



K-Economy as a Solution for Long-Term Economic Stability

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* The views and opinions expressed are my own

K-Economy Master Plan (2000)

“The quality of human resources will be the single most important factor that will determine the pace and success of the transition toward the K-based economy.

There are three ways in which the quality of human resources can be improved.

The first ... is to upgrade the quality of education at the primary, secondary and tertiary levels, and to foster a culture and intellectual infrastructure to support life-long learning.

The second ... is to foster training and re-training for managers and workers (so as to) upgrade knowledge and skills to cope with the new demands of technology and markets.

The third approach is recruiting foreign talent.

My Central Proposition

If Malaysia does not transition to a Knowledge Economy, it will not be for a lack of knowing what to do.

It will not be because there has not been too little data, too few studies or a scarcity of ideas.

It will not even be for the lack of government policies, funding or efforts to improve human resource development.

If Malaysia does not transition to a Knowledge Economy, it will be because there have been too little strategic commitment and too many compromises in how we attract, develop, retain and motivate human talent.

It will be because there is too much focus on plans and too little follow-through implementation, co-ordination and accountability.

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N=140

Country	2008 Rank	1995 Rank	Change
Taiwan	17	24	+7
Japan	19	17	-2
Singapore	24	20	-4
Hong Kong	26	23	-3
S. Korea	31	28	-3
MALAYSIA	48	48	0
Thailand	60	53	-7
China	77	97	+20
Philippines	79	71	-8
Indonesia	98	96	-2
Vietnam	102	110	+8

Source: World Bank

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The KEI is the simple average of 4 pillars (sub-indexes):-

Pillar 1 - Economic Incentive and Institutional Regime

Tariff & Nontariff Barriers; Regulatory Quality; Rule of Law

Pillar 2 - Education and Training

Adult Literacy Rate; Secondary Enrolment; Tertiary Enrolment

Pillar 3 - Innovation and Technological Adoption

Royalty and License Fees Payments and Receipts; Patent Applications Granted by the US Patent and Trademark Office; Scientific and Technical Journal Articles

Pillar 4 - Information and Communications Technologies (ICT) Infrastructure

Telephones; Computers; Internet Users per 10,000 people

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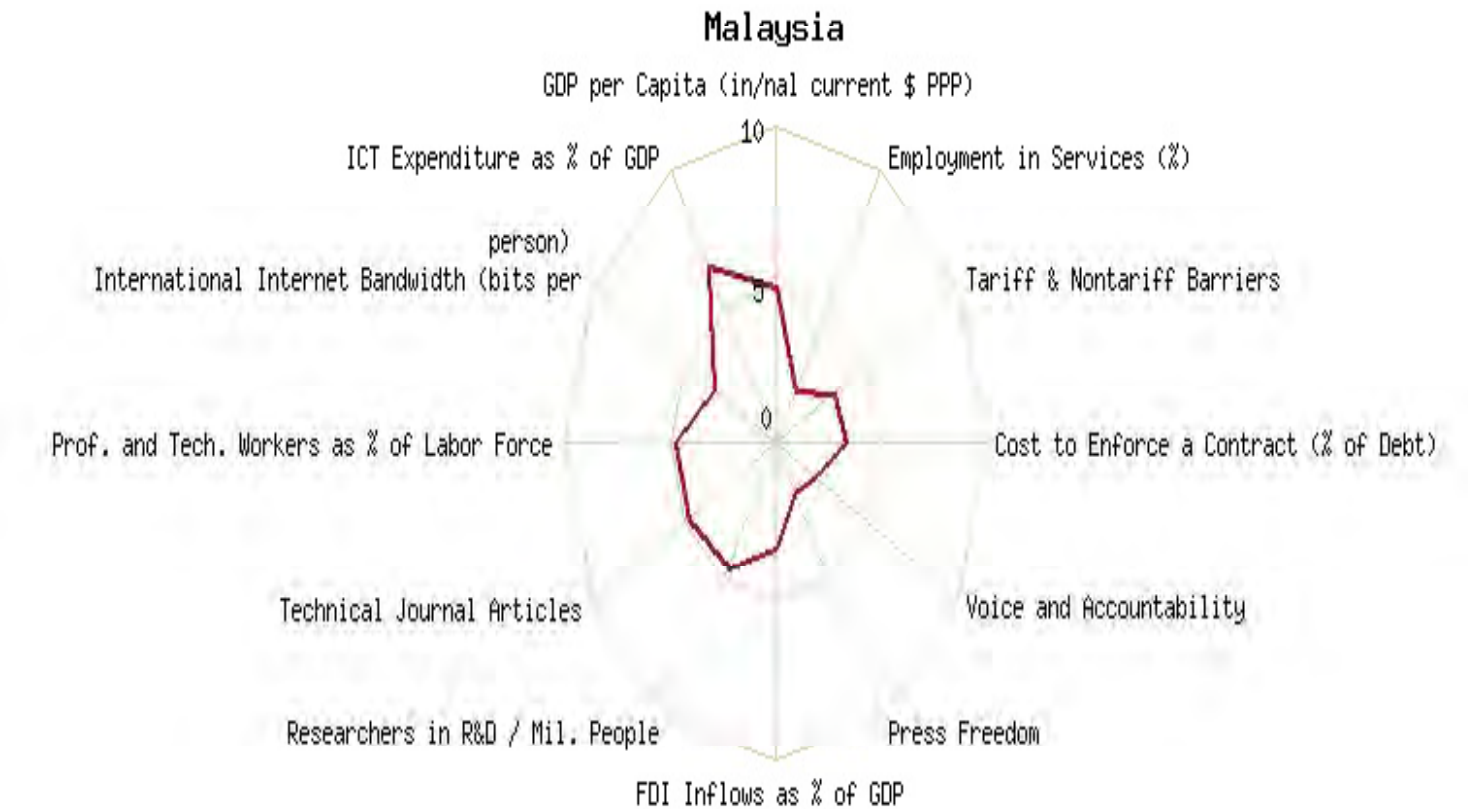
	Pillar 1	Pillar 2	Pillar 3	Pillar 4
Denmark (1)	9.66	9.80	9.57	9.28
United Kingdom (8)	9.28	8.54	9.18	9.38
United States (9)	9.16	8.77	9.45	8.93
Australia (10)	8.66	9.64	8.72	9.16
Taiwan (17)	8.35	7.91	9.24	9.26
Japan (19)	7.71	8.71	9.15	8.66
Singapore (24)	9.71	5.19	9.56	8.50
Hong Kong (26)	9.60	5.30	8.64	9.26
S. Korea (31)	5.57	7.91	8.47	8.71
MALAYSIA (48)	6.18	4.14	6.83	7.08

