



# ISIS FOCUS





## ISIS MALAYSIA

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- Nation-Building;
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- Administering the Perdana Scholarship/Fellowship Programme.

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## ARE REGIONAL CO-OPERATION MECHANISMS SUFFICIENT TO HANDLE ECONOMIC CRISES?

The Sixth East Asia Congress, titled 'Are Regional Co-operation Mechanisms Sufficient to Handle Economic Crises?' was held from 3-5 December 2008. The third session of the EAC was chaired by Dr. Mahani Zainal Abidin, Director General of ISIS Malaysia. Dr. Mahani noted that East Asia must work together to overcome the likely impacts of the current economic crisis. One way to achieve this is through regional co-operation. However, at the time of the conference, the full impact of the sub-prime crisis was yet to unfold, and policymakers were still trying to figure out what responses were needed. **Terence Too**, Analyst, ISIS Malaysia, reports.

The first speaker, Professor Woo Wing-Thye, Senior Fellow at the Brookings Institution, began his discussion by asking whether the current regional co-operative mechanisms are sufficient. His answer was an emphatic 'No.' He points to South Korea, which in

October 2008, faced a liquidity crisis as the global financial crisis began. The region, through the Chiang Mai Initiative has set up a pool of foreign reserves amounting to US\$80 billion; however, no country has as yet used this pool. This is because any

country that draws more than 20 % of its quota would have to undergo IMF supervision, as the fund was set up only to defend against speculative attacks and not bad management.

As such, Professor Woo believes that there is a need to expand the current system in the region to include a mechanism for channelling funds to help countries in need. He proposes an Asian Financial Facility as an option, as he believes East Asia, with its reserves, possesses the ability to set up such a facility. Europe has not had to undergo any IMF intervention since the Sterling crisis of the 1960s as it has the ability to set up such a fund and has done so.

Professor Woo also pointed to the backlash from the G7 countries against the globalisation process and identified two primary reasons for this. The first is largely due to the rise of China and India, which has put pressure on G7 jobs and wages. However, Professor Woo notes that globalisation is here to stay, and, in the current scenario of accelerated technological development, white-collar middle class jobs in developed countries will continue to come under stress due to the higher frequency of changes, and wages will also continue to be pressured due to declining global wages. Secondly, the end of the Cold War has signalled the end of an impetus towards free trade, where the US no longer feels the urgency to take the leadership in this area.



(From Left) Professor Rodolfo C. Severino, Dr Mahani Zainal Abidin, Professor Shigeyuki Abe and Professor Woo Wing-Thye



Professor Woo Wing-Thye

Professor Woo also notes that in the current situation, there is a fragmentation of consensus among the G20. The agenda of the US is no longer the agenda of the rest of the G7, which is why President George W. Bush felt the need to call for a meeting of the G20 and not the G7, to stop French President Sarkozy from pushing ahead with his own agenda. Looking forward, Professor Woo believes that the stronger Asean members need to take the lead in pushing for the completion of the Doha rounds.

The next speaker was Professor Shigeyuki Abe, from the Centre for Contemporary Asian Studies, Faculty of Policy Studies, Doshisha University, Japan. Professor Abe began by noting six points about the current situation in East Asia, specifically: 1) East Asia depends on exports for growth; 2) the stance of high savings in East Asia vs. high spending in the United States should be changed in the future;

3) trade in East Asia is unique, due to double counting in the parts trade; 4) in the face of the US recession, East Asia's exports will be seriously affected; 5) East Asia must expand its spending; and 6) the way out of the current economic crisis for East Asia is for it to expand its spending.

Professor Abe highlights that, despite the crisis originating in the US through the sub-prime market, the Dow Jones Index only fell 40% while the Nikkei fell by 60%. While there are various coincidental explanations for this, such as the estimation that the financial sector accounted for 40% of the US economy while the production sector accounted for 60% of the Japanese economy, Professor Abe notes that these are secondary explanations. The main reason lies in the structure of trade in East Asia, specifically the parts trade.

Professor Abe notes that the situation in East Asia is unique in that the parts trade is larger



Professor Shigeyuki Abe

than the final goods trade. One possible reason for this could be due to double trading along fragmented global production networks. Although the parts trade is spread throughout East Asia, it is only the final goods which are exported to the US. As such when there is a recession in the US, it spreads through East Asia and magnifies due to the complexity of the regional production networks, and possible double trading in the parts trade.

Thus, the US is a buyer of finished goods, and crises that originate in the US result in a magnified impact on East Asian countries, due to the magnified parts trade in East Asia. In addition, because of the fragmented global production networks, each country in East Asia is now a part of the global production network and cannot survive alone. Moving forward, Professor Abe believes the region needs to focus on expanding consumption and government expenditure. Foreign exchange reserves should be used for practical purposes and a mechanism should be found to channel Asian resources back into investment in Asia.

