

UNIVERSITI TEKNOLOGI MARA

**REGIONAL COMPETITIVENESS IN
PENINSULAR MALAYSIA**

RASIDAH BINTI A. RAHMAN

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ABSTRACT

In recent years, competitiveness has become an important issue in the modern world as many cities have confronted a more precarious competition from cities of home or foreign countries. Kresl and Ietri (2012) believed if there were no competition, regions would not be as efficient and there would not be any pressure for improvements. Malaysia witnessed a change in development paradigm of the federal government with a strong emphasis on building towards a competitive region, thus, in 2006, the five economic corridors were introduced, three in Peninsular Malaysia; The Northern Corridor Economic Region (NCER), Iskandar Malaysia and East Coast Economic Region (ECER). The three economic corridors, with statutory bodies empowered to administer, have put so much effort to promote their own region and to lure national key projects for foreign direct investments. Whether these regions will be successful or not depends on their competitiveness. The main objective of this research is to evaluate competitiveness and factors influencing the competitiveness of regions in Peninsular Malaysia. Taking the three economic corridors and Klang Valley as the study area, two analyses were conducted, firstly, Shift-Share and Location Quotient (LQ) to evaluate competitiveness, and secondly Structural Equation Model (SEM) to evaluate factors. The findings from the Shift-Share analysis reveal that Klang Valley is the most competitive region in Peninsular Malaysia with services sector as a major contributor to its competitiveness. The share of the services sector in Klang Valley is three times the share of NCER and Iskandar. For the latter analysis, a survey was conducted to executives in mid and top management in Small and medium Enterprises (SMEs) and multinational companies in the four regions forming 337 samples. Using the SEM as a tool, two major analyses were conducted; firstly, examination of the degree of influence carried by competitiveness factors, and secondly, examination of the degree of influence carried by institutions (government) after they intervene as a mediator to other factors. Surprisingly, education was found as the most influential factor contributing to the competitiveness of Klang Valley from the latter analysis. Similarly, education was also found as the most influential factor for Peninsular Malaysia. Iskandar and NCER have strength in technology. Klang Valley as the most competitive region is independent of the government to be competitive whilst ECER as the weakest region in Peninsular Malaysia has to depend on the government. The findings of this study provide a better insight to the Federal Government policy makers, in particular, the Economic Planning Unit (EPU) of the Prime Minister's Department, in their effort to formulate a more effective strategy for enhancing economic growth and competitiveness in the country. The Town and Country Planning Department (JPBD) may consider taking into account on the study findings when preparing various physical planning plan; National Physical Plan, Regional Plan, State Structure Plan and District Local Plan by concentrating on development actions that are capable of creating a competitive advantage for the regions.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Since the days of Adam Smith, the world continues to explore to address the issue on why some regions or states prosper and some do not and continue to remain as the central questions in regional economic planning. Malaysia has more than fifty years of experience in regional development planning, witnessing the success and the failure of regional development plans and programmes over the years since independence gained from British in 1957. The New Economic Policy (NEP) introduced in the 1970s, among others, identified regional development planning as the prudent approach to achieve the high goals of eradicating poverty across regions. Through regional development, the government introduced and developed new growth centres that would fulfil the ultimate NEP objectives of eradicating poverty, restructuring the society and facilitate Malay urbanisation.

Following this, several statutory Regional Development Authorities (RDAs) were established to implement the development strategy in the resource frontier areas in Peninsular Malaysia; Pahang Tenggara Development Authority (DARA) region, Johor Tenggara Development Authority (KETENGAH) region, Jengka Regional Development Authority (JENGKA) region, South Kelantan Development Authority (KESEDAR) region, Penang Regional Development Authority (PERDA), Kedah Regional Development Authority (KEDA) and Federal Land Development Authority (FELDA). Despite all the efforts, Ngah (2009) in his study discovered that only FELDA attained the objective of Malay urbanisation. Among the key factors that led to the failure of the other RDAs was a lack of finance and over dependence of the RDAs on Federal Government to fund their development plans and programmes.

The change of development paradigm in the 1990s witnessed a contrast of emphasis of government which focused on the development of core region of Kuala Lumpur Conurbation and some of the RDAs dissolved due to their failure. The period also saw new initiatives by the government to develop mega projects in core regions to boost the growth of high-tech industries and to attract global investors which resulted in high population growth of a few core areas such as Kuala Lumpur, Johor Bahru and Penang.