Malaysia's New Wave of Urbanisation

By
Mazlena Mazlan
Researcher, ISIS Malaysia

*T*he earliest towns of Malaysia, namely port and mining towns, were a result of the British administration and intervention. They were mainly 'foreign' towns, as the initial urban dwellers of Malaya were mainly migrant workers from China, brought in by the British as mine workers, and from India, who were working as support staff in the Public Works Department. A smaller number of urban residents were British administrators.

The growth of urban areas due to the movement of people from rural to urban areas (internal migration) only took place in the 1970s, the effect of deliberate government policies such as policy measures to restructure the society and the compulsory resettlement during the communist insurgency period. Urban planning became more organised with the legislation of the Town and Country Planning Act in 1976 and the setting up of several public agencies to implement development policies such as the Urban Development Authority (UDA) to develop cities, public housing and commercial centres.

Over the last 40 years, the urban landscape of Malaysia has been markedly transformed. Malaysia has achieved a high level of urbanisation. From a humble beginning of 26.8 per cent in 1970, Malaysia's urbanisation level reached 70.9 per cent in 2010, and is expected to rise further in 2020 to 75 per cent (refer to Figures 1 and 2). The United Nations estimated that nearly 90 per cent of Malaysians will live in cities by 2050 (see Figure 2). The states of Penang and Selangor have achieved more than 90 per cent urbanisation, while the Federal Territories of Kuala Lumpur and Putrajaya have been fully urbanised (refer to Figure 3). The number of towns has also increased rapidly, from 72 towns in 1980 to 228 towns in 2010. The swift growth was largely due to the policy of dispersing economic activities throughout the country.

As a result of the increasing number of towns and high level of urbanisation, the pattern of migration is changing. Urban-urban and urban-rural migrations have become more significant instead of rural-urban migration. Official data revealed that urban-urban migration made up about two-thirds of the total internal migration between 1995 and 2000, which is about 50 per cent higher than from 1986 to 1991. Rural-urban migration, on the other hand, fell from 17 per cent to 12 per cent. In 2011, rural-urban migration dropped to 6.4 per cent, while urban-urban and urban-rural migrations rose to 58.5 per cent and 24.3 per cent respectively.

Demographics aside, the physical landscape has been transformed. The new federal administrative capital of Putrajaya, the Kuala Lumpur Twin Towers, the Light Railway Transit (LRT) system

Figure 1: Malaysia's Level of Urbanisation

Year	Percentage urban	Growth Rate (%)	Tempo of urbanisation (%)
1970	26.8	:	:
1980	35.8	5.2	2.9
1991	50.7	5.1	2.5
2000	61.7	4.8	2.2
2010	70.9	3.5	1.4

Source: Abdul Rahman Hasan and Letha Nair Prema, Growth of urban towns in Malaysia. Paper presented at the International Population Conference on Migration, Urbanisation & Development, 8 July 2013, Faculty of Economics and Administration, University of Malaya, Kuala Lumpur.

and Kuala Lumpur International Airport (KLIA) have all changed the appearance of Malaysia. Squatter settlements have been cleared and the former residents were relocated into public housing, owing to the relatively successful zero squatters policy. In Kuala Lumpur alone, the City Hall has managed to reduce the number of people living in squatter areas from 134,345 in 1996 to 15,580 in 2012. RM1.73 billion was spent to construct public housing — 71,031 units within 99 areas of Kuala Lumpur in 2012. There has also been a tremendous increase in the nation's transportation network, albeit often causing severe traffic congestion and road accidents.

Urbanisation is putting pressure on the government to find means to manage its resources — land, water and energy — efficiently. The immense demands of an increasing urban population lead to problems such as rapidly escalating land prices, which inflate house prices to an unattainable level for an average urbanite (see Figure 4), acute water shortages and rising energy costs.

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We must ensure that our cities are not only generators of economic growth, but are also vibrant and liveable. The inevitable issues that accompany the urbanisation processes are becoming increasingly challenging. The government has so far demonstrated its willingness to make urban wellbeing a priority — the name change of the Ministry of Housing and Local Government to the Ministry of Urban Wellbeing, Housing and Local Government reflects this. Recently, the Ministry has also set up a Centre of Excellence for Urban Wellbeing and Happiness.

