

# **BORDERS AND ECONOMIC GROWTH: THE CASE OF SABAH AND HER NEIGHBOURS**

by

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## **ABSTRACT**

Disparity in income across states and regions in Malaysia continues to be a matter of concern. The purpose of the present study is to investigate empirically the question of whether the economic development of the state of Sabah has an impact on her neighbouring countries or *vice versa*, the growth of her neighbouring countries have causal effect on the growth of the state of Sabah. Using annual data for the period 1983 to 2003, our results from employing the ARDL bounds testing approach indicate that the growth of the state of Sabah is affected by the growth of Brunei Darussalam, Sarawak, and Kalimantan Timur. Further, the growth of the state of Sabah has an impact on her neighbouring states, country and provinces during the period under study.

## **1. INTRODUCTION**

An uneven distribution of income which involves wide disparities between rural and town dwellers, between inhabitants of Malaysia and the Borneo states as well as among various social groups was identified in the various volumes of the Five-Year Malaysia Plans. For example, in the First Malaysia Plan (1965-1970) the government envisaged bringing the low-income states to the general income level by 1985, so that economic development will yield the fullest possible human benefits (Government of Malaysia, 1965). Further effort to correct the disparity, according to Taylor and Ward (1994), has been the aim of Malaysian regional planning during the 1970s and 1980s by speeding industrialization and its benefits throughout the country.

The Five-Year Malaysia Plans reflects the sincerity of the Malaysian government in eradicating if not elevating the problem of regional or states imbalances. Accordingly, in their quest to achieve both development and equity at the same time, policies and strategies are continuously being formulated and implemented across the states. However, it seems that for the past four decades, regional development planning has limited success in narrowing

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