

## MALAYSIA BRIEFING & ANALYSIS

# SINGAPORE-ISKANDAR/JOHOR – long-term socio-political risks?



Source: UEM Land website

## Might Singapore's woes become Johor's?

- “But if we take in too many immigrants and foreign workers, we will weaken our national identity and sense of belonging, and feel crowded out of our own home.” Singapore population white paper
- “Income inequality is among the highest in the developed world... The cost of housing has doubled over the past decade.” Al Jazeera news report

Unusually, Singapore has seen more political pressure from its dissatisfied citizens. Notably, the long ruling PAP suffered an 11%-age point loss at a recent by-election. A few days ago, there was a mass gathering of up to 4,000 disgruntled citizens over the PAP's population policy. This protest is the largest Singapore has seen in 50 years [1].



Singapore's biggest mass demonstration in 50 years.  
Picture source: Al Jazeera



Singaporeans called to protest the PAP's population policy.  
Picture source: Reuters

Its white paper points to a likely scenario where nearly half of its population increase of 30% or so to

reach 6.9 million people by 2030 will be foreigners [2]. In Singapore this comprises “cheap foreign Labour and a consumer class full of expatriates” [3]. Let's also not forget the ultra rich Indonesians, Myanmarese and Ferrari-driving mainland Chinese who were encouraged to reside in the city state. They brought their money to private banks based in Singapore, inevitably buying multi-million dollar properties and fast cars.

Singapore's leaders felt the need to bring in many foreigners to boost economic growth as the low reproduction rate of Singaporeans points to a flagging and falling native population and economic prospects. However, “foreigners have been blamed for stealing Singaporeans' jobs as well as straining housing, transport and medical services” [4].

### The Johor solution?

So here comes the potential Malaysia solution to Singapore's socio-political strains. The Iskandar Malaysia project, just across the Causeway from Singapore in the southern part of the state of Johor, now seems to be targeted as a political-economic safety valve by Singapore for its healthcare, housing and SME sectors. The near 20-year old stop-start economic corridor project was in earlier days

envisaged as a way for Malaysia to compete with its highly successful neighbour. But now, the apparent good relations between the two countries is led by Ho Ching, the head of Temasek, one of Singapore's two sovereign wealth funds (she is also the Singapore PM's wife) and Malaysia PM Najib. The development efforts in Iskandar Malaysia / Johor look to be complementary, to cater more to Singapore's needs.



Map of the core Iskandar Malaysia area of Nusajaya, key projects and road links with Singapore. Source: UEM Land website

While the potential for Johor to be Singapore's backyard for large-scale FDI has always been there, the big question has always been about timing and project design. Key in the shift in prospects for Iskandar Malaysia was the surprisingly swift deal to swap strategic land in Singapore that was long held by the Malaysian railway (it had high development potential) for a joint-venture development project in the heart of Singapore's highly priced CBD. Details of the land swap deal were not well discussed, with the general consensus in the Malaysian business community that Singapore came up tops. This has raised concerns that PM Najib "sold out" to Singapore. Under previous Malaysian PMs the treasured Malaysian railway landbank in Singapore was always a bugbear, especially under combative PM Mahathir. Even under previous PM Badawi, no deal was struck, even though his son-in-law Khairy Jamaluddin was Singapore-educated (and therefore a good potential negotiator?). The questions do linger. How did PM Najib manage to transact this monumental deal at such speed and without incurring the wrath of Mahathir?

High level Singapore-Malaysia political relations were notoriously strained for decades. Singapore's new good ties via the transaction-minded PM Najib, has also been good for Iskandar Malaysia. Property there is being sold at KL prices and it has also set long lagging Johor property prices on a tear. In addition to the top level land swap deal, what else is new? Singapore's policy to allow medical spending by its Central Provident Fund holders in Malaysia was also a key spark. Singapore healthcare business owners launched FDI projects in Malaysia to capture back their own Singapore patients.



New friendly ties: Malaysia PM Najib shaking hands with Singapore PM Lee at the Glass Pavillion Sentosa, Singapore. With them are Rosmah and Lee's wife Ho Ching (head of Temasek, a key Singapore SWF). Picture source: Berita Harian, May 24, 2010, "Tender terbuka maju tanah" reporting on the Najib-Lee meeting expected to resolve the KTM (Malaysia railway) land issue.

### Savvy marketing, but where are the jobs?

While Singapore SMEs have been long active FDI investors in Johor, it has always been well known that Singapore big business has been leery, finding it hard to discuss business with their Malaysian GLC counterparts. The commitment to development projects in Iskandar Malaysia by new entrants, particularly the highly networked ethnic Chinese entrepreneurs from Malaysia and Singapore has been crucial. These include projects led by Tong Kooi Ong (former Sunrise-UEM Land) and Peter Lim (with heavy investments in healthcare services). Together with the blessings of the pro-business Sultan of Johor, such marketing-savvy investors have been instrumental in pushing plans off the drawing board and into the hands of the marketeers.

