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Pilot Studies  
for a **New Penang**



***Socio-economic and Environmental Research Institute  
Pulau Pinang, Malaysia***

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Penang Studies Series

Pilot Studies  
for a **New Penang**



Edited by Ooi Kee Beng & Goh Ban Lee



*Socio-economic and Environmental Research Institute  
Pulau Pinang, Malaysia*



*Institute of Southeast Asian Studies  
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Last and certainly not least, a special hurrah must be shouted for Liew Chin Tong, MP for Bukit Bendera, for conceptualizing the project and for being the key person in its realization.

*The Editors*





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## [ FOREWORD ]

# A Blueprint for Sustainable Development

*Speech by Lim Guan Eng*

*Penang Chief Minister*

*(Penang Outlook Forum 2009)*

Progress! That's what most people wish for. But real progress, progress that sees impressive improvements in the quality of life for everyone, cannot take place only at the personal level. It has to happen at the social level as well.

That's why you need politicians! And you need the civil service, you need the businessmen, you need the thinkers, you need the NGOs, and you need the people.

Progress is a collective undertaking.

Now, no other state in Malaysia has done more than Penang in pushing itself forward. Penangites have worked hard for two centuries, and they have survived. But surviving is not enough. Surviving is not the goal. What we need to do today is to put brains and muscles together to achieve a prosperity that transforms Penang from a sweat shop into a smart shop.

Once upon a time, not long ago, Penang was already a Brand Name that was instantly recognizable abroad. Penang's progress signaled the coming progress of Malaysia. Penang was ahead of other states. It was the state that defined Malaysia's future.

But I am sad to say this so openly to a room full of proud Penangites: All that was a long time ago. We have gone backwards since then. Do you know that Penang family incomes increased the least among all the states over the last ten years? I repeat, all the states, including Sabah and Sarawak!

Between 1999 and 2004, Penang family incomes grew by 2.5% annually, while the average for the whole country was 6.6%! In 1999, our income was 85% of what people in Selangor were making. Only five years after that, in 2004, we are only 68% as rich as those same people in the Klang Valley.

Penangites have not only been losing in relative income; we have also been losing our relatives. Now, even if you do not trust statistics, you have to agree that Penang families have been sending their sons and daughters abroad, down to the Klang Valley, down to Singapore, and out into the great wide world. These young people had to leave because there was a sorry lack of opportunities for them here at home. Our talents leaked away, and one can imagine the family heartache behind every such leakage. It is because of the failures of the past that I was elected as the surprise choice for Penang Chief Minister.


Looking ahead, it is critical to reverse the trend. That is the point of this conference, and of many others like it that we are planning for the near future. Before we act, we have to discuss things. We have to plan, and we have to visualize what the future is to be; and we have to visualize the path we have to take to get there.

And that is why we are gathered here today. The Penang Outlook Forum represents one further step towards creating a blueprint for the reshaping of Penang, a process already begun in many ways. We will use the ideas aired over the next two days to decide the next steps to take to bring change to Penang. These are the first steps towards a Penang Blueprint, towards turning Penang into an International City and State.

We have been there before. We have had experiences with globalization for over 200 years! Penang has the resources it needs to transform itself. I am sure you agree with me on that point. But there is one thing I must stress this morning: we are not transforming Penang simply for Penang's sake. Transforming Penang into an International City and State is simply the first step in our long-term strategy to transform Malaysia as a whole.

That is our vision – making Penang a model for others to follow. We need intelligent and experienced people to realize this blueprint. This is why this Forum has brought together some of Penang's smartest people, sons and daughters of Penang who are based either locally





or overseas, who can help us define what this new blueprint should be. Most importantly, this blueprint must rest solidly on a local system that is properly regulated and monitored, one that is transparent so that neglect and incompetence cannot hide within it. Such a structure depends on certain cornerstones being properly laid.