Additionally, the country's commitment to urban wellbeing is manifested through its focus on sustainable urbanisation in the National Transformation Programme (NTP). The Greater Kuala Lumpur/Klang Valley (GKL/KV) National Key Economic Area (NKEA) is one of the 12 NKEAs under the Economic Transformation Programme (ETP), and the improvement of public transport is one the seven National Key Results Areas (NKRAs) under the Government Transformation Programme (GTP).

The government is well aware of the current predicaments of urban housing. In the last century, the problems of urban housing revolved around the adequacy and accessibility of safe and proper housing. Government housing policies in the past have therefore focused on the provision of low cost housing, ensuring that urban housing

**Figure 2: Percentage of Malaysians Living in Cities**
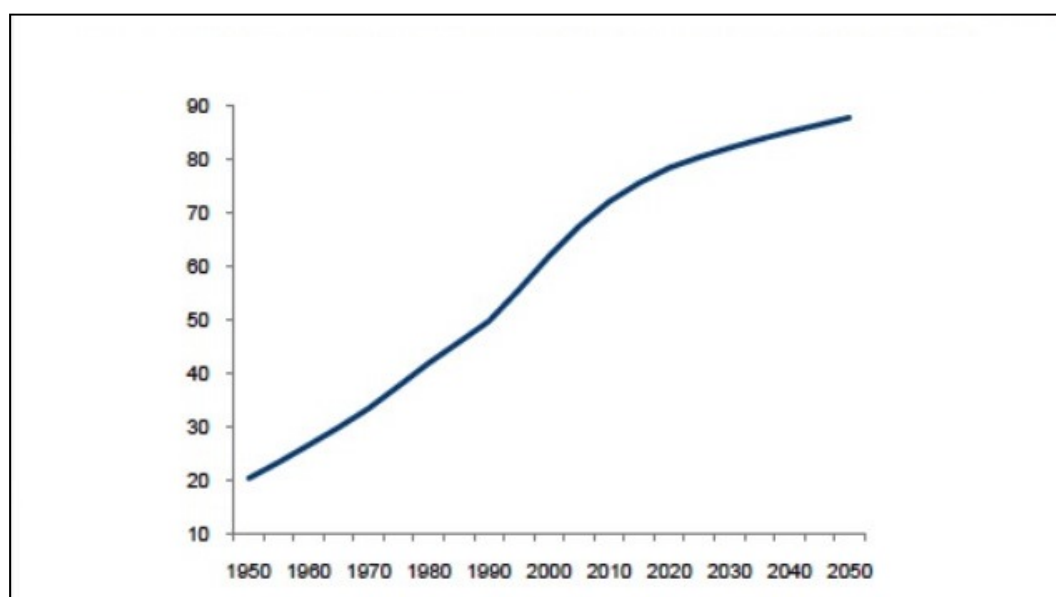
Source: The 2009 UN Revision Population Database

Figure 3: Percentage of Urban Population by State

State	Percentage of urban population				
	1970	1980	1991	2000	2010
Johor	26.3	35.2	47.8	63.7	72.0
Kedah	12.6	22.5	32.5	38.8	64.3
Kelantan	15.1	28.1	33.5	33.5	41.5
Melaka	25.1	23.8	38.7	67.4	86.5
Negeri Sembilan	21.6	32.6	42.0	55.0	65.9
Pahang	19.0	26.1	30.4	42.1	51.0
Perak	27.5	33.8	53.6	59.0	69.2
Perlis	0.0	8.9	26.6	33.8	51.8
Penang	51.0	47.5	75.0	79.5	90.6
Sabah	16.9	19.9	33.2	48.1	53.3
Sarawak	15.5	18.0	37.5	48.0	53.2
Selangor	45.6	40.9	75.2	88.1	91.4
Terengganu	27.0	42.9	44.5	49.4	59.1
Federal Territory of ▪ Kuala Lumpur ▪ Labuan ▪ Putrajaya	- - -	100.0 46.3 -	100.0 48.4 -	100.0 72.3 62.8	100.0 81.8 100.0

Source: Abdul Rahman Hasan and Letha Nair Prema, Growth of urban towns in Malaysia. Paper presented at the International Population Conference on Migration, Urbanisation & Development, 8 July 2013, Faculty of Economics and Administration, University of Malaya, Kuala Lumpur.