The third speaker in the session was Professor Rodolfo C. Severino, Head of the Asean Studies Centre, Institute of Southeast Asian Studies (Iseas) Singapore. Professor Severino began by stating that regional mechanisms are currently not sufficient to address economic crises, and part of this is due to

the global nature of the crisis. In the 1997-98 Asian Crisis, regional mechanisms could not deal with the regional crisis.

However, he continues that such mechanisms are useful and what is lacking is regional solidarity and co-operation. It is important for the countries of the region to be seen to be working together, to address perceptions and confidence. However, he notes that, apart from a few

foster greater co-operation and solidarity among the region and its leaders. In particular, Professor Severino notes that it is important that the countries of Asean and its leaders must be seen to be working together.

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*Professor Rodolfo C. Severino*

meetings, such as the one in Beijing, Asean leaders hardly meet, and have not even met yet for the recent crisis

Professor Severino concludes with the belief that regional institutions are needed to address economic crises. The ADB has provided some basic institutions for regional co-operation, but more effective and more focused institutions are also needed to

## ARE EAST ASIAN COUNTRIES POLITICALLY STABLE?

*Session Four of the East Asia Congress 2008 debated the question of whether East Asian countries are politically stable. The speakers were Professor Tan Ern-Ser from the Department of Sociology of National University of Singapore; Dr. Priyambudi Sulistiyanto from Flinders University, Australia; Dr. Tin Maung Maung Than of the Institute of Southeast Asian Studies, Singapore; and Professor Moon Chung-In of the Faculty of Political Science, Yonsei University, Republic of Korea. The session was moderated by Dr. Nguyen Thai Yen Huong, Dean of the Vietnam Academy for Diplomacy in the Vietnamese Ministry of Foreign Affairs. **Susan Teoh**, Director, Information Services Division, ISIS Malaysia, reports.*

The first speaker Professor Tan, said he believed the concept of political stability did not exist in East Asia. According to him, there are three basic perspectives that are important when one discusses political stability. The first is whether social order exists. Social order exists when there is a social

contract between the people who govern and the people who are governed. In other words, there must be consensus and legitimacy for social order to be in place.

A second perspective is to look at a country like an organisation. In order to survive,

the country must be able to handle its environment in the political or economic sphere and to be able to handle its own diversity – people of complex personalities, different races, classes, ethnicity, etc.

Nation building is thus a complex process. It requires more than just a desire for homogeneity like Singapore's aspiration for one people and one nation. In reality there is no one people and it takes a long time for diverse groups to jell together and to feel that they belong to the same nation. There must be good leadership so that the people will have a sense of direction in the way the country should go.

The third perspective is what we call 'at risk society.' We are now living in an 'at risk society' with such risks as the global financial crisis, and health crises, such as the melamine scare from China.

Professor Tan defined East Asia to include Northeast Asia and Southeast Asia. The countries in East Asia are complex and heterogeneous in terms of race, class, religion and ideology. This is due partly to migration and globalisation.

In discussing the notion of political stability, he raised a few questions such as: what are the issues to take cognizance of? And if a country is very peaceful and harmonious, does it mean that the country is stable? Though a country may look peaceful, it does not necessarily mean that there are no problems internally.



*(From left) Dr. Tin Maung Maung, Professor Tan Ern-Ser, Dr. Priyambudi Sulistiyanto and Professor Moon Chung-In*

Each country in the region has its own interests, tensions, views and strategies. Factors such as the status of the government and its strengths, weaknesses as well as legitimacy, its ability to build proper institutions for the nation, the attitude of the people towards their own nation and the role of civil societies, will affect the stability of each country. External factors such as globalisation, the effect of recession, security, as well as health issues will also have an effect on political stability.

The recent developments in East Asia have indicated that the region is not politically stable. In China, there is the issue of Tibet wanting its own autonomy. There is also the Taiwan issue and the spate of natural disasters in China. In Taiwan, there is the ongoing political strife between the pro-China and pro-Taiwan political parties.

South Korea on the other hand is still in the process of defining its relationship with the United States as well as facing growing tensions with North Korea. In the Philippines, Arroyo's government is not very stable, still grappling with long-standing problems in southern Philippines. Indonesia has religious conflicts while Malaysia is handling the effects of the post-March 2008 General Election. Thailand also faces tensions in its southern regions and the growing urban-rural conflict that has caused political disruption especially in Bangkok. Singapore can be said to be fairly stable, but it is feeling

the impact of the global financial crisis.

