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Building a liveable Southern Corridor

Extending Johor-Singapore cooperation beyond capital towards people

Policy paper

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Foreword by
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Foreword

Borders are among humanity's most enduring political inventions. First conceived as lines on maps, they gradually acquire tangible expression through institutions, laws, currencies and systems of governance. They give shape to distinct national identities and ambitions. Yet they seldom constrain the economic, social and environmental forces that influence human welfare. The fortunes of neighbouring societies remain deeply interconnected, regardless of where political boundaries are drawn.

The Johor-Singapore Special Economic Zone (JS-SEZ) represents an effort to reconsider this reality. Rather than viewing the Strait of Johor solely as a boundary between two sovereign states, the JS-SEZ seeks to position it as a corridor of shared economic opportunity. The early signs are highly encouraging. Manufacturers are relocating production, cross-border connectivity is being strengthened through new transport infrastructure, and substantial investment commitments reflect growing confidence in Malaysia's Southern Corridor.

These developments represent an important beginning. They demonstrate the ability to attract capital and facilitate commerce, but they do not by themselves answer a more fundamental question: whether people will choose to build their lives in the region.

This publication is concerned precisely with that larger question. It does not challenge the JS-SEZ's strategic rationale nor the considerable momentum that has accompanied its establishment. Rather, it asks what sustained success should ultimately look like. Can graduates build meaningful careers where they have studied? Will housing developments serve residents as effectively as they attract investors? Can transport systems strengthen communities as much as they facilitate commerce? And can economic expansion proceed without placing unsustainable pressures on the natural systems upon which long-term prosperity depends?

Taken together, this publication argues that the long-term success of the Southern Corridor should not be assessed solely through investment figures, trade volumes or infrastructure delivered. Equally important is whether economic integration contributes to human flourishing by creating places where people are able to live well, raise families, pursue opportunity and participate in resilient communities. That, ultimately, is the broader conversation to which this publication seeks to contribute.

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Executive summary

- The Johor–Singapore Special Economic Zone (JS-SEZ) represents a bilateral effort to attract investment through fiscal incentives and reduced cross-border frictions. The zone has succeeded in attracting substantial investment into advanced manufacturing and data centres, from both Singapore and international investors. There is scope, however, to broaden this cooperation beyond investment promotion to the wider conditions that allow the Southern Corridor to develop into a liveable, integrated region.

- This paper identifies five challenges arising from deepening economic integration. First, talent attraction and retention in Johor remains constrained by mechanisms to address the structural wage gap with Singapore, notwithstanding current ad hoc bilateral efforts to expand the supply of skilled labour. Second, the price-to-income ratio for new housing in Johor has exceeded affordability thresholds, while serviced apartment overhang persists alongside continued construction, pointing to a misalignment between housing supply and local demand. Third, cross-border and intra-corridor transit bottlenecks remain unresolved with several major projects stalled as institutional responsibility for mobility planning remains fragmented. Fourth, rising electricity demand from new industries and export commitments requires stronger bilateral cooperation to safeguard domestic energy security. Fifth, in the absence of bilateral environmental governance, existing ecological degradation may accelerate, as the JS-SEZ footprint overlaps with flood-prone and ecologically sensitive zones.

- This paper proposes policy recommendations to address these challenges by extending cooperation beyond investment promotion to encompass education collaboration, housing and mobility, and energy and environmental resilience. In doing so, it offers suggestions for how Malaysia and Singapore can deepen integration across a broader range of policy domains.

- More broadly, the long-term ambition for the JS-SEZ should be to develop into a thriving cross-border metropolis. This requires treating liveability as a shared object of bilateral cooperation, rather than leaving these considerations disjointed from the core investment and economic development agenda. As the JS-SEZ evolves to incorporate these considerations, Malaysia and Singapore could establish the Southern Corridor as a model for cross-border connectivity in ASEAN and beyond.

1.0 Introduction

For centuries, the territories of modern-day Malaysia and Singapore have functioned as a single interconnected region shaped by geography. The narrow Strait of Johor separating the two territories is less a barrier than a connective channel historically facilitating the movement of people, goods and ideas across the Malay peninsula and the wider maritime world. Long before modern state boundaries were drawn, the strategic location of the strait positioned the region as a gateway for trade between Southeast Asia, the Indian Ocean and South China Sea. This connectivity has shaped the economic fortunes of both Johor and Singapore, and the region's prosperity has always depended on activities that traverse modern borders.

Today, the Johor-Singapore corridor represents one of Southeast Asia's most ambitious projects in cross-border integration with the launch of the Johor-Singapore Special Economic Zone (JS-SEZ) in 2025. The governments of Malaysia and Singapore have formally signalled commitment to improve cross-border mobility and economic integration to attract global investment into the corridor.[1] The JS-SEZ emphasises investment promotion and industrial development as the primary drivers of this integration while large-scale infrastructure projects, including rail services and port expansion promise to reshape the physical terrain. At the same time, investment incentives are attracting global capital into the corridor. Indeed, data centre investments, advanced manufacturing parks and logistics hubs signal growing confidence in the region's economic potential.

Yet, while investment promotion and industrial development are essential to economic development, current policy discourse surrounding the Johor-Singapore corridor has not materially extended to areas beyond economic development. This is despite the immense potential for bilateral cooperation in institutional foundations that make cross-border regions successful in creating sustainable patterns of living, commuting and working across borders. For example, collaboration in education and talent mobility policies determine whether a region can develop a shared labour market capable of supporting high-value industries. Transport connectivity and housing coordination shape patterns of commuting and urban development across the border. Environmental cooperation is needed to manage coastal ecosystems, climate-induced risks and land-use pressures, while energy cooperation is needed to meet resource demands from urbanisation and industrialisation from greater integration and investment.

This paper proposes that a more holistic approach to cross-border cooperation is needed to ensure that the Southern Corridor evolves into a genuinely liveable and integrated metropolitan region rather than merely a conduit for global investment. It looks towards improving cross-border liveability through policies on education, talent mobility, transport connectivity, housing coordination, environmental sustainability and energy cooperation. We analyse challenges that may arise from greater cross-border economic integration and identify opportunities for collaboration to allow the corridor to evolve into a resilient and integrated regional economy. It concludes with policy recommendations for strengthening cooperation with a broader policy agenda, drawing on international experience and practices that have supported other successful cross-border regions.

Malaysia's Southern Corridor offers a unique opportunity to develop a new model of cross-border connectivity in Southeast Asia and beyond. Located at the intersection of major shipping routes and regional production networks, the Johor-Singapore corridor is well positioned to function as a hub linking global capital, regional manufacturing and ASEAN markets. As geopolitical fragmentation reshapes global supply chains and increases the need for resilient regional production networks, cross-border economic zones could become increasingly important platforms for integration. The Southern Corridor, therefore, presents an opportunity to establish a new model of cross-border cooperation where economic integration is complemented by development of labour markets, education systems, transport networks and housing.

