995, Selangor has the largest labour force, out of which one fifth was employed in the construction sector. Economic opportunities and urban amenities within the urban areas create not only more job opportunities but higher valued employment with higher expectations of emoluments of which will encourage higher rates of rural-urban drift. This in turn will realize higher maintenance and demand for better infrastructure and utilities.

The proximity of the recently completed first phase of the KLIA airport to the south of Selangor State and the availability and inter-connectivity of quality infrastructure and utilities to Negeri Sembilan and Malacca further south, benefits these from spill-over

growth with a higher rate of urbanization and economic multipliers. The decision to locate and develop the KLIA International Airport at Sepang; “Airport City” at Salak Tinggi; Putrajaya Federal Government Administrative Centre; Cyberjaya, the IT City and consolidating Kuala Lumpur as the Financial and Commercial Centre, has resulted in a sustainable urbanization and new economic zone based on high technology. These growth centres together with other designated secondary growth nodes form the nuclei and catalysts for urban and development within the Multimedia Super Corridor (MSC). The MSC growth corridor will to a great extent deflect much growth from the burgeoning Klang Valley.

As a result of these deliberations, most of the previous Structure Plans for the region are now outdated including the Bangi Structure Plan 1985 and Kuala Lumpur Structure Plan 1984. A new Structure Plan was hastily documented and gazetted for Putrajaya (and Cyberjaya area) in 1st November 1995 (G.N. Selangor 1530, Vol.48). A Draft Structure Plan for Kuala Langat and Sepang Districts and a Draft Local Plan for KLIA Airport were concurrently completed in August 1995. Detailed studies were conducted for the MSC region to reconcile the various Structure Plans, the existing development and future development to suit the long term objectives of the MSC. A task force unit within the Federal Department of Town and Country Planning was set up to coordinate this study. A national physical planning strategy for the long term to take into account the relationship of MSC with the rest of the peninsula was contemplated which gave rise to the revision of the Town and Country Planning Act.

The Government had a general vision for promoting relatively low-density, tropical Garden Cities. Hence, the challenge for the Government and urban planners alike is to maintain this Malaysian urban identity. Yet time and time and again, problems of limiting or controlling population growth and densities since the early history of mankind have appeared more often than not, futile and irrelevant. What should be emphasized is the quality of environment that can be created and the ability to sustain ecological progression in concert and in tandem with technological advancements. Mother Earth if given time and the assistance of better technological screens and biological filters could better cope with environmental pollution. Likewise, given time, living things evolve and adapt to environmental changes. What used to be harsh, impenetrable and hostile tropical forest today can be tamed and adapted to suit ecological and recreational purposes of mankind. Globalization as it is and the constant technological changes that comes with it, demands social adaptation and symbiotic regeneration of the urban environment to suit the space and time.

URBANISATION AND HOUSING

The manufacturing sector plays a vital role in the urbanization process as it not only consumes large tracts of land but also acts as a major source of employment. For decades the government has been active in marketing the country as heaven for foreign investment. The manufacturing sector is growing at a fast rate contributing to 6.3% of the GDP growth in 2000 out of a total of 8.3%. The efforts to promote manufacturing especially in the capital intensive industry is relentless as manifested in the commitment

of the government to leap frog in the IT sector. This is perceived to be a very high value added activity that will spur the development of higher quality urban environment. The trend was established between 1970 and 1988 when there was a major shift in employment from the primary to the secondary sector, particularly in the manufacturing and the construction. The share of employment increased from 9 per cent in 1970 to 16 per cent in 1980, primarily in the labour-intensive electronics and textiles industries. With this structural change in the economy the urban landscape took a drastic change where formal housing development escalated.

The development and modernization of infrastructure also has positive impacts on the urbanization and housing development. With the completion of the North-south highway in 1994, vast acres of land which were initially inaccessible had become potential areas for urbanization. A classic example is the completion of the Second crossing between the southern tip of the peninsula Malaysia and Singapore. Approximately 20,000 acres have been earmarked and are currently under development together with the new port of Tanjung Pelepas. The move by Mearsk Sealand to transfer its regional shipping activities from Singapore to PTP last year also created a positive stimulus to the urban expansion to the undeveloped south-western seaboard of the peninsula. Similarly with the completion of the new Kuala Lumpur International Airport, thousands of acres of undeveloped land in its vicinity have been opened for urbanization. The challenge for the government now is to ensure that these new developments will eventually cater for future needs and aspirations of the population in terms of human comfort and sustainability.