Using the indicators from the Asian Barometer Survey 2006-07 which measures the political situation of East Asia; Professor Tan indicated that the index showed that South Korea was perceived to be the best.

Drawing on this survey, he highlighted the three countries of Thailand, Malaysia and Singapore. These were shown to be in the



*Professor Tan Ern-Ser*

middle range in that they were fairly stable and their perceived economic conditions were fairly good. In the category of perceived trust in institutions, all the three countries had an average reading indicating that there is some level of trust in the government.

He concluded from the survey, that Thailand is perceived to be fairly unstable, Singapore is fairly stable and Malaysia is in between. However, the data from this survey is at the broad macro-

level. It is necessary to look in greater detail at each of the countries in order to have a better understanding of the situation in the region.

The second presenter Dr. Priyambudi Sulistiyanto, cautioned that there will be more political changes in the region, explaining that there are various contending perspectives on the political economy of East Asia.

First is the neoclassical political economy where the state is important as a public provider. Second is a developmental political economy where the state needs very strong institutions in its early stages of development, where the private sector plays a limited role, and there is a gradual change from authoritarianism to democracy. A socialist-led market economy would have a strong state with private and state capital and generally, single-party politics. Finally, there is the populist/globalist-led market economy where the state is strong with relatively free private sector participation, and semi-democratic political institutions.

In quoting from Gourevitch (1986:19): 'Economic crises shape countries, but crises also express what is happening within those countries. Both crises and countries change over time, so that relationships change as well. And every country faces each crisis differently'. Dr. Priyambudi said he believed that economic changes and political stability were inter-related.



Judging from the the economic and political conditions of East Asia of the last three decades, one can see changes and the growth of different political systems ranging from the multi-political parties, the dominant political party system, as well as role of the military and the monarchy.

There was also a rise in globalization as well as localism resulting in an increasing trend of previously isolated villages establishing links abroad. This situation came about especially in Indonesia where an increasing number of workers moved to other East Asian countries. The rise of financial and banking facilities and communication links have also developed, even into the hinterland or villages of the country.

Another rising trend is the cultural link with the expansion of MTV Asia, CAN and Korean films. Even Korean pop music is being aired in East Asia and is popular especially among the younger generation. There is great potential for developing a distinct cultural identity through these networks.

Since the current economic crisis is impacting the world and this region, Dr. Priyambudi made a comparison between the 1997-98 crisis and the 2008 crisis. The first difference is that of the origin of the crises. The economic crisis of 1997-98 started in East Asia while the current crisis arose from the U.S.

The 1997/98 crisis was a currency meltdown in Asia. It saw some regime changes in parts of East Asia especially in Thailand, Indonesia and South Korea. There was a deepening of elite rivalry, the rise of the middle class and the rise of popular protests of varying degrees in some countries.

However, the 2008 economic crisis originating in the U.S. saw



*Dr. Priyambudi Sulistiyanto*

the Wall Street meltdown. The U.S. electoral changes were more visible and the pressure on the state to intervene was prevalent. Bail-out plans were introduced as some governments, including Australia's, introduced stimulus packages. More important was the anxiety of the middle classes about the current economic situation and the stability of their jobs. This has led to doubts as to whether economic globalisation can be sustainable.

Dr. Priyambudi looked at Indonesia as a case study of political stability and changes, tracing the events from 1998 till 2008. Indonesia has gone through economic crises that have led to political changes. Indonesia experienced democratic transition in 1999 and then went on to democratic consolidation with the 2004 elections. If the current government led by Susilo Bambang Yudhoyono survives in the 2009 elections, it will be the first time that the country has achieved a genuine parliamentary process.

The decentralisation process started in 2001 especially in Jakarta. From 2005 to the end of 2008, local areas, districts and municipalities were able to elect their own local leaders, and more than 480 local elections were held. In 2009, Indonesia will be holding its second direct parliamentary elections.

Indonesia has reacted to the economic crisis through its political system. In the past 10 years Indonesia had four presidents (which shows its instability) whereas prior to 1998, there were only two presidents. This process of political pluralism will continue to prevail in Indonesia in the years to come.

The third speaker, Dr. Tin Maung Maung Than concentrated his remarks on the political stability of Myanmar. He quoted Ali Alatas as saying that, 'Myanmar is rubble in Asean shoes'. 'Asean's shoes' have changed for the better many times especially

with the ratification of the Asean Charter but the problems of Myanmar still confront it.

National security especially in Myanmar is important for regional security. From various perspectives, Myanmar can be seen to have regime stability but not political stability. Since Myanmar has become a member of Asean, it is a concern of Asean that Myanmar functions fully as a member. The authorities in Myanmar should also reciprocate the concern shown to it by Asean.