2.0 Background

2.1 The Johor-Singapore Special Economic Zone

JS-SEZ was launched at the start of 2025 by both countries as a landmark bilateral initiative to deepen economic integration across the Johor Strait. In the short term, the initiative seeks to strengthen the region's ability to attract international investment by combining Singapore's strengths in finance, technology and innovation with Johor's industrial capacity, land availability and relatively younger workforce. Over the longer term, greater integration between both economies aims to establish the Southern Corridor as a competitive manufacturing and services hub in Southeast Asia.[2] For Malaysia, JS-SEZ is also intended to support broader economic objectives of developing higher value-added capabilities in manufacturing and creating skilled employment opportunities.[3]

JS-SEZ builds upon decades of cross-border economic cooperation between Malaysia and Singapore. As early as the 1990s, the Singapore-Johor-Riau Growth Triangle sought to attract international investment by leveraging on the complementary advantages of Singapore, Johor and the Riau Islands. Under this model, Singapore concentrated on higher value-added activities, while Johor and Batam provided land and labour required for labour- and resource-intensive activities. In the 2000s, Malaysia again sought to transform Johor's economy by launching Iskandar Malaysia, positioning the state as a regional development corridor with flagship zones specialising in manufacturing, logistics, education, healthcare and services.[4] JS-SEZ, therefore, represents an extension of a longstanding strategy to integrate the economies of the Southern Corridor through regional specialisations.

Its current framework is primarily centred on investment facilitation and reducing the frictions associated with cross-border economic activity. Malaysia introduced preferential tax rates for qualifying firms in strategic sectors, such as advanced manufacturing, artificial intelligence, aerospace, and financial services, with incentives available for up to 15 years.[5] Both governments have also pursued measures to improve cross-border connectivity by lowering the costs of moving people and goods across the border. The Johor Bahru-Singapore Rapid Transit System (RTS) link and QR immigration clearance are expected to improve passenger mobility, while ongoing efforts to streamline customs procedures aim to facilitate trade and strengthen supply chains.

The combination of fiscal incentives, strategic location along the Malacca Strait, established logistics infrastructure and strong bilateral political support has generated growing interest among international investors. Recent investment commitments in areas, such as data centres, advanced manufacturing and logistics, indicate that global firms increasingly view the

Southern Corridor as a competitive platform for regional production.[6] These early successes demonstrate the potential of cross-border cooperation in investment promotion to generate economic opportunities across both sides of the border.

However, while fiscal incentives and the simplification of regulatory processes can accelerate capital accumulation, they could also strain the social and environmental systems required to support sustained economic activity. On this front, public information on the JS-SEZ remains heavily focused on factories, ports, data centres and industrial parks, with less clarity on the development of supporting social infrastructure, such as affordable housing, schools, universities, healthcare facilities and public transport. As the region becomes increasingly integrated, policy attention will inevitably move beyond how to attract investment to how investments and economic development could contribute to a more liveable and resilient cross-border region. Details on the policy surrounding access to housing and education, infrastructure and environmental resilience remain sparse. This raises questions on whether SEZ's development strategy pays sufficient attention to the broader social and environmental conditions that enable people and businesses to thrive.

2.2 International examples of cross-border cooperation

Cross-border economic cooperation is not unique to Malaysia's Southern Corridor. Around the world, neighbouring cities have leveraged on geographic proximity and complementary economic advantages for regional development. While many of these initiatives focus on attracting investment and integrating production networks, successful cross-border regions have gradually expanded cooperation to address the wider conditions required for an integrated metropolitan economy.

The experience of Shenzhen and Hong Kong illustrates how cross-border cooperation can evolve alongside economic development. Shenzhen's early growth as a special economic zone relied heavily on relocation of labour-intensive manufacturing operations from Hong Kong.[7] As Shenzhen's economy matured and it sought to move into higher value-added activities, the focus of collaboration shifted towards developing skilled workforce and research capabilities required for the next phase of industrial upgrading. Shenzhen attracted Hong Kong universities to establish campuses and research laboratories, and these institutions contributed to its emergence as a global centre for technological innovation.[8]

European cross-border regions demonstrate the importance of coordinating policies that shape everyday life. The Øresund region encompassing the territories of Copenhagen in Denmark and Malmo in Sweden offers an example of collaboration in urban planning to address housing and transportation. The two cities are linked via a bridge-tunnel that supports large commuter flows by both road and rail. The Malmo municipality council coordinates housing policy and transport infrastructure with consideration of its economic and spatial relationship with Copenhagen, recognising that urban development decisions in one city affect the wider cross-border metropolitan region.[9] Likewise, Vienna and Bratislava, located only 60km apart, have pursued greater labour market integration beyond improving physical connectivity. Initiatives include joint labour market analysis, information sharing on employment opportunities, and coordination among labour market institutions and employers to reduce barriers to mobility.[10] These efforts complement investments in transport connectivity and enable the two cities to function as an integrated labour market.

Across the Pacific Ocean, the cross-border region between San Diego in the United States and Tijuana in Mexico illustrates how environmental challenges can transcend political boundaries and require coordinated responses. Decades of inadequate wastewater infrastructure along the Tijuana River that connects both cities contributed to sewage overflows, causing recurring beach closures, public health concerns and environmental degradation along the coastline. In response, US and Mexican authorities have pursued joint solutions, including investments to expand cross-border wastewater treatment capacity.[11] The experience of San Diego and Tijuana demonstrates that successful and sustainable long-term regional integration requires cooperation mechanisms that extend beyond economic cooperation into collaborative stewardship of the natural systems that span boundaries.

Together, these international examples show that successful cross-border regions need to evolve beyond investment-led integration towards broader institutional coordination. As economic linkages deepen, cooperation extends to education, housing, transport, labour mobility and environmental management. Cooperation in these policy domains ensures people and businesses thrive within an integrated cross-border region. For the JS-SEZ, these global examples provide useful policy lessons for its next phase of development.

3.0 Challenges and opportunities for collaboration

This section examines existing challenges and emerging policy considerations in the Southern Corridor. Some of these issues reflect longstanding development constraints in Johor that the JS-SEZ could address, while others arise from the evolving growth trajectory and deeper integration between the two jurisdictions in the Southern Corridor. While the forthcoming JS-SEZ blueprint may provide further clarity on these priorities, the current state of policy developments provides an opportunity to consider how bilateral cooperation can extend beyond investment to address broader development challenges.[12]

The JS-SEZ provides a platform for both governments to address challenges that transcend jurisdictional boundaries. As economic linkages deepen, issues related to infrastructure planning, talent development, resource management and environmental resilience become increasingly important to the Southern Corridor's long-term development. This paper does not seek to provide an exhaustive assessment of all potential areas for cooperation. Instead, we focus on several salient issues where greater coordination can strengthen the foundations of a liveable and integrated cross-border region.

3.1 Attracting and retaining talent in Johor

Industrial development in Johor has historically been characterised by the relocation of manufacturing activities that require lower levels of technological sophistication, while more advanced and higher-value activities remain concentrated elsewhere.[13] As Johor seeks to move towards higher-value industries, the development and retention of skilled talent will be a critical enabler.[14] The state has established a relatively strong foundation to support this ambition through its higher education ecosystem, which comprises both public and private institutions. Johor is home to major public universities, including Universiti Teknologi Malaysia (UTM) and Universiti Tun Hussein Onn Malaysia (UTHM), and a branch campus of Universiti Teknologi Mara (UiTM). These institutions are complemented by the growing presence of private higher education providers, supported by the deliberate development of EduCity as an education hub hosting universities with diverse areas of specialisation. Higher education capacity is expected to expand further with the development of UTHM's integrated campus at EduHub Pagoh.