To meet these challenges the government has been adhering to the **national housing policy**, which is to ensure that all Malaysians, particularly the low income groups, have access to adequate and affordable shelter and related facilities. It is translated through housing programmes and strategies set out in the country's development plan. It also emphasises the human settlement philosophy through the provision of social services and amenities as well as economic activities necessary for the attainment of a better quality of life, national integration and unity.

The progress of housing is closely monitored by the Ministry of Housing and local government which also issues guidelines and follows recent world trends and development. Through the Town and Country Planning Act 1976, it provides the policies and framework for urban planning by considering land allocation, population density, layout plans and overall physical development. The Ministry also enforces its policies through various other Acts such as Local Government Act 1976; Street, Drainage and Building Act 1974; Town Planning Act 1995; Housing Developers (Control and Licensing) Act 1966; Strata Titles Act 1985; Fire Services Act 1988 and Sewerage Services Act 1993.

Responding to the new challenges developers, architects and planners are compelled to explore innovative typologies in developing housing products. The typologies include generous public and landscaped areas for recreational and relaxation of the inhabitants. Modern houses are sensitively anointed with landscaping. Smart homes are now being developed in tandem with the increasing application of IT. Houses can be wired to enable

networking to the main telecommunication system and automated to receive commands from the occupants. The pressure of urbanization has been brought about by the increasing number of population who are urbanised. In 1991, the population was recorded as 17.6 million with 50.6% as urban population. Accordingly, the population growth rates during these two inter-censal periods were recorded as 2.3% and 2.2% respectively. Now the population stands at over 23 million. It is expected that by 2020 the population is forecasted to reach 32 million with 65% urbanised. With this trend the National Population Policy for the attainment of 70 million people by the year 2100 will be achieved, adding to the pressures of urbanization.

The national housing stock registered substantial growth from 1970 with 1.97 million living quarters to 2.64 million in 1980 and to 4.09 million in 1991, recording annual growth rates of 2.9% and 4.4% during the two decennial periods. These houses were delivered by the various government agencies, private licensed developers, individuals, estates and mines, cooperative societies and private companies. The National Housing Department, land development agencies, State economic development agencies and Government departments such as defence, education and the police, are also involved in housing delivery activities via various programmes. Rapid expansion in the housing development was experienced during the 3rd Plan period, but declined during the 4th and 5th Plans period when the economy was poor. The public sector delivered 190,045 units of houses out of a target of 398,570 units while the private sector delivered 201,933 units out of a target of 524,730 units. During the 7th Plan period, total of 859,480 units of houses were constructed by both the private and public sectors out of a target of 800,000 units(*Table 1*) The economic crisis which started in July 1997 impaired the property sector badly which resulted in a large overhang of unsold units. Innovative marketing and incentives were devised by the private developers and the government to boost sales through the Malaysian property exposition every year. The demand for low cost and medium cost houses remains strong. Low cost houses are those priced at not more than RM25,000.00, with three bedrooms, living/dining room, bathroom and kitchen. In 2001, the government allocated RM150,712,900.00 to develop 27,579 units of low cost houses in 97 projects.

In the Eighth Malaysia Plan(2001-2005) a total of 615,000 units of houses have been planned. Of these, 232,000 are low cost, 131,000 are medium-low cost, 110,700 are medium cost and 125,000 high cost (RM250,000.00 and above)(*Table 2*). Based on the current state of the economy these targets are expected to be met comfortably.

The recently announced Budget 2002 allocated an amount of RM1.82billion which will with the focus on building quarters for the police, armed forces and civil servants; housing for the poor; and relocation of squatters. In addition, the government announced the revival of several projects which were shelved. These include the double track rail lines which will form part of the pan-Asian railway from Kunming in China through southern Yunnan, and into IndoChina and right down to Singapore, Bakun hydroelectric dam and the second Penang bridge.