There are many important issues affecting the stability of Myanmar as well as the region. Myanmar's accession to Asean was highly controversial. Today, with the ratification of the Constitution, there are still security issues which have an impact on its borders. In the economic arena, it is still doubtful if the free trade agreement is compatible with Myanmar's non-tariff barriers.

Turning to the domestic politics of Myanmar, Dr. Tin highlighted a few issues. Regime security is seen as national security, and control and coercion is the preferred method to maintain this. A generational change in the military command may perhaps lead to long-term stability but at present this will lead to short term instability. There is no economic and political liberalisation programme either. National unity and ethnic issues are of concern as they are related to insurgencies and narcotic-smuggling. Cyclone Nargis had

a devastating impact on the economy, and relations with international countries in terms of aid are not good.

Social capital is lacking and there is relative deprivation in the poor.

Opposition politics is not seen as a normal part of public life by the ruling junta but as a Western invention to cause conflict. There



*Dr. Tin Maung Maung*

is food insecurity, high inflation; and the spectre of humanitarian crisis is still chronic in Myanmar.

According to Dr. Tin, Myanmar's past has been haunting the whole political arena. Everyone seems to be living in the past – the military, the opposition and the ethnic groups. They are harping on the promises by leaders long gone and they refuse to come to grips with globalisation and the current situation.

The Constitution-making process has also been problematic for Myanmar. He noted that he does not understand why it is a problem as it should be seen as something good for democracy and the country. Instead, almost every single point of the proposed document was contested by various parties which were supposed to be stakeholders. Even the referendum which was convincingly won lacks legitimacy.

Following the so-called Road Map promised by the junta in 2003, the people were hoping that the elections promised 2010 would bring about at least an elected government to replace the current military regime. However, there are many aspects of the state constitution which enshrines the dominance of the military not only in the areas of security but also in the entire realm of governance.

The major stakeholders in the political arena include the State Peace and Development Council (SPDC) which is the front organisation of the current military regime. It professes to want to restore Myanmar to a genuine multiparty democracy with quasi-autonomy but how much 'autonomy' this new order will be given by the military is the question.

The main opposition party, the National League for Democracy (NLD) including Aung San Sun Kyi's supporters, expatriates, and democracy lobbies want federalism. The aims

of these factions are therefore poles apart.

The current regime therefore has the power equation in its favour and it is hoping that the people will agree to what it has to offer rather than to resist it. The Myanmar government, to ensure the success of its programme is using its security forces in a heavy-handed fashion with pre-emptive strikes on the opposition and persecution. Government ministers touring the region affected by the Cyclone Nargis, offer economic and other incentives and engage opposition groups with carrot-and-stick tactics.

The opposition's reaction according to Dr. Tin is typical of textbook democracy and does not seem to cut ice. There are also pockets of rebels along the Thai-Myanmar border to add to the country's instability.

What lies ahead for Myanmar? The main issue is whether the 2010 elections will be held and if a democratically-elected government, however flawed, can emerge from it. Also, what will happen to the armed groups, who today are holding a lot of weapons and are quite autonomous in their rule over their territories? They will have to be demobilised and re-integrated, which will be very tough to do.

In the economic situation of Myanmar, the issues of trade and aid especially are a cause for concern. Trade is still very low even though the economy

registered US\$ 6-7 billion worth of trade. Aid institutions have also frozen their aid to Myanmar due to its human rights and democracy issues. The recovery from the cyclone is still very slow as not even half of the UN pledges of aid have been fulfilled.

The big problem in Myanmar is that of the power relationship between the state and society. The military has been dominant and has always adopted an adversarial position towards other players for the last half century. The question

*Everyone seems to be living in the past – the military, the opposition and the ethnic groups. They are harping on the promises by leaders long gone and they refused to come to grips with globalization and the current situation*

is whether the 2010 elections can bring about a reconciliation of all the groups. It will be difficult as the opposition has been against the new constitution from the beginning and has attempted to disrupt or boycott the elections.

He raised a number of questions in relation to the politics of Myanmar: how is Asean going to engage Myanmar? How can Asean help in the post-Nargis recovery together with the United Nations? How can Asean invoke

the Charter principles to engage Myanmar so that there will be some conformity within the rules of the game? Would isolation, ostracism and punishment of the regime government be of any use especially when the punishment is not that severe and the regime has a very high threshold for pain? These questions have not yet been answered.

The big question is how to have a regime change. The people are hoping there would be policy changes and that by 2010, a new generation of military leaders would emerge who would at least consider different policy options. Dr. Tin concluded that for the medium term, there would not be any form of regime change and that military dominance would continue.