Figure 4: House Price Index
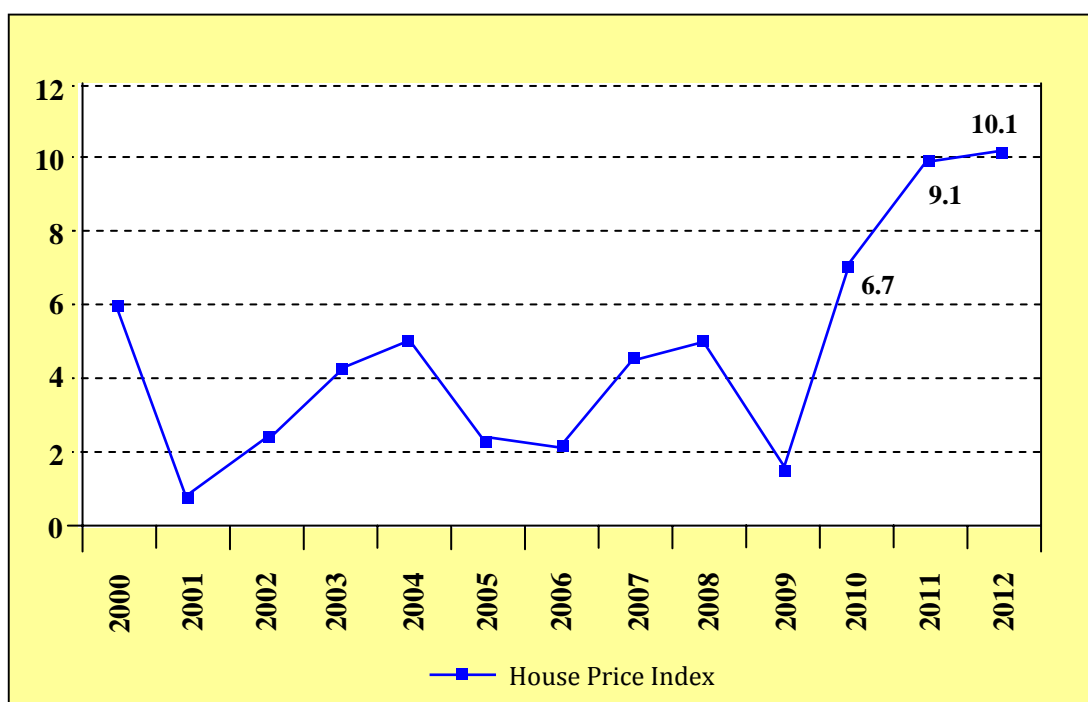
Source: National Property Information Centre (NAPIC)

had access to basic services and that squatter areas were eliminated. These have been, to a large extent, successful. One of the strategies undertaken was to compel all private housing developers to dedicate a specific portion of their housing developments as fixed-priced low cost housing, which has undoubtedly increased the number of low cost houses nationwide. But with no revision in the ceiling price since 1996, the rising cost of construction has forced developers to undertake cost-cutting schemes. These include a reduction in the quality of the low cost housing built, or building the houses in the least desirable segments of their developments, such as in areas with active land movement or with poor drainage.

There are inherent weaknesses in segregating low-income housing from the rest of society. Most low cost buildings in urban areas are high-rise because of a shortage of land. These low cost high-rise private houses quickly regress into slums as they are often poorly managed due to lack of funds, exposed to floods as well as landslides and disposed to vandalism. Realising that these have affected the wellbeing of many urban residents, the government has set up a maintenance fund that can be accessed by the management bodies of low cost housing lacking in

funds to undertake maintenance works such as repainting and repair of damage.

These are ongoing challenges, but other concerns have surfaced. The past policy for balanced regional development has created a large number of smaller and dispersed new towns. In times of challenging economic environment and weak private investments, these new towns require sufficient talent and job creation to sustain growth. Although organisations such as the World Bank may be right in recommending Malaysia to pursue urban agglomeration instead of a dispersal strategy, policy reversal needs careful handling. Otherwise many towns may degenerate, creating 'dead towns' like the old mining towns of the 1990s after resources have been exhausted.

Related to this is the need to manage the multispeed growth between urban and rural areas. Managing urbanisation does not only mean managing urban conurbations. Urban and rural are two sides of the same coin. In other words, managing urbanisation also means that the government must pay attention to the challenges that urbanisation brings to the rural areas. Many rural areas are facing depopulation, which also

means brain drain at a local level. This phenomenon is leading to a widening of the rural-urban gap. At the same time, with a high urbanisation level, there is a greater and more urgent need to ensure sufficient job creation and growth in cities to cope with the large urban population. Historically, poverty eradication programmes have been focused on rural areas but the trend is shifting towards urban poverty simply because a large population reside in urban areas. Nonetheless, rural poverty should remain important for reasons described above.