The first cornerstone is the quality and integrity of the political leadership. Clean, efficient and effective governance must always remain our practice and our goal. This must be a distinguishing factor of Penang as an International City and State. Hence, change starts with a change in the substance of the political leadership and the state institutions.

The second cornerstone for our transformation is the economy. The economy of an International City and State will simultaneously be competing in and complementing the global economy. Penang's economy must be ready to rise to the challenge. Cities and entire regions are locked in stiff competition with one another today, creating a multi-layered playing field. If Penang wants a leading role in this new economy, it must restructure its economy accordingly.

The present crisis is affecting all nations big and small, developed and developing. But the dark cloud has a silver lining. It is during moments like this that we can seriously rethink old economic models and reassess our own capabilities. An economic restructuring could endeavor to free us from our exports-dependent role, and bring a healthy diversification to our economy.

A restructuring must boost local employment opportunities, raise the median income level and disposable income, and lead to greater purchasing power for the people of Penang. Penang has been in the so-called middle-income trap, bordered on one side by low-cost competitors in poor countries who are competitive in mature or sunset industries and on the other by high-wage innovators in rich countries who are competitive in new or sunrise industries. To get out of this trap, we need a new holistic approach that links Penang's unique logistic position, its scenic beauty, rich and cultural heritage, social harmony, even good food with our talented human resources and strong work ethic.

The third cornerstone is definitely the most important one in the long run – the development of Penang's human capital. International Cities may boast high-tech and Space Age infrastructure, or obscene




material wealth, but to be truly successful they must have one important resource: a dynamic and happy people. To attract talent, Penang must be seen to be an attractive enough place to call home. It must be a great place to work, and a great place to live. Now, cities like New York and Tokyo may be expensive places to live in, but it is in those cities that human talents are allowed to thrive. That is why they continue to be talent magnets. If we want to attract new blood to Penang, the environment here has to change as well. There must be a good environment where people feel comfortable expressing themselves, artistically or otherwise.

We must have healthy income levels in order to make their relocation here worthwhile. There must be affordable housing, good infrastructure, efficient public transportation, and good public services in general. Only then can we consistently revitalize our human and other precious resources. And not only shall we strive to train and retain local talent, we also want to bring in NEW talents to Penang. Penang needs to change for that purpose, too. Nothing kick-starts change faster than bringing in fresh new blood with new ideas and energy, and adding them to a growing talent pool.

To recap, there are eight key measures that we need to look into:

1. Institution building as a source of growth; there is a need to respect rule of law and good governance based on CAT (competency, accountability and transparency);
2. A sound education system that promotes a culture of excellence that is relevant to the demands of industry and economy. Emphasis naturally centers on ICT and computer knowledge. To facilitate the creation of more computer literate knowledge workers, Penang has launched a new initiative to be the first wifi state in Malaysia where wireless services will be provided free and wimax at affordable rates in 2 years time;
3. A civil society encompassing the triple transformation of political transformation to achieve political equality, respect for human rights, supremacy of people's power and democracy; economic transformation that provides equal opportunities and relies on the energy, expertise and enterprise of our human resources; ethical transformation that establishes



- 
- integrity in public life, checks corruption and pursues socio-economic justice.
4. Encouraging creativity, innovation, research and development with new ways of thinking and new ways of doing things;
  5. Establishing international benchmarks that make development sustainable – where resources that are used today in a manner that will allow them to be still available for our future generations. Penang was voted as the 10th most livable city in Asia amongst 254 cities throughout Asia;
  6. Trusting in the ability of any state’s greatest resource – our human resources by investing in retraining and human development;
  7. Moving towards a government that works better, but that costs less. The explosion in the number of civil servants and public spending on the civil service without a corresponding rise in quality of services requires the adoption of best business practices. Such spending must be curbed not only to increase savings but ensure a value for money approach where as long as the civil service approaches international benchmarks they shall be provided with international rated pay scales.
  8. Adopting a public-private partnership model of a win-win formula where public interest is upheld without sacrificing the private sector’s necessity for profits. Open tenders and capping the private sector profits at a reasonable rate of return will ensure the protection of public interest without sacrificing efficiency and productivity.