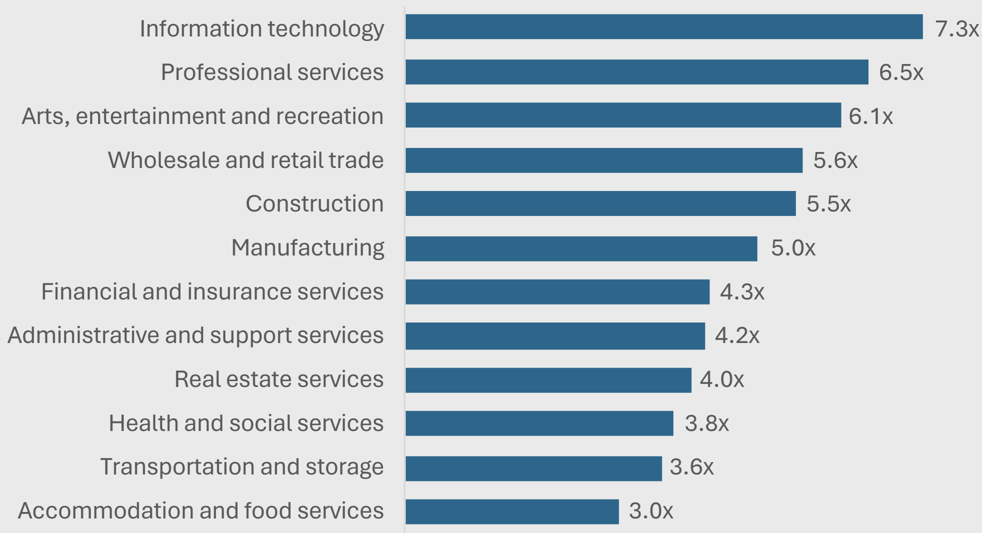
Johor has also invested substantially in workforce development to align labour supply with emerging industry needs. The Johor Talent Development Council (JTDC) brings together federal agencies and the state government to coordinate skills development and workforce initiatives supporting the growth of the corridor since the announcement of the JS-SEZ. These efforts are focused on addressing immediate industry needs by expanding the supply of skilled workers demanded by industries receiving new investments. However, this approach raises a broader strategic question. Johor has demonstrated the capacity to produce and train talent but the expansion of talent supply alone does not guarantee that these workers will contribute to its long-term economic development. Public resources are being invested to develop graduates and upgrade workforce capabilities, yet the state must also consider how to create the conditions that encourage skilled workers to remain and build their careers locally.

This is especially so given the substantial wage differentials between Johor and Singapore. Median wages in Singapore (Fig. 1) are estimated to be nearly five times higher than the average wage in Johor in nominal terms, with even larger differentials observed in sectors, such as information technology and professional services. This wage gap creates strong economic incentives for skilled workers to pursue job opportunities across the Causeway. Even if Johor continues to expand its higher education capacity and workforce development programmes, in the short term, a significant share of graduates may continue to seek employment in Singapore. Expanding the supply of talent without addressing this structural wage gap may inadvertently increase the pool of workers available in Singapore's labour market, while improving graduate skills strengthen their competitiveness for Singaporean jobs. The policy challenge, therefore, is to create stronger incentives for talent to remain in Johor through more competitive wages, better career progression and improved quality of life.

Attracting and retaining skilled talent fundamentally depends on employment opportunities that provide competitive wages. The prevailing policy rationale emphasises that higher-value investments will increase demand for skilled workers and create jobs that pay higher wages.[15] However, an investor-friendly approach alone does not automatically ensure that productivity gains or cost savings translate into higher compensation. While Johor has articulated the ambition of creating premium-wage jobs, it has yet to be translated into institutional mechanisms or requirements for firms to provide higher wages.[16] Without such mechanisms, immediate wage convergence with Singapore is unlikely. Over the longer term, attracting investment to develop sectors that complement Singapore will be important to raise wages in Johor. Rather than competing directly across the same industries, a more strategic approach would be to build a comparative advantage in specialisations that complement Singapore so that these sectors can offer wages comparable with or exceed those in Singapore. Fig. 1 indicates that wage differentials are already narrower in, for example, the transportation and storage sector. These sectors could be starting points for industrial upgrading and efforts to narrow the wage gap.

Fig. 1: Singaporean wage 'premium' over Johor differs by sector

Ratio of median wage in Singapore to average wages in Johor (2022)



Source: authors' calculations based on 2022 data from the Department of Statistics Malaysia (DOSM) and the Ministry of Manpower, Singapore

Note: wage ratios are calculated based on nominal terms. MYR/SGD exchange rate at the end of 2022 used for conversion.

A complementary approach is to develop a cross-border talent ecosystem through partnerships between education and training institutions in both countries and between these institutions and the private sector. The JS-SEZ provides a platform to facilitate partnerships through joint research and industry placements across the border to give students access to opportunities regionally. Such partnerships would strengthen links between education and training institutions while allowing graduates to build professional networks across the Southern Corridor. More importantly, this approach shifts the government's role from being the primary provider of workforce development to becoming a facilitator of collaboration between universities and industry. Workforce development, therefore, becomes a shared responsibility across governments, education institutions, and the private sector. A smaller role of the government in training provision would allow public resources to be redirected towards other factors that make the region an attractive place for talent to build their lives and careers, such as housing and public transport.

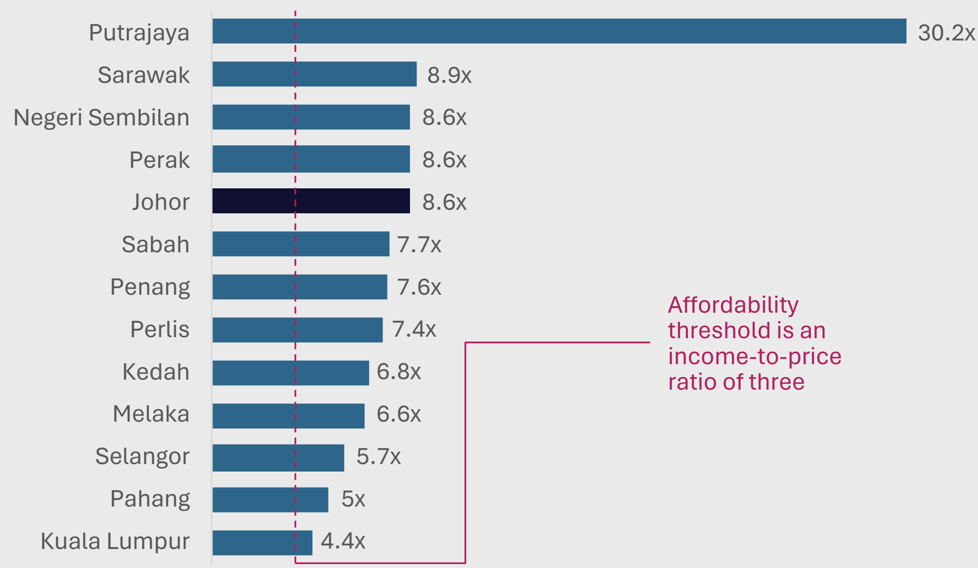
3.2 Declining home affordability

Access to affordable housing in the JS-SEZ is equally important as creating employment opportunities, as its sustained success requires that people can afford to live there. Current data suggests that this is increasingly no longer the case. Growing investor interest in the JS-SEZ has led to a residential property market boom shaped by a "dual-market dynamic", whereby local housing prices are increasingly driven by cross-border demand rather than local purchasing power and demand.[17]

Fig. 2 illustrates the implications of this trend: Johor records a severely unaffordable price-to-income ratio, where median prices of newly launched residential projects are more than eight times the median annual household income, surpassing the affordability threshold of three set by the "median multiple" method.[18,19] This indicates that residential properties are priced well beyond what a household is able to afford based on market affordability metrics and are becoming increasingly disconnected from local purchasing power.