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Distribution of Country KEI rankings by Quintile and Income Group (2008 and 1995)

2008	5th (Top) Quintile	4th Quintile	3rd Quintile	2nd Quintile	1st (Bottom) Quintile	Income Group Total
No. of Countries						
High Income	27	11	1	0	0	39
Upper Middle Income	0	15	9	1	0	25
Lower Middle Income	0	1	16	18	4	39
Low Income	0	0	1	7	22	30
Quintile Total	27	27	27	26	26	133
Share of number of countries in quintile(%)						
High Income	100.0	40.7	3.7	0.0	0.0	
Upper Middle Income	0.0	55.6	33.3	3.8	0.0	
Lower Middle Income	0.0	3.7	59.3	69.2	15.4	
Low Income	0.0	0.0	3.7	26.9	84.6	
Quintile Total	100.0	100.0	100.0	100.0	100.0	
1995	5th (Top) Quintile	4th Quintile	3rd Quintile	2nd Quintile	1st (Bottom) Quintile	Income Group Total
No. of Countries						
High Income	26	5	0	0	0	31
Upper Middle Income	1	12	5	0	0	18
Lower Middle Income	0	10	19	14	1	44
Low Income	0	0	3	12	25	40
Quintile Total	27	27	27	26	26	133
Share of number of countries in quintile(%)						
High Income	96.3	18.5	0.0	0.0	0.0	
Upper Middle Income	3.7	44.4	18.5	0.0	0.0	
Lower Middle Income	0.0	37.0	70.4	53.8	3.8	
Low Income	0.0	0.0	11.1	46.2	96.2	
Quintile Total	100.0	100.0	100.0	100.0	100.0	

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Comparison Group: Upper Middle Income Type: weighted Year: most recent (KAM 2008)

INNOVATION INDICATORS, 2004/06

	R&D % GDP*	R&D STAFF '000*	US PATENTS '000**
Japan	3.07	892.1	35.69
S. Korea	2.53	89.9	4.01
Singapore	2.15	21.9	0.38
China	1.23	1,035.2	0.37
Malaysia	0.71	12.8	0.06
Thailand	0.24	32.0	0.04
Indonesia	0.01	51.5	0.01

* 2004

** 2000-04

Source: Shahid Yusuf & Kaori Nabeshima, *Knowledge Deepening and Industrial Change in Malaysia*, (November 2007), unpublished manuscript; Indermit Gill & Homi Kharas, *An East Asian Renaissance: Ideas for Economic Growth* (The World Bank: Washington DC; 2007)

EXTENT OF UNIVERSITY AUTONOMY IN OECD COUNTRIES & MALAYSIA

Category	Countries							
	NL	AU	IE	GB	DK	SE	FI	MY
Own buildings and equipment	X	X	X	X				
Borrow funds	X				X			
Spend budgets to achieve objectives	X	X	X	X	X	X	X	X
Set academic structure and courses		X	X	X		X	X	
Employ and dismiss staff	X	X	X	X	X	X	X	X
Set salaries	X	X		X		X	X	
Decide size of student enrolment	X		X		X			

Note: X means that the university has the power to perform this function autonomously

Source: These responses come from a survey undertaken in 2003 by members of the OECD's Institutional Management in Higher Education Programme. Reported in OECD (2003) Education Policy Analysis. The information for Malaysia is based on interviews conducted during the World Bank team visit in September 2005.

Economic Planning Unit & World Bank, *Malaysia and the Knowledge Economy: Building a World-Class Higher Education System* (March 2007)

K-ECONOMY – FUTURE DIRECTIONS

1. Conduct sound economic management
2. Pursue good governance and fight graft and corruption
3. Increase social cohesion and reduce inequalities
4. Focus and specialise on key tradable goods and services
5. Upgrade human resource facilities and institutions
6. Purchase/license key technologies
7. Make cities attractive and livable
8. Link and network knowledge centres to each other and leading global ones

K-ECONOMY – FUTURE DIRECTIONS

8. De-politicise higher and lower education
9. Establish performance and accountability-based management at all levels
10. Introduce greater autonomy and independence in institutions of higher learning
11. Institute competitive compensation systems
12. Liberalise services sector and open up professional, technical and skilled job markets