A Penang Blueprint for sustainable development based on eight key measures on government, economy, society and environment to transform Penang into an international city. A blueprint only describes to us what can be a workable system. No matter how well crafted it is, it is only as good as the results it actually produces. This is the litmus test the Penang Blueprint must pass.

We must be innovative in all four areas simultaneously if we are to succeed. And the only way to do that is for us – all of us – to be stakeholders. We need smart and willing partnerships across the board. Let

us begin this labour of love for Penang as equal partners where we learn together, grow together and enjoy the fruits of our labour together.

With that, I declare the Penang Outlook Forum 2009 open. Let us now air our views.



## [ FOREWORD ]

### Two Islands with Similar Experiences

*Speech by Ambassador K. Kesavapany*

*Director of ISEAS*

*(Penang Outlook Forum)*

ISEAS has been happy indeed in working with the Socio-economic and Environmental Research Institute (SERI) of Penang to organize this pioneer event that we are all participating in today.

I have many fond memories of my time as a young teacher here in the 1960s at the Westlands Secondary School. As a historian, I am naturally cognizant of the intimate ties that have existed between Penang and Singapore. Besides such personal ties, let us not forget that Singapore and Penang are close in many more general ways, starting with the Straits Settlements.

The people-to-people relations have always been intimate. A number of Penangites worked in Singapore and contributed greatly to Singapore's early development, such as the late Minister of Finance, Mr Hon Sui Sen from Balik Pulau.

Cultural, historical and geographical ties continue to the present day with Penang-born Singaporeans figuring prominently in Singapore's parliament. Two such individuals are Mr Khaw Boon Wan, our Minister of Health, and Ms Irene Ng, a Member of Parliament who is just finishing a book on S. Rajaratnam, one of modern Singapore's founding fathers. Indeed, you also find many old schoolboys' associations in Singapore, such as Old Frees, Old Xaverians and Chung Ling Old Boys.

Notwithstanding the old ties, both Singapore and Penang are working on new approaches to strengthen the relationship. The dynamics following the March 2008 general elections in Malaysia have made

this possible. Singapore had the pleasure of receiving a visit by YB Lim Guan Eng recently. Hopefully, this will soon lead to an increase in such visits from both sides.

In the economic sector, I believe that Singaporean companies – such as the township-building company, Surbana – are involved more intensively in Penang’s economy than is normally assumed. That involvement is bound to increase further in these changing times.

Culturally as well, our ties go deep. And I do not mean just the Peranakan culture that defines so much of both Penang and Singapore. Our role in the pre-war economy was similar, and our historical position as favoured ports-of-call for traders, missionaries, adventurers, and political exiles such as Sun Yat-sen and many others were also similar. Indeed, many of our experiences are similar.

Ladies and gentlemen;

There is much that we can learn from each other, and in many ways, we do act as mirrors for each other, reminding each other about values that we share and that we may be in danger of losing, caught up as we are in the political economy of the global age.

For this particular forum, we are pleased to collaborate with SERI in the formulation of new strategies to cope with the challenging times ahead,

Thank you.



## [ INTRODUCTION ]

### Political Masters and Master Plans

*Goh Ban Lee & Ooi Kee Beng*

Most of the chapters in this volume are first presented at the Penang Outlook Forum 2009, held on 1-2 June 2009 at the E & O Hotel in Penang. A few others have been added because of the salience of the topics discussed, to complement those debated at the conference. Tellingly, that convention was entitled “Restructuring and Reshaping Penang”.<sup>1</sup>

Indeed, the change of government following the General Elections of March 8, 2008, provides good reasons for a review of Penang’s development, despite the fact that the existing plan, namely the Second Penang Strategic Development Plan (PSDP2), ends only in 2010.

As any student of planning learns in Planning 101, the first step in the preparation of a development plan is to understand its context. So let us briefly revisit the history of development planning of Penang and the major plans that helped to shape its economy.