Fig. 2: Residential property in Johor severely unaffordable

Price-to-income ratio of latest housing developments by state



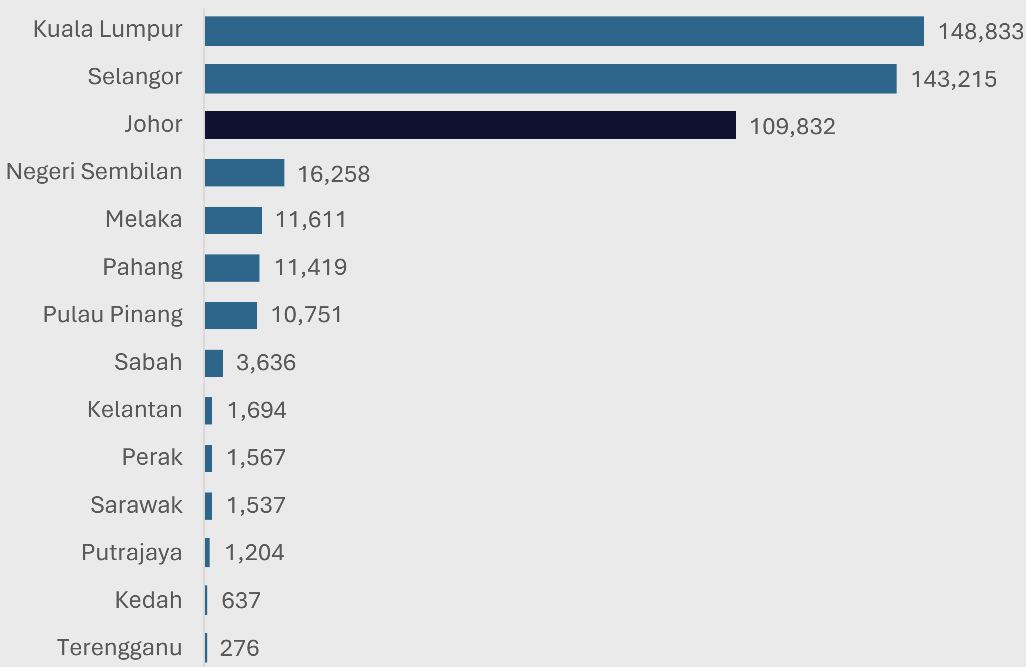
Source: DOSM and NewProjek

Note: price-to-income ratio is calculated based on median annual household income and median price of property launch developments. The method, known as 'median multiple', is used by the World Bank/UNHCS Housing Indicators Programme to gauge housing affordability.

While this illustrates a general price appreciation across the residential market, the composition of housing supply provides a clearer indication of how investment is reshaping Johor's property market. Nowhere is this more apparent than in the mushrooming of serviced apartments (Fig. 3) despite demand for terraced homes (Fig. 4) exceeding all residential property types. This mismatch in supply and demand has led to a massive overhang in serviced apartments. As it stands, 72% of overhang units of completed properties in Johor, amounting to more than 12,000 units, consist of serviced apartments, which are residential developments built on commercial land.

Fig. 3: Johor's serviced apartment market among the largest in Malaysia

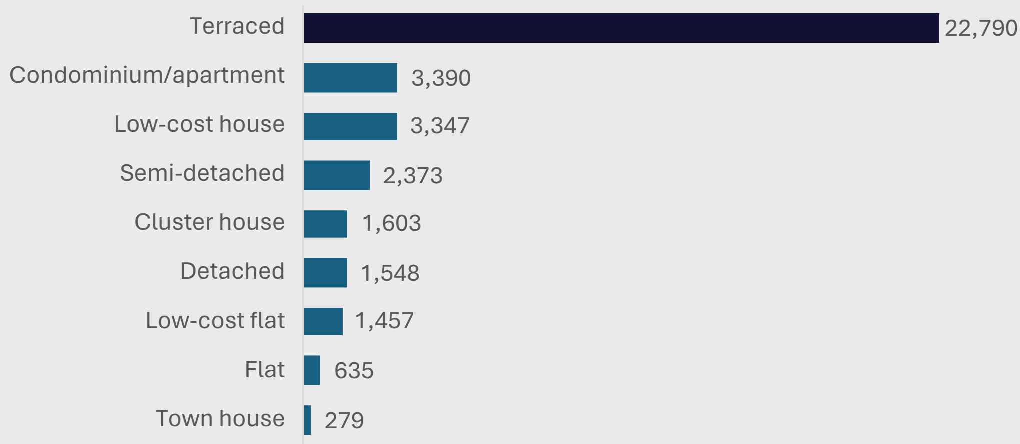
Number of serviced apartment units by state, Q3 2025



Source: National Property Information Centre (2025)[20]

Fig. 4: Terraced homes dominate sales of residential properties

Residential transaction volume in Johor by property type, 2025



Source: National Property Information Centre (2025) [21]

Note: 'terraced', 'detached' and 'semi-detached' property types consist of single and multi-storey units.

As of 2025, Johor leads in serviced apartments overhang, while 6,168 units remain under construction and unsold, trailing behind only Kuala Lumpur and Selangor. The surge in serviced apartment unit numbers poses a major issue for prospective homeowners in the region. Owing to the higher development and maintenance costs of serviced apartments, they are deemed unattractive to those who intend to reside in Johor. Ultimately, the unaffordability of serviced apartments risks perpetuating overhang, as these units may increasingly serve as investment vehicles through their repurposing to short-term rentals instead of for long-term residency. The serviced apartment overhang points to a wider shift in the idea of a home – from a place to establish roots into a mechanism to be financialised for profit. In effect, housing risks becoming detached from its social function of upholding community.

If left unaddressed, the region risks becoming a speculative property market. While investment is needed to catalyse growth, it also hinges on the ability for the Southern Corridor to retain residents. These residents allow for neighbourhoods to endure and generate economic value through consistent patronage of local businesses. Seen through this lens, the emergence of "dormitory communities" raises alarm bells. As Johor folk continue to pursue more lucrative employment – mainly in Singapore – a growing share of their time and spending takes place elsewhere. Consequently, the commercial function of mature neighbourhoods, such as those in Bukit Indah and Gelang Patah, is hollowed out as local businesses lose the steady patronage that long-term residents provide. As JS-SEZ continues to develop, the state government must not only realign housing supply to meet local needs but must also ensure policies support long-term residency.

3.3 Mobility concerns in the JS-SEZ

As jobs and residential properties have seen an increase throughout the development of the JS-SEZ, the demand for cross-border and intra-regional mobility is likely to surge. This is especially pertinent as the RTS link reaches completion. On this front, he current separation of roles between housing and mobility authorities complicates the coordinated planning required to address potential traffic bottlenecks within the Johor city centre as it becomes better connected to the border checkpoint via the RTS link.