Finally, urban authorities must take into account the need to create cities that are conducive for a thriving society; cities where people can live, work and play in peace and harmony. Urban planning should take into consideration the connectivity between housing and transport networks, the environment as well as social participation. Besides physical infrastructure, development should also include 'soft infrastructure' or institutional planning.

All of these can be achieved by promoting good urban governance. There is room for the present system to be more inclusive and responsive to local needs. Research has shown that good governance correlates with positive development outcomes. However, local leaders must first be sensitised about sustainable urban development. These leaders can then be champions of sustainable practices in the new wave of urbanisation.

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Of Tourism and the Japanese: Opportunities for Expansion?

By
Zarina Zainuddin
Analyst, ISIS Malaysia

*T*he tourism industry has come a long way from a small insignificant sector to one of Malaysia's top three income and foreign exchange generators. The first concerted effort to attract tourists came in 1990 with the launch of Visit Malaysia Year (VMY). The successful campaign saw the number of visitors increase from 4.8 million in 1989 to 7.4 million in 1990. Subsequently three more VMY campaigns were launched — VMY 1994, VMY 2007, and the latest being VMY 2014.

In 2013, 25.72 million visitors visited Malaysia generating RM65.44 billion in receipts, contributing nearly 12 per cent to the country's Gross Domestic Product (GDP). The number of tourists increased about 2.5 times from 2000 to 2013 (10.22 million tourist arrivals were registered in 2000), while receipts jumped about 3.8 times (from RM17.3 billion in 2000).

For years, Japan has been and still is one of Malaysia's top ten tourist generating markets. In 2013, 513,000 Japanese tourists visited Malaysia, with Kuala Lumpur, Kota Kinabalu, Melaka and Penang being popular destinations.

The year 2014 has been designated as Visit Malaysia Year and Malaysia targeted 600,000 Japanese tourists. Japanese tourist arrivals from

Figure 1: Tourist Arrivals and Receipts to Malaysia

YEAR	ARRIVALS	RECEIPTS (RM)
2013	25.72 Million	65.44 Billion
2012	25.03 Million	60.6 Billion
2011	24.71 Million	58.3 Billion
2010	24.58 Million	56.5 Billion
2009	23.65 Million	53.4 Billion
2008	22.05 Million	49.6 Billion
2007	20.97 Million	46.1 Billion
2006	17.55 Million	36.3 Billion
2005	16.43 Million	32.0 Billion
2004	15.70 Million	29.7 Billion
2003	10.58 Million	21.3 Billion
2002	13.29 Million	25.8 Billion
2001	12.78 Million	24.2 Billion
2000	10.22 Million	17.30 Billion
1999	7.93 Million	12.3 Billion
1998	5.56 Million	8.6 Billion

Source: Tourism Malaysia, 2014

Figure 2: Japanese Tourist Arrivals to Malaysia (in thousands)
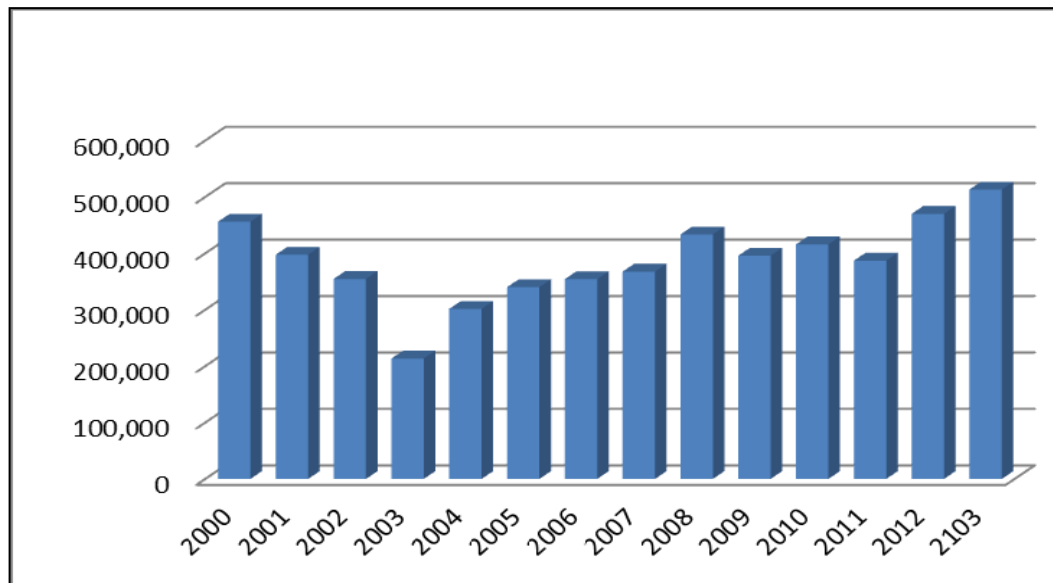
Source: Japan Travel Bureau, 2014