PROCEDURES AND INNOVATIONS

The development process is governed by a series of rule and regulations which are controlled by the local approving authority. The Ministry of Housing and Local Government, through the Department of Town and Country Planning has prepared the statutory Development Plans for all local government areas in the country under the Town and Country Planning Act 1976(Act172). These Development Plans provide guidelines, policy and zoning use of the areas under development. However, each local authority is subjected to the jurisdiction of the various states which may not act in consonant with the federal policies due to local needs and requirements. There several instances where lands which have been earmarked for development by the state government are not within the Development Plan of the Federal Town Planning Department. Consultations between the state and the Federal government are frequent to resolve the planning issues in order to avoid delays in the development process. The Act has now been amended to allow the Federal authority to have better control and coordination of the national development. This includes the call for the formation of a National Physical Planning Council, which will provide the forum for consultation between federal and state governments and also the preparation of the National Spatial Plan.

In addition to these initiatives, the Ministry of Housing and Local Government, through the Department of Town and country Planning is also pursuing the Local Agenda 21 which is a programme to forge partnerships between local authorities (such as District Councils, Municipal Councils, City Councils and City Halls) and the communities they serve to work together to plan and care for their surroundings towards sustainable development. It is going to be participatory and advocacy approach in planning. It is still in the preliminary stages and the results of the four pilot projects are yet to be evaluated. Major projects have been successful due to the tremendous will of the promoters whether in the private or public sector as in the case of the new KLIA, Putrajaya, Subang Jaya, Bandar Sunway, N-S Expressway, Second Crossing, Tanjung Pelepas Port, Sungai Buloh Hospital and many others. There could be a protracted process which will render the National Physical Planning Council ineffective. Notwithstanding these uncertainties physical planning is making improvements due to the increasing level of expectation from the housing consumers and the need to redefine an acceptable living environment. The residential developments in Putrajaya are exemplary.

In order to convince the local planning authority about the feasibility of the proposed development, a Planning Evaluation report is needed for the submission for Planning Permission and approval. This will be followed by the detailed sub-divisional layout and building plans. The architect is required under the Street Drainage and Building Act to observe the Uniform Building By-law in the design of the proposed development. It is also necessary for the applicant to furnish all engineering requirements especially the infrastructure utilities such as water supply, electricity, sewerage system drainage and road works. The services of the various engineers are crucial.

With the planning approval the developer or applicant can proceed to prepare detailed building and engineering plans for further submissions to the various authorities for approval before construction activities can commence. The prerequisite for the approval process often involves the verification of the ownership of the land upon which the development and buildings are sited. In most landed residential property developments, the land upon which each of the houses sits requires a document of title which will give the eventual owner of the house the absolute rights to the land lot, including charging, mortgage or selling the property as he desires. In the case of low cost houses this rights might be limited by the need to obtain prior consent from the land authority before any transaction can be made over the said property.

The Ministry of Housing and Local Government holds a tight rein on the conduct of the housing developers with specific rule and regulations as shown below. The developer has to be licensed with a minimum paid up capital of RM 250,000. Qualified professional architects and engineers are required to be engaged to undertake the design, planning and contract supervision works. Through a stipulated and standard sales and purchase agreement which the developer shall enter into with potential house buyers, the architect shall certify the completeness of the houses to justify payments of the sale price to the developer. Through this system the developer can commit sales of the houses while they are in the process of being erected. The developer can obtain progressive payments from the buyers with the certification by the architect at various stages of building. Sometimes these processes were subject to abuse when the developer failed to complete the building even after having collected monies at some stages of the work. Due to recent incessant complaints from the buyers, each housing development has been compelled to set up a special Housing Developers Account where payments are monitored by the Ministry.

LAWS AND REGULATIONS RELATING TO HOUSING DEVELOPMENT

Ministry of Housing and Local Government

- Housing Developers (Control and Licensing) Act 1966 (Revised 1973) (Act 118)
- Housing Developers (Control and Licensing) Regulations 1989
- Housing Developers (Housing Development Account) Regulations 1991

Local Government Department

- Control of Rent (Repeal) Act 1997 (Act 572)
- Control of Rent Act 1966 (Act 363) (Revised 1988)
- Federal Territory of Kuala Lumpur Land Rules 1995
- Local Government Act 1976 (Act 171)
- Malaysian Constitution, Schedule 9, Item 76(4) & 95(A)
- Road Transport Act 1987 (Act 333)
- Street, Drainage and Building Act 1974 (Act 133)
- Town and Country Planning Act 1976 (Act 172)
- Uniform Building By-Laws 1984