In fact, Johor's strategy for comprehensive housing development is largely segregated from discussions of mobility, owing to the advisory nature of the Public Transport Corporation of Johor (PAJ). PAJ, formed under the Companies Act 1965, is a state-owned private company, which functions as an agency to coordinate services pertaining to public transport. PAJ's sphere of influence extends to supervising state-funded bus and taxi services. Within the pipeline of affordable housing delivery, the Housing Development Body of Johor (PKPJ), through the Planning Design and Review Committee (PDRC), will reach out to PAJ, whose role is to provide advisory feedback for developments requiring traffic impact assessments. Traffic impact assessments may also be initiated by both the Public Works Department (JKR) alongside city councils.

Additionally, PAJ plays the role of a coordinator, facilitating engagement between agencies and providing technical input on transport-related considerations for new developments. However, as its role is largely consultative, PAJ has no statutory authority to mandate mobility-centric planning outcomes beyond influencing vehicular traffic flows. This institutional arrangement creates fragmentation in responsibilities pertaining to mobility types. While vehicular traffic flows are commandeered by JKR with feedback from PAJ, the responsibility of pedestrian mobility falls squarely under city councils despite these functions of mobility being interconnected. Decisions affecting pedestrian mobility are undertaken separately from broader traffic planning efforts, with no mechanism formalising a deeper institutional alignment between PAJ and city councils, particularly within the JS-SEZ. The outcome is housing and mobility considerations being implemented through different institutional channels.

Therefore, the PDRC in its current state lacks the ability to enforce the linkages between housing and mobility in totality. This could jeopardise Johor's affordable housing strategy as inaccessible residential enclaves divorced from comprehensive mobility infrastructure become "transport deserts". This would not only raise the cost of living for residents within the JS-SEZ due to commuting costs but would also lower its attractiveness as an employment hub. Additionally, the benefits brought forth by rail investments would be nullified due to induced traffic bottlenecks within central business districts.

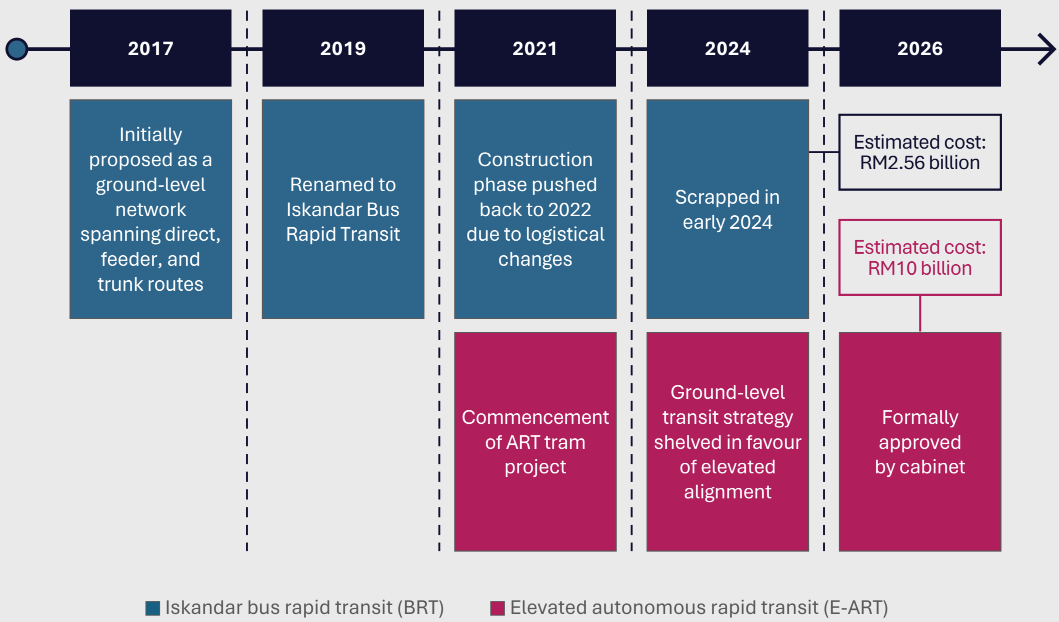
Looking abroad, cities such as Malmö show that the alignment between the housing and transport sectors is possible. Through the city's approach of "building for proximity", Malmö's Principal Development Strategy, anchors city planning towards public transport nodes. This guides municipal development strategies to cultivate dense, mixed-use cities, which enable mobility through walking, cycling and public transit.

Here, transportation plans linking districts within the JS-SEZ remain a question mark, despite solidifying plans to streamline movement between Johor and Singapore. Acknowledging congestion concerns between Johor and Singapore, the RTS link – connecting Woodlands in Singapore to Johor Bahru – is in its final stages of testing. This rail transit option aims to facilitate the movement of more than 10,000 people per hour, per direction, solidifying the Johor-Singapore Causeway as the busiest border crossing in the world.[22] Yet, rail transit plans beyond the RTS link remain uncertain as the state government has yet to articulate a clear traffic-dispersal strategy.

Currently, several proposals remain stalled or were scrapped due to cost concerns, such as the Iskandar Malaysia Bus Rapid Transit (BRT) project, alongside an LRT project and elevated autonomous rapid transit (ART) project (Fig. 5). Overall, a lack of transparency on the feasibility of a chosen approach, its capacity for traffic dispersal and broader capabilities for inter-state connectivity risk undermining the JS-SEZ's hopes for a coordinated and long-lasting mobility vision. Mobility projects should not only be aimed at addressing an influx from across the Causeway alone but also focus on movement within the JS-SEZ itself.

Fig. 5: Large-scale traffic dispersal projects remain in limbo

Timeline of proposed transit projects within the JS-SEZ



3.4 Energy transition and cooperation

Even prior to the JS-SEZ, growing renewable energy needs and climate vulnerabilities prompted the state to launch the Johor Green Deal in 2023 – aimed at transitioning to a low-carbon, climate-resilient economy. The Southern Johor Renewable Energy Corridor (SJREC) has since positioned the state as a prospective net renewable energy producer, with Singapore committed to importing 6GW of low-carbon electricity by 2035. These developments give Johor an increasingly important role in regional energy cooperation, but they also expose the state to three interconnected pressures that could undermine its ability to maintain sufficient, affordable and low-carbon electricity supply.

The first comes from the need to balance electricity exports with domestic energy requirements. As renewable energy exports to Singapore expand and new industries enter the JS-SEZ, Johor will face the challenge of ensuring that additional generation and grid capacity keep pace with demand from households, existing businesses and incoming energy-intensive industries. These claims on the grid are developing simultaneously, yet there is no clear mechanism to reserve generation capacity for exports, domestic consumption or its clean-energy targets. Without such coordination, export revenue and domestic energy security risk being treated as separate priorities even though they depend on the same generation and transmission infrastructure.

Regional power trading demonstrates the limitations of existing cooperation models. The Laos-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP), initiated in 2014 and operationalised in 2022, developed from a Malaysia-Singapore bilateral connection into ASEAN's first four-nation multilateral electricity-trading arrangement.[23] Malaysia serves as the essential grid intermediary between mainland and maritime Southe ast Asia, giving it leverage in bilateral and regional energy negotiations. LTMS-PIP's extension to 200MW of multidirectional flows by end-2024 demonstrated that multilateral power trade across sovereign grids is technically feasible.