As a settlement of the British East India Company and later a British colony until 1957, Penang’s economy was strongly linked to regional and international trading activities. Furthermore, as a free port until the early 1970s, it was also the international link between the Malay Peninsula and resource-rich countries like Burma, Thailand and Indonesia on the one hand, with European markets on the other. While it lost its pioneer status after the founding of Singapore in 1819, for

*1 This was organized by the Socio-economic and Environmental Research Institute of Penang and the Institute of Southeast Asian Studies of Singapore, and was sponsored by BSG Property, with support from Khazanah Nasional, the Penang Development Corporation and InvestPenang.*

almost 170 years, it was generally economically healthier than other states on the peninsula, not to mention Sabah and Sarawak.

When Malaya achieved independence in 1957, the focus of attention was the new national capital, Kuala Lumpur. It was only natural that Port Swettenham, since renamed Port Klang, would become the main port of the country and receive all the attention and all the financial support from the federal government. Penang could not continue to depend on its free port status for its growth.

### ***Penang Master Plans***


By the early 1960s, it was abundantly clear that Penang's economic health was in a bad way. A Colombo Plan advisor, A.M. Munro, was engaged to prepare a master plan. The Penang Master Plan (commonly referred to as the Munro Report) was completed in 1964. In it, the state's poor economic conditions were made very clear:

From being the major port and trading centre on the China run, Penang – having ousted Malacca – has itself yielded pride of place, successively, to Singapore and Hong Kong and, in recent years, has been bypassed through centralisation of development and capital investment in Port Swettenham and the Klang Valley. Port development, industrialization and vital communications have all been delayed, and have been granted little priority within the National sphere. Finally, the Island's Free Port status is now threatened with extinction. The inevitable end products of such a train of circumstances are: depression, spiralling unemployment, labour unrest and political instability (p. 132)

The Munro Report called for a structural shift in the economy of Penang. More specifically, it called for an intensive programme of industrialization, focusing on the mainland portion of the state. This recommendation to locate factories on the mainland was a first as Seberang Perai, formerly known as Province Wellesley, used to be the back-water of the state, despite being the food basket for the islanders.

The Munro Report is not widely acknowledged although it did lead to the development of the Mak Mandin Industrial Estate in Butterworth and the setting of import substitution industries, such as textile, cables and wires, flour, mattresses and laminates. Furthermore, a sugar factory





and a steel mill were also built in Perai. There were also the Deep Water Wharves in Butterworth.

Despite serious efforts by the Alliance state government led by Tan Sri Wong Pow Nee, the economic situation of Penang remained bad. According to a Memorandum prepared by the Chairman of the Penang Branch of the State of Malaya Chamber of Commerce, it was actually dismal (Engel, 1968).

The Alliance lost Penang in the May 1969 general elections to the newly formed Gerakan Rakyat Malaysia (Gerakan), led by Tun Dr Lim Chong Eu, who thus became the Chief Minister of the state.

In 1970, a new master plan was prepared. It is not clear whether this was done at the request of the new state government or whether it was initiated by the earlier administration. Popularly known as the Robert Nathan Report (1970), this plan also called for a basic shift in the economic structure of the state. More specifically, it recommended the promotion of manufacturing industries, tourism, fisheries and educational, health, and research facilities was needed to pull Penang out of its economic doldrums. Most importantly, it argued that Penang would not be able to break the “poverty trap” of low productivity coupled to high unemployment. This meant that Penang would not be able achieve economic development if it merely concentrated on the import-substituting manufacturing industry as had been recommended by the Munro Report. The Robert Nathan Report suggested that Penang linked its economic activities with robust economies outside the country.

