Building A City From Scratch: How Middle East Money Is Creating A New City In Malaysia

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Ten years ago, Imran Markar was using a GPS device to navigate his way around a patch of land at the southern tip of peninsular Malaysia, just across the narrow Straits of Johor from Singapore. The area had once been used to grow oil palms, but the plantations had gone to seed and it took a lively imagination to believe that much else would thrive.

"When I first came to Johor in March 2007 it was abandoned palm oil estates," he says. "The trees had died. It was a swamp, it was water-logged. I remember being cautioned not to step out of the car because there were snakes. There wasn't a road, not even a pathway."

Today, the principal at Dubai-based United World Infrastructure (UWI) is able to drive around the same land on newly-laid roads that criss-cross a 2,300 acre, partially-completed building site, with dozens of cranes, apartments and office blocks rising up from the ground. The new city, named Medini, is part of the mega-development of Johor state being directed by the government's Iskandar Regional Development Authority.

UWI is one of three shareholders in the Medini project, alongside the state-owned Iskandar Investment and Japan's Mitsui & Co. Some large Middle East investors are also involved, including Kuwait Finance House and Abu Dhabi-based Mubadala. Between them they are pushing forward with a masterplan which involves building a new city capable of housing up to 300,000 people, alongside offices, leisure facilities, schools and universities.

The aim is to tap into the neighboring Singapore economy, providing an alternative location for companies and people looking for lower cost office space or homes.

"Singapore-lite"

The existing city of Johor Bahru has long served as a dormitory town for Singapore, but Medini is aimed not at the low-paid workers who have traditionally had to cross the border to get to their jobs in the Asian financial hub, but white collar workers and their employers. That is a challenge. Johor is generally seen as rather gritty and grotty by many Singaporeans, particularly those that work in the better-paid areas of the economy.

Knowing that the new city will be judged by the standards of the affluent and immaculately groomed Singapore, rather than the more unassuming Malaysia, creates its own pressures for the developers, but they insist they can meet that challenge and develop a city which can work as part of a broader ecosystem with Singapore.

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"It's not going to be Johor-plus or Malaysia-plus, it's going to be Singapore-lite," says Markar. "We're not aiming to compete with Singapore. If you're aiming to compete with Singapore, this will not work. This has to be complementary."

The causeway between Malaysia and Singapore, with the Malaysian city of Johor Bahru in the background. (Photo credit should read ROSLAN RAHMAN/AFP/Getty Images)

With that in mind, the new city is being developed with cutting-edge medical facilities like a new Gleneagles hospital, and upmarket education providers like Marlborough College, the British school which has opened its first overseas campus there. The utilities are all laid out under the ground and reach to the edge of every plot, whether it is being developed yet or not.

To the surprise of some natives of Singapore and even Kuala Lumpur (KL), the gamble appears to be paying off and both companies and individuals are being drawn in. Among the companies with operations in Medini are global technology companies Huawei and Samsung, local electronics retailer Courts and consultancy firms Brandt International and Nityo Infotech.

Rhenu Bhuller, partner and head of the local office of research firm Frost & Sullivan, is another who has been tempted in. She was born in the Malaysian capital and never anticipated settling in the Johor area. When she first mentioned the idea to her family they were unimpressed.

"I'm originally from KL. I was living in Sydney for a few years, then Singapore. Never in my life did I imagine I would live in Johor," she says. "I talked about it with my family and they said: are you crazy? But there was a vision. We drove around and we saw the potential."

She acknowledges that it can be difficult to persuade other people from outside the area to come, partly because of the lack of facilities in what is a still-forming city. "KL has its own attractions. It's much more developed from a social perspective and an opportunities perspective. And if you're a young person coming here what do you do at the weekend?" she says. "We find that we have to be more competitive. We have to provide better salaries as opposed to KL, because you are essentially asking people to start from scratch."

Even some locals took convincing, such as Khairil Anwar Ahmad, chief executive officer of Iskandar Investment, who was born in the area. When he was first approached to get involved his initial reaction was "You've got to be kidding me. What's there? There's nothing there."

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Even when people are tempted to come, he says that leakage of talent across to Singapore remains an issue and is something that will take time to address. "It's not that easy to attract people from KL," he says. "There are more employment opportunities in KL. Sometimes you get people down and they see that just across the causeway in Singapore they can get double the salary, so then they tend to hop across. So we need to create an ecosystem, a better career path for them so they will stay for the long-term."

Clusters and catalysts

Central to the strategy of the developers is the effort to create business clusters around a number of targeted industries. They include leisure and entertainment, healthcare, the creative industries, education and logistics. The development of each of these sectors is being helped along by a 'catalyst', such as the Legoland theme park for the leisure sector, and the Pinewood film studios for the creative sector.

"You can build all of these clusters into the design, but they're not going to work if you don't have a catalyst," says Markar. "Unless you create an ecosystem, you're not going to have a pull factor."

Medini is not being developed in a vacuum. To the east, a new refinery and petrochemicals plant is being developed by the local Petroliam Nasional (Petronas) and Saudi Arabia's Saudi Aramco. To the southwest is the mammoth Chinese-funded Forest City, a $100bn development featuring hundreds of thousands of new homes which has been the focus of some disquiet among locals. Medini is hoping to act as the central business district for all the region.

The film and television stages of Pinewood Iskandar Malaysia Studios at sunset

There are some shortcomings to Medini as it stands at the moment. Transport to and from Singapore can be a challenge, with the two causeways across the Straits heavily congested at rush hour. There is a shortage of shops, restaurants, cinemas and other entertainment facilities; gaps that need to be filled for the site to become a viable long term option.

But it's still relatively early days. The Singapore metro could be extended across the Straits and a high-speed rail line between Kuala Lumpur and Singapore is due to be completed by 2026 which will include a station near Medini. Other facilities are being planned in the meantime.

"There is still a way to go, because we could do with more amenities. We don't have a good mall, we don't have an entertainment hub yet," says Ahmad. "All these things are coming up. They're in the pipeline."

Those involved with the project know that Medini – and Malaysia more broadly – cannot compete directly with Singapore. The new city is not designed to replace Singapore but rather to provide a complement to it. They talk of playing a similar role to the one the Chinese city of Shenzhen plays to Hong Kong, or that New Jersey offers to New York.

It will take some years to find out if they can pull this off, but they have already got further than many would have expected. In the past, skeptics in Singapore assumed the plans to develop the Johor area would never happen, or if they did they would never be done well, or if they were done well they wouldn't be properly maintained. The first has now been disproved and the second is in the process of being disavowed too. The trick will be to ensure the third is also done over the coming decade.

In the meantime there remain some patches of untouched palm forests and other overgrown areas. Some of this is deliberate: one area beside the Pinewood studios is used as a filming location. The trees that remain also provide a reminder of how much has already changed.

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