The fourth presenter, Professor Moon Chung-In, in expanding the concept of political stability, stated that there are four stages or indicators of political stability. The first stage is the concept. If a certain economic or political party is consistent, coherent and efficient, its policies would be stable. In a situation where the policy is effectively implemented, the country would be in a position to steer a stable policy regime and one can expect better policy performance. It is very important to evaluate certain countries by their policy performances rather than regime or government delivery.

Second, as an extension to policy stability, is the concept of government stability. There

are two ways of measuring government stability. The first is institutional arrangement where the government is more stable under the parliamentary system or the presidential system especially where the government has a legislative majority. One can expect such a government to be stable.

When there are very good political ties with a political party, one can also expect a very stable government environment. This is especially seen in Japan where the Liberal Democratic Party was dominant since 1955. This '1955 regime' was a time when Japan had a stable government which played a very important role in its later economic development.

Similarly, the dominant Communist Party of China has ruled the Mainland as a one-party state and the Chinese government has been very stable, steered firmly by the Party.

However, if one looks at Japan today, the LDP has been

considerably weakened in the Diet. In South Korea, the Grand National Party has a majority in the National Assembly but suffers from very poor popularity ratings. It is thus considered an unstable government as it lacks public support.

The third category is regime stability which is usually defined in terms of the dangers or threats to the existing regime. This does not apply to the North Korean regime of Kim Jong Il. The North Korean regime is very stable although its policies are very weak. This is because there is no organised opposition to Kim's regime. The most powerful force in North Korea is the military which has sided with Kim Jong Il; therefore Kim's regime is protected by the military. There are no other social or political forces that can challenge it. One can thus say that the Kim Jong Il's regime is rather stable.

Finally, we can measure stability in terms of threats to state sovereignty. Whenever there is any secessionist movement, we can argue that the sovereignty of the state is being challenged and has become unstable. This is evidently seen in several African countries at risk of becoming failed states. When a state is doomed to fail, then state sovereignty could be jeopardised because that state can be broken up into several component parts. An example is the case of Iraq which some have forecast would be broken up into Kurdish, Sunni and Shiite areas. In this case, we

can argue that there is greater chance for instability in Iraq as far as state sovereignty is concerned.

Professor Moon looked at the Northeast Asian countries of China, Japan, South Korea and North Korea as case studies in relating to the four angles of measuring political stability.

In the case of policy stability, he saw China as number one in having the most stable environment; North Korea ranks lowest as its policy is a failure, not because of its economic environment but more in terms of the external environment. Both Japan and South Korea are in quite a similar situation. They have a hard time in coming up with coherent, consistent and efficient policies. In fact, during the days of the developmental state era of the 1960s and 70s, Japan and South Korea were counted as classic examples of developmental states which were categorised by highly stable state environments. But that is not the case any longer.

In terms of government stability, there are very close ties between the Chinese government and the Communist Party of China, indicating that the Chinese government is more stable. Similarly, the North Korean government is also very stable because there is a very close pattern of military politics in which the Korean Workers Party, the North Korean government, the military and their leaders form an integral unity.



Professor Moon Chung-In

However, both Japan and South Korea now have rather unstable institutional environments. The government of Japan lacks public support and has only thin majorities in the Diet, in fact being in Opposition in the House of Councillors. The Japanese government is thus considered to be rather unstable.

South Korea also has very weak public support for its administration. The prime ministers of Japan and South Korea both enjoy a public approval rating of about 20% only. Though South Korea has weaker public support, the Grand National Party, the ruling party, has a more stable majority than the LDP in its legislature. Institutionally speaking, the South Korean government is in a better position but public support for it is still rather unstable.

Another consideration is to determine whether there are any threats to the political regimes of these states. China faces some potential threats due to the dissatisfaction of its people. But these threats will not bring about an immediate collapse of the Chinese regime. In fact, China can be considered to have a very high score for regime stability.

Professor Moon also does not envisage any social force threatening the liberal democracy and capitalism of Japan and South Korea. These two countries can be considered to have very high regime stability. North Korea is considered to be in-between as Kim Jong Il's regime is firm.

However, in the medium term, the North Korean regime may encounter major challenges. Thus all the four countries appear to be stable and may not see any major challenges to regime stability.

Finally, with reference to state sovereignty, he does not see any major problems in Northeast Asia. There may be some minor secessionist movements in China but they may not pose any significant security threat. As

*... during the days of the developmental state-era of the 1960s and 70s, Japan and South Korea were counted as classic examples of developmental states which were categorized by highly stable state environments*

there are no secessionist movements or trends of foreign occupation in Japan, South Korea and North Korea, Professor Moon concluded that state sovereignty in Northeast Asia is rather stable and secure.