January to March reached 149,859, which is an increase of 7.9 per cent compared to the same period in 2013. However the twin tragedies of Malaysia Airlines Flights 370 and 17 are expected to negatively impact tourist arrivals from Japan and elsewhere.

During the last five years, Malaysia has made attempts to 'revitalise' and increase the number of Japanese visiting Malaysia. Figure 2 shows the number of tourist arrivals from Japan to Malaysia and despite concerted efforts the numbers could be described as 'stable' at its best or 'stagnant' at its worse.

In 2000, Japanese tourist arrivals registered at 455,981, the third highest from 2000 to 2013. Arrivals in 2012 and 2013 were the highest two registered. From 2000 to 2013, Japanese tourist arrivals ranged between 300,000 and 400,000. While Japanese tourist arrivals to destinations such as China, South Korea, Thailand and Singapore registered at higher levels than Malaysia, the stable-stagnant pattern also prevailed in these markets. Only Vietnam registered continued growth in Japanese tourist arrivals in the East Asian region.

Japanese tourists: understanding the nuances

Many factors contributed to and influenced the pattern of Japanese outbound tourists. Japanese outbound tourists' sensitivity towards negative events, such as the 2003 outbreak of severe acute respiratory syndrome (SARS), 2004 Indian Ocean earthquake and tsunami, September 11 attacks, and global financial crisis, puts a damper on outbound tourism activities. The dips seen in tourist arrivals in Figure 2 corresponded with negative events — outbreak of the Nipah Virus in 2001 as well as SARS in 2002–2003, and the financial crisis in 2007.

Despite being the second largest outbound market in the region, at about 17.1 million in 2013, the ratio of Japanese households to outbound travel has never breached 40 per cent. This seems to be an anomaly among developed markets. In other words, less than 40 per cent of Japanese households travel overseas. Outbound travel in Japan also faces fierce competition from domestic tourism. Domestic tourism in Japan, which ranks high (14th in the world according to World Economic Forum), accounts for 90 to 95 per cent of total travel.

Japanese outbound tourists have many unique characteristics. Some of these characteristics include the tendency to travel in groups since the Japanese market is not as adventurous in overseas travel and there is a need to seek out destinations that offer 'something Japanese'. There is, however, an increase in specialised travel such as golf and honeymoon

travel. Japanese workers often take short holidays, using up an average of nine days of their entitlement, and tend to be big spenders. Japanese tourists have a preference for 'unique', 'exclusive' or 'limited edition' products. Japanese outbound tourists are also generally highly segmented and can be categorised by age, gender, income, and so on, with each segment exhibiting its own unique characteristics.

Promoting Malaysia: content, target audience and strategy

The advertising campaign of VMY 2014 began at the end of 2013 and included posters on billboards and taxis as well as television commercials in Japan. Yet the segmented Japanese tourist market means that further consideration to details should be given in the promotion of activities.

The image of Malaysia remains fuzzy among the Japanese. In general, Japanese visitors come to Malaysia to visit the natural and scenic attractions as well as to shop and experience the local food and culture. Past surveys by Japan Tourism Marketing Co. (JTM) highlighted three factors that undermined Malaysia as a tourist destination: (i) first time Japanese visitors often felt that they had 'experienced almost everything in Kuala Lumpur' within a span of three to four days; (ii) many felt that other destinations in Asia were more exciting; and (iii) many of the attractions offered were 'easily experienced in Japan and in other destinations. Japanese tourists found little uniqueness in Malaysia'.

Even so, Malaysia is rich with natural attractions, for example, islands and beaches as well as rainforests and mountains. Other tourist attractions include heritage landmarks and big city shopping malls. Such diversity presents a challenge for the tourism board in terms of marketing and advertising. Efforts to understand cultural perceptions and the needs of tourists, especially those with distinctive characteristics, such as the Japanese, would go a long way to help formulate 'informed marketing strategies' targeted at new and repeated visitors. This is particularly important in light of the increasingly intense competition from various countries in the region for tourists.