So far, there seems to have been too much focus on property launches and property prices. There has

been a lag in creating high value-added jobs for Johoreans, who now need to start worrying about the affordability of a home. A highly committed, large-scale project owner in this hot spot admitted that “I see the investors, but I don’t see the people and the jobs.”

Johor could develop with the Shenzhen-HK model, but so far it has not done so. It would be good to hear more about high key FDI for job creation in value-added manufacturing and services and less about property pushes. Production and service facilities should be the priority, and Iskandar Malaysia policy makers should put at the forefront the needs and aspirations of the average Johorean.

So will it be smooth sailing now? Iskandar Malaysia / Johor’s convenient role as a safety valve for Singapore risks morphing into one where Singapore also exports its political problems to Johor. Johor is the birth place and key home ground for the politically xenophobic UMNO. Iskandar Malaysia’s current fixation on investment properties for foreigners and pricey related services (up-scale education, glitzy malls and theme parks, car race tracks and more) smacks of hubris. Combined with the reality that Johor has a big majority Malay population which has suffered relative

underdevelopment, this latest incarnation of Iskandar Malaysia is not a good recipe for long-term socio-political stability. On its current trajectory, it could develop into a rich enclave dominated by Singapore property investors, while the poorer ethnic Malay-dominated hinterland suffers cost of living pressures and envy. In the short-term, could this even hurt PM Najib’s electoral prospects in Johor with Malay voters?

***Khor Yu Leng is an Oxford University-trained political-economist. She prepared a detailed review and analysis of the Iskandar Malaysia project in a report entitled “Iskandar Malaysia: Policy, Progress and Bottlenecks,” published September 2011. Much of this analysis derives from this earlier work as well as interviews with several key players involved with Iskandar Malaysia projects (December 2012 and January 2013).***

## References

- [1] “Singaporeans protest over population plan,” 16 February 2013, Al Jazeera, weblink: <http://www.aljazeera.com/video/asia-pacific/2013/02/2013216151756603968.html>
- [2] “By 2030, Singapore’s total population could range between 6.5 and 6.9 million. There is a wider band of uncertainty, and the actual population will again depend on factors such as our fertility trends and life expectancy, the global and regional environment, our economic structure and social needs. The resident population (comprising citizens and PRs) is projected to be 4.2 to 4.4 million, of which citizens alone will make up 3.6 to 3.8 million.” Quoted from “A Sustainable Population for a Dynamic Singapore,” National Population and Talent Division, Prime Minister’s Office, Government of Singapore, January 2013. Weblink: <http://202.157.171.46/whitepaper/downloads/population-white-paper.pdf>
- [3] “Protest, voter anger put political risk in Singapore’s future,” 15 February 2013, Reuters, weblink: <http://uk.reuters.com/article/2013/02/15/uk-singapore-politics-idUKBRE91E07620130215?feedType=RSS&feedName=worldNews>
- [4] “Singapore rally demands immigration curbs,” 16 February 2013, AAP in The Australian Financial Review, weblink: [http://www.afr.com/p/world/singapore\\_rally\\_demands\\_immigration\\_leyk4Nu0nHWWI9h2RwSsoO](http://www.afr.com/p/world/singapore_rally_demands_immigration_leyk4Nu0nHWWI9h2RwSsoO)

## FDI controversies under PM Najib



**"After all I believe the only sustainable development path is one that is inclusive and allows everyone to be part of the value creation process"**

YAB DATO' SERI MOHD NAJIB TUN RAZAK  
PRIME MINISTER OF MALAYSIA

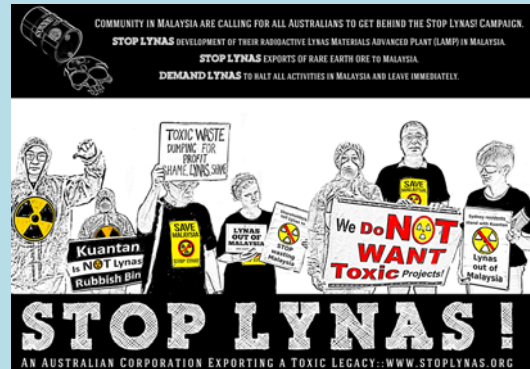
*New Straits Times, 22 December 2011*

Graphic source: Inside Iskandar newsletter, 4Q 2011

**Petronas' RAPID and other proposed projects in Pengerang, SE Johor (not part of the Iskandar Malaysia project):**  
allegations of excessive land grabbing



**Lynas rare earth processing facility in Kuantan, Pahang:**  
spawning a green political movement in Malaysia and resulting in several mass demonstrations



**Sarawak mega-dams project for clean energy:**  
accused of being neither renewable nor sustainable, and causing big social dislocations



Picture sources: various blogs and other online websites



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[khorreports@gmail.com](mailto:khorreports@gmail.com)



+60 16 7220783 / +65 93830428

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