Here, it is useful to quote substantially the insightful observations made in the Robert Nathan Report. It suggested the following:

1. The redirection of Penang’s economy to establish market linkages with broader, more rapidly expanding demands than those afforded by local, national and regional markets. Development in Penang is considered to have been limited by the deficiency of demand for traditional goods and services in the production of which its resources have been employed. Therefore, the Plan calls for Penang’s very considerable potential for growth to be realized by “plugging in” its resources to growth industries with rapidly expanding world markets. In effect, the strategy is designed to break the self-perpetuating circle of low income, deficient



demand, stagnant production, unemployment, low incomes, etc., by introducing elements of demand that are not a function of incomes in Penang.

This is by no means a novel approach to accelerated economic growth; it is precisely the approach that has been successfully applied in other Asian Countries beset by labour redundancy and limited natural resources, such as Japan, Taiwan, Hong Kong, South Korea and, more recently, Singapore.


2. The mitigation, or removal, of constraining influences which inhibit the development of a more dynamic economy. These include some physical elements of the resource base, but perhaps more significantly, economic policies, administration and attitudes that have evolved in response to circumstances that no longer exist (1970: 37).

The significance of both the Munro Report and the Robert Nathan Report was not only in development strategies and policies, but also in infrastructure in development planning. For instance, according to the Munro Report, “One of the greatest dangers to the successful implementation of any such policy lies in the current lack of planning control within the boundaries of the State and the consequent, widespread speculation in land ” (1964: 133).

Both plans stressed that in order to ensure the successful implementation of policies, there was a serious need to have a good land use plan and development control procedures. Among other things, the Robert Nathan Report recommended that a State Development and Planning Council be established to act as a “plan-formulating and policy-making body of representatives from State, Local and Quasi-Government bodies” (1970, Vol. 111:233). The State Government did actually set up a State Planning and Development Planning Committee (SPDC). It is interesting to note that in making the recommendation for a state-wide planning committee, the master plan was ahead of its time. The present powers and functions of the State Planning Committee which are provided for in the Town and Country Planning Act of 1976 are similar to those of the SPDC.

The Gerakan state government also set up a vehicle to spearhead state development. The Penang Development Corporation (PDC) was





established in 1972 under the leadership of Datuk Chet Singh, who was then the State Financial Officer. It is also important to note that in 1972, Gerakan also became a component of the Barisan Nasional, a coalition of the Alliance, made up of Umno, MCA, MIC, PPP, PMIP and several parties from Sabah and Sarawak.

In 1974, the two local authorities in Penang Island were abolished and the island was placed under a single municipal administration, which was called the Board of Management of Penang Island. Thus, after a lapse of 86 years, the whole island was once again brought under a single municipal administration.

On the mainland, the three district councils were merged to form a single local authority. In 1976, the nomenclature of the two local authorities were changed to Penang Island Municipal Council and Seberang Perai Municipal Council.

Penang underwent rapid development in the 70's. Real GDP grew annually by 8.3 percent in 1970 to 1975, led by the manufacturing sector which grew by an average of 18 percent. The utilities and transport, storage and communication sectors also grew by 14.9 percent and 13.2 percent respectively (PSDP: 1-2). For the period 1976-1980, the growth was also equally remarkable. The GDP grew by an annual average of 11.2 percent, again led by the manufacturing sector which recorded a growth of 29.2 percent (PSDP: 1-2).

It was not always smooth sailing. In tandem with a worldwide economic slow down, the manufacturing sector registered only a two percent growth in the first half of the 1980s. However, it rebounded impressively to “almost 12 percent” after the 1985-1986 recession (PSDP: 1-2).

As a result of the robust growth of the manufacturing industries, the economic structure of Penang changed dramatically within a span of 20 years. In 1970, manufacturing accounted for only 12.7 percent of the GDP while by 1990, it was estimated that the figure had increased to 46.0 percent (PSDP: 1-9) (This figure was subsequently corrected to be 43.0 percent).