However, LTMS-PIP does not provide a complete governance model for the JS-SEZ. Its operation depends heavily on Malaysia functioning as a transit country, allowing participating states to coordinate electricity flows without establishing extensive arrangements for shared infrastructure costs, regulatory alignment or dispute settlement. A deeper bilateral partnership, such as the JS-SEZ, requires clearer agreements on who finances new generation and grid capacity, how to allocate supply during shortages, how to determine electricity prices and how to resolve disagreements. LTMS-PIP's technical success cannot be assumed to translate automatically into reliable energy governance for the JS-SEZ.

The second pressure comes from the rapid increase in electricity demand generated by resource-intensive investment. For example, data centre investments have translated into operational capacity in Johor, which grew from about 10MW in 2021 to 1.3GW in 2024, representing a 130-fold increase in three years. The combined power requirements associated with proposed data centre developments have been estimated at a substantial share of Peninsular Malaysia's installed generation capacity. The JS-SEZ is likely to accelerate this trend as Singapore-based firms relocate or expand their operations in Johor, creating additional electricity sales and revenue for Tenaga Nasional Berhad. Yet this expansion is not currently tied to corresponding obligations to develop new renewable generation, storage or grid infrastructure. Electricity tariffs also provide an incomplete signal of the wider cost of serving highly energy-intensive users. Where tariffs do not fully reflect the cost of constructing additional generation and transmission capacity, developers have limited incentives to reduce demand or finance new clean-energy supply.

The third pressure concerns the alignment between energy-intensive development and Johor's climate commitments. The Low-Carbon Society Blueprint 2030 and Johor Renewable

Energy Policy 2030 establish ambitions to reduce carbon emissions, strengthen energy efficiency and expand renewable electricity.[24, 25] However, the scale and pace of industrial demand could make these targets more difficult to achieve, especially amid greater incentives to increase both industrial investment and electricity exports. Eventually, if the pace of renewable capacity and grid upgrades are unable to meet growing demand, electricity consumption may need to be met through additional fossil fuel generation – hampering progress towards its own low-carbon objectives.

International experience illustrates the risks of failing to manage these competing obligations. Laos expanded hydropower exports through Mekong power-trading arrangements without coordinating export commitments with domestic electricity access, which resulted in domestic supply shortages.[26] Likewise, Johor could face a similar imbalance if export earnings and industrial development are pursued without reserving sufficient capacity for domestic consumers and the green energy transition.

3.5 Ecological degradation and disaster risks

The energy pressures documented in the preceding section are inseparable from a broader pattern of ecological degradation and climate vulnerability that the partnership development model is compounding. Over the last few decades, successive waves of industrial and residential development have accelerated land conversion across the corridor. This build-out has spread impervious surfaces (i.e. paved roads, buildings and parking lots that shed rather than absorb water), degraded coastal wetlands that absorb storm surge, and intensified urban heat that amplifies rainfall – mutually reinforcing pressures that compound disaster risks.[27, 28, 29]

In fact, the JS-SEZ is built on land with documented history of flooding. In 2006, Johor recorded one of the most extreme rainfalls in state history with 90,000 people evacuated and 18 deaths. Greater investment and development will only deepen these risks without sufficient mitigating policies. The same is true of heat. Since 2005, Johor Bahru has warmed by 6.7°C in urban centres, an increase driven by the very land conversion that the JS-SEZ is poised to accelerate across its nine flagship zones.

More data centres will compound the problem. Studies have shown that built-up intensity and vegetation loss can drive land surface temperature to increase. Indeed, in some areas in Johor, data centre operators have increasingly acquired land adjacent to residential estates. For example, residents of Taman Nusa Bayu staged a protest in February 2026 against facilities constructed without prior community consultation, reporting dust pollution, construction noise, heavy vehicle traffic and loss of water pressure.[30]

Taken together, the JS-SEZ introduces a multiplier effect on existing climate risks, which could translate to higher cost to cool homes, greater exposure to heat-related illness, more intense flooding and reduced quality of life in urban areas. This effect falls hardest on the coastal ecosystems that are the economic zone's primary natural flood defence. Between 2000 and 2019, Iskandar Malaysia lost 2,907ha of mangrove cover at an annual rate above the global average, with mean patch size collapsing from 105ha to 27ha as fragmentation accelerated alongside outright loss. For Johor's coastal communities, mangrove loss would pose impacts on their liveability and livelihoods. Mangroves buffer storm surge, stabilise shorelines, filter sediment and sustain fisheries. Their loss exposes communities to flooding that the remaining drainage infrastructure may not be able to manage, erodes the natural barriers that protect low-lying residential areas and degrades the inshore fisheries that provide income and food security to communities along the Strait of Johor. Sungai Pulai, Pulau Kukup and Tanjung Piai, all listed under Ramsar wetlands and totalling more than 10,000ha, sit within the JS-SEZ footprint.

Currently, there are no bilateral protection mechanism and no no-net-loss condition tied to investment approvals. The JS-SEZ's ambition needs to be a model of integrated cross-border development that demands a higher standard where industrial land use, residential areas and ecologically sensitive zones must be spatially coordinated from the outset rather than reconciled after the fact.

4.0 Policy recommendations

Having identified challenges and key areas where deeper cooperation between Johor and Singapore can strengthen the foundations of a liveable and integrated Southern Corridor, the policy recommendations could translate these opportunities into action. Drawing on international experiences of cross-border cooperation, the recommendations focus on the institutional and physical conditions required for people to work, study, commute and live seamlessly across the border. These measures outline how Johor and Singapore can move towards a more integrated model of regional development while managing shared challenges and shaping their interconnected futures.

4.1 Capture spillovers from cross-border investments

Foreign investment could lead to wider industrial upgrading and domestic value creation when embedded within the domestic economy. Attracting foreign investment should be accompanied by efforts to integrate Malaysian firms into multinational supply chains. Otherwise, foreign investors could rely on imported suppliers, which limits spillovers to the local economy. The JS-SEZ has already attracted foreign firms in advanced manufacturing and data centres. The next phase is to focus on strengthening linkages between foreign and local firms to support technology transfer, local entrepreneurship and the emergence of competitive domestic industries.

Achieving these objectives requires policy support at three stages. First, during investment promotion, Invest Johor and the Invest Malaysia Facilitation Centre-Johor (IMFC-J) could expand their role to facilitate connections between foreign investors with potential local suppliers. Engagement between investors and domestic firms early in the investment process would improve their visibility before procurement and supplier decisions are made. Second, local firms could benefit from support to meet the requirements of multinational supply chains. Greater coordination between state and federal agencies could help connect Malaysian firms with existing financing instruments, such as federal government guarantees and SME Corp programmes, to ease capital constraints when expanding production capacity.[31] At the same time, technical assistance on quality certification and international production standards would improve the readiness of local firms to supply to multinational companies. Third, targeted policy support can help promising Johor firms to develop their proprietary technologies, specialised services or branded products to enable them to move up and become globally competitive firms.

4.2 Strengthen education linkages to support talent development

Collaboration in education can serve as the first step towards integrating the labour markets of Johor and Singapore by developing complementary specialised capabilities. As economic integration deepens, the Southern Corridor must be able to develop the human capital required to support higher value-added industries. To this end, greater institutional linkages between education and research institutions can broaden access to training and research opportunities across the corridor. By expanding access to high-quality education and research opportunities, Johor can strengthen its ability to attract and retain talent from Malaysia and the wider region, while Singapore can extend its research and education capabilities through deeper regional linkages. Over time, these connections can support a more integrated metropolitan economy with complementary specialisations across Johor and Singapore.