## GLOBAL FINANCIAL CRISIS: US RECOVERY AND CHINA'S GROWTH

**Dr. Dan Steinbock** is ICT Research Director at the India, China and America Institute (ICA), a leading U.S. think-tank driving synergies among the United States and the emerging superpowers. He serves as the faculty spokesman for FAME (Forum to Advance Mobile Experience), an initiative by the CMO Council, representing America's 1,500 leading tech companies. He is also affiliate researcher at Columbia Institute for Tele-Information (CITI). Held under the auspices of the ISIS International Affairs Forum on 3rd March 2009, Dr Steinbock's talk on the Global Financial Crisis covered five areas, beginning with the origins of the US financial crisis, its subsequent spread to the global level, the Obama Agenda, the Chinese Agenda, and finally, current and future prospects of US-China relations. He ends by asking 'what's next' for the global crisis? **Zarina Zainuddin**, Analyst, ISIS Malaysia, reports.

As recently as early 2008, the US was still considered as having one of the most stable financial systems in the world. Its economy was growing, with some sectors such as real estate and consumer spending booming. Then everything collapsed almost overnight.

What caused the crisis? Although the crisis was triggered by the subprime mortgage bubble and the subsequent financial and economic meltdown, its underlying causes transpired some eight years ago.

Dr. Steinbock said the cause can be found looking at the spending growth vs the GDP growth pattern. The real growth in US consumer spending, from the late 1950s up to the late 1990s and the real GDP growth

rate generally moved in-tandem during this period.

However about 8 years ago there was a divergence where consumers were spending more and at a faster rate than the GDP was actually growing. If consumers spend more than their income growth, this will mean even greater debt payments. As long as banks were willing to extend credit to finance the spending, there was debt growth, and an economic growth fuelled by consumer spending which was financed on debt obligations was created.

The housing boom in US was attributed to in part by access to credit by bad risk customers. The banks coined the term 'NINJA' loans to describe the status of these borrowers: 'No Income, No

Job, No Assets.' The banks should have ostensibly avoided these risky loans, but did not in the interest of profit.

The changes in banking laws further compounded the problem. There was also the flawed monetary policy which was creating a situation of 'cheap money with no risk involved.' The banking laws were changed to be less regulatory and restrictive, effectively creating a situation where there was no regulatory oversight to monitor the banking industry.

Dr. Steinbock likens the financial crisis to a pandemic. In the event of an outbreak, the usual course of action is to identify the virus, isolate it, and immunise the infected to make them healthy again so they can rejoin society. A similar course of action should have been undertaken for the financial pandemic. It was an American problem and it could have been resolved within the US.

Commercial banks in the US were involved and under normal circumstances, one would think that banks would be reluctant to lend to those who are credit risks, to these so-called NINJA borrowers. The opposite happened and investment banks, though they were aware of the risks involved, joined in to get a piece of the action, and for a share of the profits.

As investment banks got into the act, these loans were packaged and repackaged

multiple times to the extent that their origin, the actual values and risks associated with the loans, were unknown. So a situation of globalised debt obligation was created – the financial pandemic that could have been contained in the US spread around the world.

When Lehman Brothers collapsed, the effects were felt worldwide. The net effect was what the Chief of IMF succinctly described as ‘the world economy ... going towards the financial meltdown.’

The head of IMF in proposing a possible course of action, emphasised the idea of decisive, co-ordinated actions that should be taken at an international level. At one time, according to Dr. Steinbock, there was talk on the creation of a new Bretton Woods system, re-creating a mechanism that can regulate and stabilise the international financial market.

However Dr. Steinbock was cautious of such talk as the international environment has

changed greatly from the time of the first Bretton Woods. The US was then the world’s biggest lender and exerted tremendous influence in the world. Now the US is the world’s largest debtor and has lost a lot credibility and influence particularly under the Bush administration.

A new Bretton Woods would require a lot of input from professionals. Experts will take months to draft it and will have to contend with various opinions and views from around the world, some which would be contentious.

### ‘Yes We Can’

Dr. Steinbock believes the change in priority away from security and terrorist threats towards economic concerns helped greatly in the Presidential campaign of then-Senator Barack Obama. There was a general feeling of frustration about the state America was in, with the economic recession and the Bush administration’s inept



*Dr. Dan Steinbock*

handling of foreign affairs. The widening income gap in the US with the top five per cent of the population controlling about 50 percent of the economy also fuelled feelings of anger and frustration.

Surveys leading up the election indicate the almost 60 per cent of those polled put economic concerns and job security as top priority followed by 8 per cent for health care. Only 7 per cent of those surveyed were worried about the situation in Iraq. It’s not surprising then that Senator Obama’s campaign for change with its emphasis on the economy resonated with the general populace.