Physically, the development was largely confined to the Bayan Lepas Free Trade Zone. In other words, in less than 10 years, Penang Island was transformed from a sluggish commercial and primary product area into a vibrant industrial centre with electronic factories taking

the lead. More specifically, the South-eastern part of the Island changed from a paddy and coconut area into an industrial estate producing goods used all over the world. In the northern coast of the island, small fishing villages were replaced by facilities catering to local and international tourists. In other parts of the island, particularly on the outskirts of the city, housing estates were replacing agricultural areas with indigenous attap/zinc-wooden houses.

But there were other problems facing the island. Despite the generally high per capita income, it was found that about 30 per cent of households had less than \$500 household income per month. Housing for the poor was still in short supply. The physically handicapped and the aged were often ignored in planning strategies and building design. Transportation was still a problem and so was the occurrence of flash floods in the city. Environmental destruction and pollution were becoming very visible and were being painfully felt.


Despite the economic success, the Barisan Nasional component parties did not do well in the 1990 General Elections. The DAP won 14 out of the total 33 state constituencies. More importantly, Chief Minister Tun Dr. Lim Chong Eu, the man generally credited for the rapid growth of the state into Silicon Island, lost his seat. However, despite the total loss of all the MCA candidates, the Barisan Nasional still had the majority and Tan Sri Dr Koh Tsu Koon of Parti Gerakan Rakyat became the chief minister.

### ***Penang Strategic Development Plan***

The installing of the new state government coincided with the preparation of a new development plan, the Penang Strategic Development Plan (PSDP), to chart Penang's development efforts for 1991-2000. It was jointly prepared by the Institute of Strategic and International Studies (ISIS) and the Penang Development Corporation (PDC).

Although the plan maintained that manufacturing should continue leading the development of Penang, it also proposed that the state broadened its economic base. More specifically, it recommended that the state placed emphasis on the service sector through promoting higher order services such as finance, education, information technology and medical services. It also called for deepening the industrial base through the promotion of skill intensive, technology intensive and





high-value added industries. Towards this end, the plan also called for upgrading the training skills of the workforce and promoting local entrepreneurship and the growth of small and medium scale industries.

On the whole, Penang's economic performance from 1991 to 2000 was impressive, despite the 1998 Asian financial crisis that hit the state, the country and indeed many countries in East and Southeast Asia. On the whole, it registered an average growth rate of 8.2 percent per annum which was higher than the 7.3 percent growth rate provided for in PSDP (PSDP2: 2-1).

During the last decade of the 20th century, the leading sector was still manufacturing. In fact, this sector even registered a growth from 43.0 per cent to 45.7 percent in the GDP (PSDP2: 2-2). The contribution of employment by the manufacturing sector was 39.4 percent in 1999, an increase of nearly two percent from the 1990 figure. The bulk of the employment was in the electrical and electronics and textiles and garment industries.

Although Penang could boast of its robust manufacturing sector, it is important to note that the single biggest sector in terms of contribution to the overall GDP in 2000 was the service sector. It accounted for 49.5 percent in 2000, down one percent from that of 1990 (PSDP2: 2-2).

### ***Second Penang Strategic Development Plan (PSDP2)***

The Second Penang Strategic Development Plan (PSDP2) is for charting development strategies from 2001 to 2010. As stated in the first paragraph of the plan, the emphasis of development for the state is on "economic competitiveness, ecological balance, caring and sharing, cultural vibrancy and good governance" (PSDP2: 1-1). Among its ambitious targets is achieving a per capita GDP of RM25,631 by 2010 (in 1990 prices) (PSDP2: 1-4). According to the plan, this means that Penang would have achieved a "developed status" ten years earlier than stated in Vision 2020 (a target set in 1990 for the whole country by former prime minister Tun Mahathir Mohamad). As noted in the plan, "Penang can be confident of reaching the Vision 2020 target ten years earlier" (PSDP2: 1-4).