For instance, in promoting Langkawi, an emphasis on the island's unique traits such as its status as a UNESCO-designated Geopark along with a feature on its many legends and myths would have a more immediate impact in attracting potential Japanese visitors. This strategy can also be used for promoting Penang and Melaka as both have earned the UNESCO World Heritage Site designation. In addition, uniquely Malaysian experiences — homestays, traditional massages and multicultural festivals, such as Eid al-Fitr, Deepavali, Penang International Dragon Boat Festival and Gawai Dayak — should be promoted.

The availability of direct flights also plays a role in the choice of Malaysia as a holiday destination, not only from Tokyo to Kuala Lumpur but similarly from major Japanese cities to popular destinations in Malaysia. Accessibility via direct flights is an important consideration given the short holidays taken by Japanese travelers.

Currently there are direct flights by Malaysia Airlines, AirAsia X and Japan Airlines from Tokyo (28 flights per week), Osaka (14 flights per week) and Nagoya (4 flights per week). While the number of flights has improved, it is still low compared to other Asian destinations; Thai Airways offers 48 flights a week between Bangkok and Tokyo while its Bangkok-Seoul route has 39 weekly flights.

Perhaps one of the most effective ways to attract tourists is to engage other relevant players — tour agents and travel reporters — in a familiarisation programme. Tourism Malaysia's Mega Familiarisation Programme has proven to be quite effective in promoting Malaysia, especially since tour agents and travel reporters are the very people who would be making recommendations to potential travelers. The overall enhancement of the country's tourism infrastructure and services include the employment of more knowledgeable

Long-haul flights present opportunities to develop and expand transit tourism ….. Encouraging airlines to stopover at KLIA is a great way for Malaysia to introduce itself to new visitors.

Figure 3: Participants of MM2H by Countries

NO.	COUNTRY OF NATIONALITY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (APRIL)	TOTAL (2002 - APRIL 2014)	SHARE (%)
1	People's Republic of China	241	521	468	502	242	90	120	114	154	405	731	1,337	734	5,659	22.2
2	Japan	49	99	42	87	157	198	210	169	195	423	816	739	162	3,346	13.1
3	People's Republic of Bangladesh	0	32	204	852	341	149	68	86	74	276	388	285	119	2,874	11.3
4	United Kingdom of Great Britain and Northern Ireland	108	159	210	199	209	240	208	162	141	153	139	148	43	2,119	8.3
5	Islamic Republic of Iran	0	2	8	7	9	59	227	212	227	286	201	51	8	1,297	5.1
6	Republic of Singapore	96	143	91	62	94	58	48	61	73	78	83	145	29	1,061	4.2
7	Taiwan	38	95	140	186	63	31	16	36	49	70	85	151	37	997	3.9
8	Islamic Republic of Pakistan	9	55	82	104	36	31	65	103	77	136	100	58	29	885	3.5
9	Republic of Korea	5	12	66	60	65	152	86	54	49	64	83	101	44	841	3.3
10	Republic of India	45	123	118	80	51	46	32	35	51	50	56	41	21	749	2.9
11	Others	227	404	488	476	462	449	432	546	409	446	545	619	175	5,678	22.3
	TOTAL	818	1,645	1,917	2,615	1,729	1,503	1,512	1,578	1,499	2,387	3,227	3,675	1,401	25,506	100.0

Source: Official Portal of MM2H Programme

competent tour guides, upgrading of public facilities and a better selection as well as packaging of local handicrafts.

Malaysia's tourism industry has evolved and is increasingly becoming more specialised with subsectors — long-stay tourism; school excursion; medical and health tourism; meetings, incentives, conventions and exhibitions (MICE) tourism; ecotourism; marine tourism; transit tourism; education tourism — being introduced and promoted. These subsectors present great avenues for Malaysia to attract additional Japanese outbound tourists.

In a recent survey on desired destinations, Japanese ranked Paris-France, New York-USA, Hawaii, Rome-Italy and London as their top five. Long-haul flights present opportunities to develop and expand transit tourism in Malaysia. Health concerns, particularly on deep vein thrombosis, have prompted many travelers on long-haul flights to opt for a transit point or overnight layover. Encouraging airlines to stopover at the Kuala Lumpur International Airport (KLIA) is a great way for Malaysia to introduce itself to new visitors.