Dr. Steinbock while lauding Obama’s election victory cautioned however on the extent of change that can actually be put in place. President Obama’s campaign was funded by old interests – companies such as Goldman Sachs, UBS, JP Morgan



*When Lehman Brothers collapsed the effects were felt worldwide*

and various other retail estates, investments and securities. His advisors although fully qualified, were partly from previous administrations, which included those who had advocated free markets, deregulation and liberalisation.

Dr. Steinbock feels that President Obama will have a tough time in reconciling the genuine momentum for change and the old interests. Thus far it's quite clear that he will not compromise on issues of Health, Energy and Education.

As far as foreign policy is concerned, President Obama has put greater stress on diplomacy and multilateralism – this is of course a great departure from the previous administration and a much welcome change. One can see by looking at President Obama's budget allocations that it is his intention to try and reverse the previous administration's policies.

The tasks facing President Obama are daunting. On one hand the government is trying to jump start the economy and invest in the future, while on the other it's trying to reverse the Republican administration's legacies. The question to be asked is whether President Obama can accomplish all of his objectives at the same time. Is it even possible given the magnitude of the problems?

Looking at the Chinese Agenda, Dr. Steinbock credited the Communist Party's leadership,

in particular Premier Wen Jiabao's and President Hu Jintao's leadership for making China a success story. It is not surprising that these leaders are popular in China, with ratings matching and even surpassing that of President Obama.

China's leaders have managed to ensure sustainable economic growth with equity for China, taking into consideration the issues of energy and environment along the way. At the same time, the Chinese leaders were concerned about providing an adequate social safety net and

*...from an American view point it could be said that the Chinese leaders are trying to combine the best of President Reagan's policies with the best of President Roosevelt's*

universal health care for their people.

Dr. Steinbock said the Chinese leaders are trying to do two things; from an American view point it could be said that they are trying to combine the best of President Reagan's policies with the best of President Roosevelt's. It's a nice slogan but it's very difficult to do. But that according to Dr. Steinbock, is what lies behind the notion of a harmonious society.

There is a lot of concern about the collapse of exports to China. But such concerns fail to take into consideration the effect of the urbanisation process in China. China has spent a lot of money and resources to bridge the gap between the coastal cities and the more backward interior.

So while exports have indeed collapsed, development programmes in the second, third and fourth tier cities as well as the rural areas ensure some continuity between economic development and steady employment. While some sectors in China will suffer, there are other economic sectors in China that are doing well, prospering even, given the massive stimulus packages particularly the infrastructural spending that China has put in place.

In other words the emphasis of the government and multinationals to create jobs in provinces that are further away from the first tier cities is slowly beginning to work. What is really important is that fixed asset investments are driving China's economic growth, even more so than exports.

In China the rate of urbanisation is at around 40 + per cent compared to 80-85 per cent in the United States. Assuming a stable international economic environment and stable rate of urbanisation, Dr. Steinbock can foresee years of economic growth coming out of the urbanisation process. As China is growing top-down it is also growing bottom



up. India, on the other hand is going along the same path as China, albeit at a slower pace.

Historical data suggest whenever there is a collapse in trade, there will be an increase in Foreign Direct Investment (FDI). Companies are likely to take advantage of the situation to invest in places where the costs of production are cheaper and where long term prospects for growth are good.

In Dr. Steinbock's opinion this is a good development for Asia in particular because there is a real demand for investment in Asia, more so than in the US or any of the advanced economies of Europe. In the global recession scenario no region is immune but in Dr. Steinbock's opinion Asia is in a good place to be, especially if future prospects are taken into consideration.

Dr. Steinbock took great interest in the changing perspectives on free trade. America used to be most optimistic on free trade but no longer. It is China and India who are now the most optimistic on free trade, while US, Brazil, Italy and Japan are the most sceptical. In the US, Dr. Steinbock said, pessimism exists even among some members of the Republican Party, traditionally great proponents of free trade and globalisation.

As he moves to discuss US-China relations, Dr. Steinbock posed a few questions – can the US become a great exporting nation again once it recovers?

Why did US exports collapse so devastatingly? Is unfair competition from China to blame? Is it a quality issue?

As for the issue of exports collapsing, it's the same problem faced by all exporting countries – if people cannot or do not want to buy your goods then you cannot sell them.

Trade could prove to be a contentious issue between China and the US. The signals sent by the Obama administration have been mixed thus far – from China being accused of currency manipulation to being praised for its stabilising role in the

*An astounding 60-75 per cent of the exports from China are accounted for by foreign multinationals*

international financial system.