In order to achieve "developed status" with an ecological twist, the plan calls for the following "development trusts":


- Enhancing economic competitiveness;
- Improving productivity growth;
- Developing a Knowledge-based economy;
- Consolidating and e-enabling the manufacturing sector;
- Enhancing the quality of the service sector;
- Strengthening the tourism cluster;
- Revitalizing the agricultural sector;
- Providing an enabling environment for development;
- Expanding the usage of information and communication technology;
- Enhancing human resource development;
- Ensuring a sustainable transport system;
- Providing quality infrastructure;
- Sustaining ecological balance;
- Building a caring and sharing society;
- Encouraging the participation of Bumiputras and other disadvantaged groups in the economy;
- Enhancing the quality of life;
- Promoting cultural vibrancy;
- Practising good governance.

A detailed analysis of the PSDP2 will have to wait for some post-graduate student eager to do a thesis of the subject. Here it is useful to point out that the plan tries to touch all bases and thus does not provide a focus on certain areas that the state should concentrate on.

In the March 8, 2008 General Elections, for the second time in the history of Penang, Penangites voted for a change of state government. As a result, the Pakatan Rakyat, under the Chief Minister Lim Guan Eng, replaced the Barisan Nasional as the government of Penang.

Nevertheless, it would be a mistake to conclude that it was the mismanagement of the economy of Penang that caused the people to reject the Barisan Nasional at the polls. While there may be some truth that the Penang state government was wobbling in the pursuit of development and a better quality of life for the people, it is more correct to say that the voting pattern of Penangites was more strongly influenced





by what was taking place in Kuala Lumpur and Putrajaya than by Penang's economy.

At present, there is no authoritative study on Penang's current economic conditions. There is some evidence showing that Penang was not doing well in the first half of the first decade of the new millennium, compared to the past or to the rest of the country. For example, according to the Ninth Malaysia Plan (2006-2010), the rate of growth of the monthly household income of Penang from 1999 and 2004 was only 2.5 percent, the lowest among the states in the country (9MP: 378). The average for the country was 5.6 percent while the next lowest was Johore which registered a growth of 3.1 percent. The highest was Pahang with 10.2 percent.

However, it would be negligence on our part not to question the robustness of the figure of 2.5 per cent monthly household income for Penang. It is important to note that the state recorded a 5.0 per cent average growth rate for the same period when the national figure was 4.5 per cent. Those involved in producing the data should provide some explanation for this incongruence. Was there a sudden population increase? Furthermore, it should also be noted that the potential employment for Penang from 2001-2005 for Penang was 69,146, a number that was lower only to those of Selangor and Johore (p. 359).

It should be noted that Penang was still one of the richer states in 2004, with an average household income of RM3,531, up from RM3,128 in 1999. It would be expecting too much to anticipate the average household income in Penang to continue to grow at a rate of five to seven percent per annum, especially with a base figure as high as that for 1999.

It is also useful to note that Penang did relatively well in the eradication of hard-core poverty. In 2004, it registered a rate of only 0.3 percent, down from 0.7 percent in 1999 (9MP: 378). The 0.3 percent was the lowest in the country, compared to 1.5 percent for Kuala Lumpur and 23.0 percent for Sabah and 15.4 percent for Trengganu. Having said the above, the low growth rate should be a matter of concern. After all, both Kuala Lumpur and Selangor did register a growth rate of 4.1 percent and 6.9 percent from 1999 to 2004.

There is cause for worry about Penang. Being a small state and relatively far away from Putrajaya, it has to be at the forefront of in-

novation to keep its development momentum going. The fact that it is ruled by a coalition that is in the opposition to the national government only adds to that burden.

## **Conclusion**


Success in development efforts depends on having a good plan and having effective leadership. Other factors such as availability of funds, efficient civil servants, availability of land and productive workers, are also important, but these are mitigated next to the first two factors.

So far, there has been no study on why Penang did so well not only in achieving very respectable growth rates in 1970 to 1990 but also in transforming the economy from a basically business and agricultural one into a manufacturing giant. Was this thanks to good planning, especially the Robert Nathan Report or a very effective leadership in the person of Tun Dr Lim Chong Eu, or both? Indeed, could a very effective leadership succeed even if the plan is of mediocre quality?

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