Existing initiatives demonstrate the potential for such cooperation. Singapore's polytechnics have engaged in technical training partnerships with Indonesian institutions in Batam, while students from Singapore have undertaken industrial training with Singaporean firms operating in Johor.[32] These examples suggest that Singaporean education institutions are already capable of extending their activities outside their borders. These piecemeal efforts should evolve into more structured forms of cross-border education cooperation. A practical starting point would be to strengthen recognition of learning outcomes through existing mechanisms, such as the ASEAN Qualifications Reference Framework, creating pathways for credit transfers and joint academic programmes. Finally, a more ambitious, longer-term goal is to establish joint laboratories and innovation centres, which could strengthen the Southern Corridor's research capabilities and support the development of a dynamic innovation ecosystem.

4.3 Establish mechanisms to improve residential housing affordability

As the housing sector in the JS-SEZ expands rapidly, the Johor government must closely monitor the residential property landscape to curb speculation in service of housing affordability. In fact, residential property development should be directed at improving liveability standards of residents, as opposed to creating assets purely for real estate investment. The JS-SEZ stands to benefit from emulating strategies imposed by other special economic zones, particularly Shenzhen-Hong Kong and its approach to reducing housing market speculation. Acknowledging the housing market boom generated from investments in the special economic zone, the Shenzhen Housing Bureau introduced restrictions on purchases for individuals and households to curb speculation. Notably, eligibility to purchase residential property is subject to residency and contribution requirements. For individuals, eligibility is contingent upon holding a valid Shenzhen household registration (hukou) for a stipulated minimum period or for non-hukou residents, having continuously paid individual income tax or social insurance contributions for a stipulated minimum number of years. For enterprises, eligibility is similarly subject to operational and tax compliance requirements, including a minimum period of business operation and/or the payment of taxes meeting stipulated thresholds.

Strict eligibility requirements to qualify for housing purchases and a more active approach to regulate private enterprise's role in the residential property market have played a part in ensuring housing market equitability in Shenzhen. Together with a broad range of housing subsidies targeted at groups, such as skilled talent and low-income households, these measures have expanded access to homeownership while suppressing speculative pressure. A similar logic applies to serviced apartment developments, which are frequently sold to foreign buyers as investment vehicles rather than occupied as housing (Section 3.2). Here, density caps and comparable restrictions could help to redirect housing stock towards genuine residential use.

4.4 Streamline access to affordable housing schemes

Affordable housing is crucial in ensuring talent retention and by extension, the viability of the JS-SEZ as a competitive and economically sustainable initiative. Acknowledging this concern, PDRC was established in 2022 as a taskforce to develop housing at scale. Through this taskforce, relevant stakeholders, such as PKPJ, the Johor branch of PLANMalaysia, and city and municipal councils were convened to deliberate over the delivery of affordable housing in Johor under the Johor Affordable Housing Scheme (RMMJ). Under RMMJ, initiatives like Rumah Kasih Johor provide free housing for citizens in poverty, provided they do not already own a home and land. Beginning from 2023, 393 units have been built across 10 districts, with a target of 700 units by the end of 2026, amounting to an allocation of RM96.5 million. The scope of Johor's affordable housing initiatives extends beyond PKPJ. Rumah Iskandar Malaysia, a scheme spearheaded by the Iskandar Regional Development Authority (IRDA), offers rental properties at affordable rates as an option for transit housing for low- and middle-income residents of the Iskandar region. These approaches appear promising, signalling an institutional willingness for inter-state coordination to meet a growing demand for homes at affordable prices.

Nonetheless, the state government must expand investment in affordable housing closer to central business districts to bring talent to employment centres. Existing and future affordable housing programmes should prioritise access to jobs by allocating strategically located land for affordable housing targeted at Johor residents, shielding them from speculative pressures driven by private sector investment. To enable this, the state government should re-examine zoning strategies to identify underutilised plots suitable for smaller-scale housing in urban areas. PDRC must also improve coordination between government agencies, such as PKPJ and city councils, to enable connectivity of residential areas to commercial areas.

4.5 Commit public resources to expand public transport

The current mobility agenda is dominated by the RTS and a series of disconnected road and transit proposals when the transport system must be designed around actual patterns of residence, employment and movement across the state and across the Causeway. Current arrangements dictating transport planning efforts are fragmented across several state and federal agencies, with ad hoc solutions. Seen through this lens, formalising strategies through a single point of contact would immensely benefit the JS-SEZ. Rather than have PAJ be a member of RMMJ, PAJ can instead lead and execute discussions, subject to feedback from local councils and the Ministry of Transport. Through this approach, an alignment of rail, road and feeder services could address impending traffic congestion brought by the RTS, while physically connecting the districts within the Southern Corridor and beyond.

These strategies must focus on mobility beyond private vehicles. Providing infrastructure beyond the RTS to facilitate different functions of mobility is key to ensuring smooth movement across and within the JS-SEZ. To that end, similar investments must be made to Johor's transport infrastructure as the RTS nears completion. This can be done through strengthening the capacity of government agencies responsible for carrying out transport-related infrastructure – encapsulating feeder bus, pedestrian, and micromobility – through both an increase in financing and responsibility. City councils, which oversee pedestrian infrastructure, would benefit significantly, as additional funding would expand their operational capacity to enforce universal design standards on developers. PAJ also stands to gain since its mobility responsibilities overlap with those of city councils.

4.6 Energy agreement with cost-sharing and dispute-settlement mechanisms

Multilateral partnership on power trade can move across sovereign grids but may have different requirements under bilateral cooperation. The JS-SEZ bilateral energy agreement should specify a formal cost-sharing formula between Tenaga Nasional Berhad (TNB) and their cross-border counterparts as well as a joint dispute-resolution mechanism and infrastructure planning body with a mandate over shared grid assets.

The Germany-Denmark Bornholm Energy Island Agreement shows what such a partnership could look like.[33] Both governments agreed on a formal cost-sharing model that splits the expense of supporting the wind farm according to how much electricity flows to each country and how much each side benefits.

A similar arrangement for the JS-SEZ could set Singapore's contribution according to the volume and reliability of electricity it receives, the grid and land costs incurred in Johor, and the estimated cost of developing equivalent generation domestically. Malaysia's contribution should correspond to the share of infrastructure that strengthens its own electricity system. The agreement should also cover electricity pricing, project delays, supply interruptions, changes in regulation and compensation where one party bears costs that disproportionately benefit the other. A standing dispute-resolution panel comprising legal, regulatory and technical representatives from both countries should be established to prevent disagreements from being resolved politically.

4.7 Align grid capacity and sustainability standards

Approval of highly electricity-intensive projects, including data centres, in the JS-SEZ should be conditional on the availability of generation and grid capacity (Section 3.4). Large users should be required to secure new supply, provide storage or participate in demand-response programmes before receiving a full grid connection. This would ensure that the demand is competing with other businesses and households. Investment approvals should also consider the cumulative demand created by all projects within a particular location. Assessing facilities individually could allow multiple projects to be approved despite their combined demand exceeding available grid capacity.