National Housing Department

- Street, Drainage and Building Act 1974 (Act 133)

- Uniform Building By-Laws 1984

Fire Services Department

- Fire Services Act 1988 (Act 341)
- Uniform Building By-Laws 1984

Department of Town and Country Planning, Peninsular Malaysia

- FMS Town Board Enactment (Cap 137) Chapter IX
- National Land Code Act 56 of 1965
- National Land Code (Penang and Malacca Titles) Act 1963 (Act 518)
- Street, Drainage and Building Act 1974 (Act 133)
- Strata Titles Act 1985 (Act 318)
- Town and Country Planning Act 1976 (Act 172)
- Uniform Building By-Laws 1984

Sewerage Services Department

- Sewerage Services Act 1993 (Act 508)

Other Related Legislation

- Communications and Multimedia Act 1998 (Act 588)
- Continental Shelf Act 1966 (Act 83)
- Environmental Quality Act 1974 (Act 127)
- Land Acquisition Act 1960 (Act 486) (Revised 1992)
- Land and Mining Plans and Documents (Photographic Copies) Act 1950 (Act 233) (Revised 1980)
- Land Conservation Act 1960 (Act 385) (Revised 1989)
- Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (Act 520) (Construction Industry Development Board / CIDB)
- Malaysian Communications and Multimedia Commission Act 1998 (Act 589)
- Mining Enactment (FMS Cap 137)
- Municipal Ordinance S.S. Cap 133
- National Land Rehabilitation and Consolidation Authority (Incorporation) Act 1966 (Act 398) (Revised 1989)
- Occupational Safety and Health Act 1994 (Act 514)
- Real Property Gains Tax Act 1976 (Act 169)
- Urban Development Authority Act (Act 46)
- Waters Act 1920 (Act 418) (Revised 1989)
- Waters Enactment FMS Cap 146

RECOGNISED PROFESSIONALS IN THE BUILDING INDUSTRY

The construction sector contributes about 3.4% of the country's GDP in 2001 (compared to 4.8% prior to the 1997 crisis), amounting to about RM 12 billion. Under the Eighth Malaysia Plan RM32 billion is allocated for the construction industry. There are 1500

registered architects, 15,000 registered engineers, 1500 registered surveyors and 200 town planners. The registration requirements for each of these professionals are governed by the Architects Act, Engineers Act, Surveyors Act and the Town and Country Planning Act respectively. This is to ensure that only qualified persons are allowed to practice their respective professions in the interests of the public they serve.

In order to be registered to practice each candidate must have obtained the necessary training in an accredited institution of higher learning resulting in the award of a professional degree. A period of 2 years practical training after graduation is required before the person is allowed to be tested for registration. Foreign nationals who wish to be registered are treated in the same manner as their domestic counterparts, unless special dispensation is obtained from the government. Usually these waivers are given for specialized works where local expertise is not available or for government-to-government projects.

In the construction sector the Construction Industry Development Board(CIDB) plays a pivotal role *to develop the construction industry to be one of the major contributing sectors to the national economy and capable of producing and delivering high quality construction works, with value for money and responsive to the nation's need.* The CIDB is tasked with the registration of contractors and construction workers. This is in addition to the licensing requirement of the government. The CIDB levies a sum of 0.25% of the total contract value undertaken by the contractor. These monies are utilized by the CIDB to provide training to the construction workers and upgrade the standard of the industry. The sector has been faced an acute shortage of skilled workers in the past and has had to depend on foreign workers to realize the country's development objectives.

NATIONAL ECONOMIC ACTION COUNCIL

By and large the urbanization process in Malaysia has been executed successfully with well coordinated actions from other sectors in the economy. The development process have been closely monitored and coordinated by the Economic Planning Unit of the Prime Ministers Department which is also responsible for the programming of major infrastructure and development works. The economic crisis of 1997 was a major challenge to the nation with the contagion effects of the currency crisis in Asia. Yet the infrastructure projects were successfully completed adding value to the economic development of the population. One of the major actions taken by the government was the establishment of the National Economic Action Council (NEAC) on January 7, 1998. It is aimed at preventing the nation from going into an economic recession or affecting the real economy due to the decline in value of the Malaysian Ringgit and the fall in the share market following the crisis. The NEAC serves as a consultative body to the Government in dealing with the current and short-term issues and in policy formulation and implementation to ensure sustainable economic growth. The council is chaired by the Prime Minister and deputised by the Deputy Prime Minister. Its members include several key Ministers, Chief Secretary to the Government, the Governor of the Central Bank, Treasury Secretary General and key figures in the banking, consumer, trade union and strategic affairs.