Malaysia My Second Home (MM2H) Programme

The triple disasters of 11 March 2011 as well as the devastating floods and landslides of July 2012 in Japan were a boon to the MM2H programme. Disaster fatigue and the desire to escape natural calamity have caused many Japanese to search for a second home in countries within the region. Many have chosen Malaysia as their second home based on the country's lack of natural disasters, good infrastructure and healthcare, educational opportunities, and accessibility to Japanese products and services. Moreover, MM2H is said to

be the most attractive long-stay programme in Asia.

In 2002, there were only 49 participants from Japan; the number increased from 2006 onwards after serious adjustments were made to the MM2H programme to attract more participants. In 2011, the year Japan faced the triple disaster of an earthquake-tsunami-nuclear reactor meltdown, the number of Japanese participating in the programme increased from 195 to 423. The number of participants grew to 816 as floods ravaged parts of Japan in 2012.

The behavioural pattern of Japanese participants has also changed. Initially, participants were mostly retirees who stayed on rented properties for three to four months to escape the summer's heat or winter's cold. As time goes by and as the retirees looked to stretch their yen, the length of stay increased to six months and many participants began to invest in residential properties. The demographic makeup of the participants has also changed to include young entrepreneurs seeking to grow and expand their businesses and young families wanting to expose their children to a multicultural society. As of April 2014, the Japanese made up the second largest group of MM2H participants at 3,346 after China.

On the whole, Malaysia has done a commendable job in promoting and expanding the tourism industry. However in light of increasing competition, particularly from countries around the region, more thoughtful and innovative efforts are needed to attract new and returning tourists to visit Malaysia. Indeed, the increased specialisation in the travel business now presents many opportunities for Malaysia to expand its tourism industry.

Latest ISIS Publications
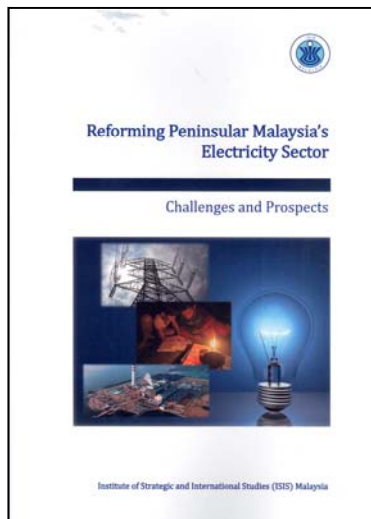
Reforming Peninsular Malaysia's Electricity Sector: Challenges and Prospects (E-book)
Kuala Lumpur: ISIS Malaysia, 2014

The e-book discusses the prospects and challenges associated with the objective of reforming the power sector in Peninsular Malaysia. It revolves around four themes, namely energy market outlook and regional experience with electricity market reform; electricity tariff review in Malaysia and its expected impact; reforms to increase competitiveness in Malaysia's electricity sector; and transition and adaptation to a new sectorial structure. These themes were drawn from the discussions that took place during the *Public Forum on Reforms in Peninsular Malaysia's Electricity Sector*, which ISIS Malaysia and MyPower Corporation co-organised on 7 November 2013.

Available at: http://www.isis.org.my/attachments/e-books/Electricity_Reforming_Final-book.pdf
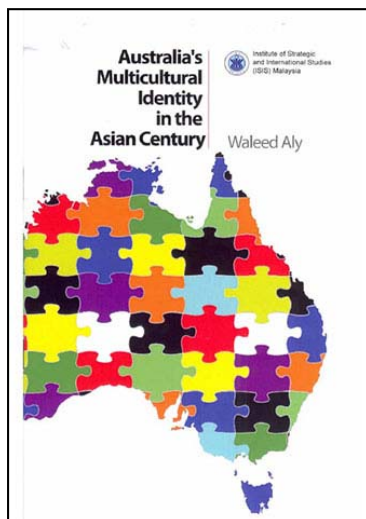
Australia's Multicultural Identity in the Asian Century
Author: Waleed Aly
Kuala Lumpur: ISIS Malaysia, 2014

This monograph is based on a talk titled, 'Australia's Multicultural Identity in the Asian Century', given by the author at an ISIS International Affairs Forum on 30 April 2013 in Kuala Lumpur.

Available at: http://www.isis.org.my/attachments/e-books/Waleed_Aly.pdf

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