Additionally, Johor and Singapore should agree that data-centre operators relocating and expanding from the latter into Johor must meet sustainability standards applicable in Singapore. This would prevent firms from moving energy-intensive operations across the border to avoid tighter domestic resource constraints and to ensure that Malaysia's net-zero target is not derailed.

4.8 Formalise environmental governance

The JS-SEZ's current governance framework is poorly equipped to address environmental impacts (Section 3.5). Development approvals remain unilateral, even though land-use change, water systems and ecological degradation can generate cumulative effects on both sides of the Strait. Article 5 of the Ramsar Convention requires contracting parties to consult one another on shared or hydrologically connected wetlands but the missing piece is the JS-SEZ bilateral agreement, which has not established a formal mechanism to implement this obligation.[34]

This gap is particularly significant because ecological impacts cannot be assessed through individual project approvals alone. Industrial development near rivers, coastlines and wetlands may produce cumulative pressures on water availability, drainage systems, mangrove habitats and the ecological character of protected sites. Johor's data-centre planning guidelines already require development to consider environmental suitability and planning standards, but these requirements remain embedded within domestic approval processes rather than a bilateral framework for evaluating impacts on connected ecosystems. The JS-SEZ should, therefore, require cumulative environmental-impact assessments for major developments in proximity of wetlands, rivers, coastlines and other ecologically sensitive areas.

The bilateral agreement should establish a joint Singapore-Johor environmental planning panel to review these assessments before major projects are approved. The panel should develop shared ecological baselines, identify development exclusion and buffer zones, coordinate environmental monitoring and recommend binding conditions for projects that could affect connected habitats or water systems. This arrangement would also support the Ramsar Convention's broader requirement that listed wetlands be managed in ways that maintain their ecological character and essential ecosystem functions.

The bilateral agreement should formalise this Article 5 consultation process through joint Singapore-Johor committees, giving both governments a standing channel to review development affecting shared ecological assets rather than responding after the fact. Investment approvals affecting Ramsar-listed sites within the JS-SEZ footprint, currently Sungai Pulai, Pulau Kukup and Tanjung Piai, should carry a no-net-loss condition, so that ecological loss on one side of the strait is not treated as a domestic matter alone.

4.9 Mandate compliance with climate and ecological standards

Zoning decisions within the JS-SEZ footprint should be required to demonstrate consistency with federal and state climate and transition policies, and major developments should be subject to a mandatory Detailed Environmental Impact Assessment rather than the discretionary process.

Currently, the operationalisation of investment across the JS-SEZ's promoted sectors, such as manufacturing, logistics, digital infrastructure and the green economy, has no binding commitments to energy and water consumption that could derail federal climate and decarbonisation goals. While policy tools exist, they only act as a pre-approval guideline or incentive framework. Hence, to ensure compliance, state agencies must involve systematic state monitoring of energy consumption, water usage and emissions. IRDA, given its existing climate reporting architecture and its co-leadership of IMFC-J, can act as the coordinating body for this function. Mandatory disclosure, which requires JS-SEZ investors to report against defined energy, water and emissions indicators, would ensure that the state decarbonisation blueprint and national climate agenda progress concurrently.

4.10 Enhance transparency through public reporting

Major decisions on large-scale infrastructure – public transit infrastructure, housing, and other built environment projects – depend on public buy-in. Government agencies that are accessible and answerable to the public build trust between the government and community, helping projects proceed smoothly while considering the community's concerns at every stage of the development cycle. Conversely, opacity widens the trust deficit between a state and its citizens and can jeopardise even technically sound policies.

Formal mechanisms for community input, such as townhalls and roundtables pertaining to development projects, initiated by joint Singapore-Johor committees would help shrink this trust deficit. Through these public consultations, residents and businesses can contribute to policy discussions and are given a platform to voice out concerns. The execution of these projects cannot happen in siloes devoid of public input, as it risks socio-economic and environmental repercussions for communities within the JS-SEZ.

To increase accountability, regular data publications and progress reports on key corridor metrics, such as the number of daily cross-border commuters and transit wait times, transit reliability, land-use approvals, housing supply and relevant environmental indicators, must be made publicly available. These reports should be issued regularly and in a format that allows both the public and experts to understand. Such transparency could improve accountability and foster collective ownership, all of which would help improve liveability in the Southern Corridor.

5.0 Conclusion

Collaboration between Malaysia and Singapore in the JS-SEZ could serve as a model for greater regional integration elsewhere in ASEAN, including the Miri-Brunei corridor, Southern Thailand-Northern Malaysia corridor and Golden Triangle in mainland Southeast Asia. Yet, cooperation between Malaysia and Singapore so far has concentrated on investment promotion, with piecemeal collaborative efforts to address labour shortages, manage peak-period travel or support training needs. While they address immediate operational needs for firms in the region, more could be done to create an institutional foundation to enable Johor and Singapore to function as an integrated metropolitan economy.

The long-term ambition should move beyond merely being an investment platform, to becoming an integrated, thriving cross-border metropolis. Achieving this requires more than attracting capital and firms. If pursued in isolation, investment promotion may undermine the broader conditions needed for sustained regional development. When investor and business interests supersede local government, land prices may rise faster than wages, transport systems become overwhelmed and communities bear the cost of growth without fully sharing in its gains. Thus, serious commitment of public resources to strengthening liveability is necessary to ensure that the gains from cross-border integration are translated into broader social welfare. Parallel investments in education, housing, transport connectivity, healthcare, environmental sustainability and energy security are important to realise the JS-SEZ's full potential.

At the heart of cross-border integration is the ability to connect people living in the region to education, work, and housing across jurisdictional lines, while jointly managing environmental sustainability and energy security. Ultimately, the legacy of the JS-SEZ will be determined by whether it remains an economic corridor or evolves into a model of cross-border connectivity and governance that places equal emphasis on livelihoods and institutional coordination alongside economic development.

Note on methodology

This paper's findings draw on the qualitative research conducted between 2025 and 2026 to examine the opportunities and challenges surrounding the JS-SEZ's formation and long-term strategy, with a particular focus on education, employment, housing, mobility and environmental sustainability.

The research was initiated following a roundtable preceding ISIS Malaysia's flagship public policy conference, PRAXIS 2025. This roundtable convened industry representatives and subject-matter experts to discuss issues, such as employment opportunities in the JS-SEZ, mobility strategies to account for a population increase and the region's capacity for climate resilience in the face of rapid industrialisation along the Southern Corridor. This roundtable informed the scope of the paper and spotlighted several themes requiring further research.

To build on these preliminary findings, we conducted fieldwork across Johor Bahru and the Iskandar region. Fieldwork consisted of interviews with a range of stakeholder types specialising in local and regional governance, education and climate resilience. These engagements sought to understand the practical challenges faced by state authorities, government agencies and city councils in actualising outcomes in line with the JS-SEZ's goals. Insights from the interviews were complemented with both a review of relevant policy documents pertaining to the JS-SEZ, spanning planning frameworks and existing literature on the Southern Corridor, as well as a comparative analysis of international cross-border examples, such as Shenzhen-Hong Kong, Macau-Zhuhai, Copenhagen-Malmo, Vienna-Bratislava, and San Diego-Tijuana.

The interviews provided on-the-ground insights into implementation challenges faced by relevant stakeholders not captured through the analysis of policy documents or quantitative datasets alone, helping to contextualise the secondary evidence referenced throughout the paper.

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