The NEAC prepared quickly the National Economic Recovery Plan in August 1999 that formulated proactive and aggressive strategies to overcome the crisis. The strategies adopted were as follows;

1. Stabilising the Ringgit
2. Restoring Market Confidence
3. Maintaining Financial Market Stability
4. Strengthening Economic Fundamentals
5. Continuing the Equity and Socio-Economic Agenda
6. Revitalising Affected Sectors

These strategies are being implemented and monitored closely. In the construction sector the government took proactive measures to review the amount of committed developments and its impact on the banking system. The Government continued to invest in civil works and infrastructure development, especially for social projects. This is to provide some measure of support to the construction sector as well as its multiplier economic effects, reduce the severity of unemployment and business losses, and increase the utilisation of surplus equipment and materials.

The public authorities at all levels were prompted into making payments for goods and services delivered by contractors and suppliers in order to avoid becoming a source of their business difficulties and cash flow problems. Currently several more infrastructure and social projects are being committed by the government such as hospitals, schools, three new universities, highways, railways, port expansions and housing for the army, police and teachers. These projects will not only serve to sustain the construction sector, but will also meet the nation's social and development objectives.

The Government, through the NEAC, has now placed greater emphasis on the professional services sector partly due to her commitments under GATS and the need to enhance the sector as a major export commodity. In May 2001, the Cabinet approved the setting up of the two bodies namely, the Professional Services Development Centre (PSDC) and the National Professional Services Export Council (NAPSEC), whose function is to complement and supplement each other in meeting the demands of globalisation and trade liberalization. Malaysia has been a member of the World Trade Organisation since 1st January 1995. It has actively participated in various working parties and trade negotiations. Malaysia has a permanent Ambassador to WTO in Geneva.

The objective of PSDC is to accelerate the capacity development of Malaysian professionals, so that Malaysia will be able to participate in the context of globalisation and trade liberalization.

As such PSDC will among others, do the following:

1. encourage the use of research and development's output;
2. promote the use of international best practice;

3. strengthen financial, marketing, management and communication skills through systematic training;
4. establish strategic alliance; and
5. help achieve ISO Quality System Accreditation.

NAPSEC is an advisory body which complements and supplements the PSDC's role in meeting the challenges of globalisation and trade liberalization. The primary objective of NAPSEC is to facilitate the exportation of the country's professional services. Its terms of reference are:

- Formulate and review national strategies and promotion programmes relating to the export of professional services, including construction services.
- Recommend and facilitate funding for the export of professional services.
- Strategies to increase participation of Malaysian professionals/companies in overseas projects funded by international lending agencies.
- Gather and disseminate information related to market opportunities
- Review and recommend incentives for the export of professional services
- Compile databases/directories on export ready professional service providers with support and feedback from the industry

Through NAPSEC and PSDC Malaysian professionals hope to establish smart partnerships with their foreign counterpart overseas and explore collaborative efforts to venture into new markets overseas.

The Asian financial crisis was a wake up call for the nations in the region to be more sensitive for the need to cooperate in economic, political and social development. Economic cooperation is the fundamental basis for wealth creation and hence the economic wellbeing and welfare of the population. Several projects among ASEAN had been promoted to enhance cooperation among member nations. The Asean Framework Agreement on Services (AFAS) will pioneer the GATS-plus among member nations, while the agreement on Asean Free Trade Area (AFTA) sees the cooperation on trade liberalisation. In November 2001 the ASEAN plus Three Summit in Brunei promised greater cooperation between Asean, China, Japan and the Republic of Korea and approval in principle for an ASEAN-China free trade area (FTA) was established although leaders agreed that officials would study the concept over the next year with the goal of making a final decision at the ASEAN Plus Three summit in Cambodia in late 2002. Economic opportunities will be plentiful if this cooperation is developed into a culture to enable easier mobility of services in the region. The proposed pan-Asian railway is already attracting cross- border cooperation among builders and contractors from various Asian nations.

End