There are those who have voiced concern that Chinese imports are responsible for the decline in US exports. Dr. Steinbock disagrees – Chinese exports have a high degree of non-Chinese components. Chinese contents typically account for only 5-7 per cent of a product, with the rest coming from all over the world including the US.

An astounding 60-75 percent of the exports from China are accounted for by foreign multinationals. So while the manufacturing output in the US is going down, its manufacturing

of value-added products, which includes parts going to China, are on the rise.

American FDI to China far exceeds that of China to the US. China has the capital to invest but is unable to do so due to the high level of restrictions placed by the Americans on Chinese investments. Dr. Steinbock feels that such a policy of investment restrictions would be detrimental to the US in the long run.

Trade is a two-way street, for while American exports to China are booming, and China has been growing at a fast rate, the US enjoys a trade surplus with China. Looking at these facts one would have to think that there must be other reasons why so many Americans are concerned about China's role in the US economy.

There is some uneasiness about the underwriting of the US' twin deficits. Previously US treasury papers were held by its trans-Atlantic partners such as the UK, France and Germany but this is no longer the case. Now, many of its perceived rival nations such as China, Japan, Middle Eastern countries and Russia have emerged as the holders of the US papers. There is concern in some in the US about the intentions of these countries.

Dr. Steinbock argues that China in the long run has the potential to be a great American friend or ally and such suspicions and misgivings about China's intentions should not be a reason for animosity towards China.

## Where Are We Now?

According to Dr. Steinbock we should not get over-excited over the movements of stock and other equities markets. He thinks the recession has another year or two to go before any real recovery can happen. The main reason is that the housing market has yet to reach the bottom. However on the optimistic side, the prolonged recession will create tremendous pent-up demand and when the recovery comes, it could be fast and deep.

There is talk of a troubled assets relief plan at the national level in the US. There are several models to look at but Dr. Steinbock suggests the Swedish model as the most applicable. However, the model basically called for 'temporary nationalisation' of assets, a move that would not be popular in the US. In fact, Prof Paul Krugman had jokingly suggested referring to the temporary nationalisation programme as a 'pre-privatisation' plan!

Dr. Steinbock believes that in order to clean up the banking mess the government has to be more involved, although the process may be more difficult in the case of the US. For example, US banks such as Citibank, have international operations in countries that have limits and restrictions on foreign government investments in their financial sectors. If Citibank's assets were to be 'nationalised', it may have to engage in a fire sale of its assets in those countries. This is not a palatable situation for America.

There are other troubled sectors to contend with as well, for example the automobile industry. There are many questions that have to be dealt with; should the auto industry be bailed out? Should it be just Chrysler and GM? Can these companies be saved? Why should GM get all the attention and not the more solvent and profitable companies such as Toyota or Honda?

There is also the economic trouble at the state level. President Obama allocated some US\$ 150 billion to the states, and already there are concerns that

*A President who has a lot of political capital can go a long way in instilling trust and confidence in his policies and programmes*

this amount is not sufficient. Some states like California and New York are already in serious debt, and it is unlikely that every state can be bailed out. The implications of failure to do so are quite severe – some states could be forced to lay off civil servants, a move that would be followed by local companies. A contraction in demand as well as deeper recession are sure to follow if this happens.

The economic crisis also has security implications. The deeper and the longer the economic recession, the bigger the non-economic threats for the US and

other advanced economies will be.

The danger would be if the US were to face the same economic prospects as Japan during its 'Lost Decade'. Prof Steinbock feels the US might manage to avoid the same fate, attributing this to the lessons learned from Japan's lost decade, as well as the fact that the US economy is more flexible and resilient. He also said one should never underestimate the effects of the faith of the population on their leader. A President who has a lot of political capital can go a long way in instilling trust and confidence in his policies and programmes.

Even when the US economy recovers it will face some serious problems in the long run. The US Medicare health programme is likely to be bankrupt by 2019. Its Social Security system is projected to run out of money by 2021. This will create a very difficult situation and the administration is trying to reverse the past policies of the last two decades.

The US will have deficits for a long time, according to Dr. Steinbock and questions are being raised on which countries are going to be able to finance these deficits. China is likely to be one of the main financiers. This in turn will affect the way the US deals with China, and one can foresee that in the event of conflicting interests, the US would be unlikely to take hostile or retaliatory actions, but will likely put more emphasis on co-operative resolutions.

Dr. Steinbock concurs that the US' relative competitiveness is likely to be eroded and its international influence to decline in the long term. But he also believes that the decline will not be as drastic as some expect. He has a hope that this scenario would ideally lead to a US-China relationship that is driven by pragmatism.

Ultimately, said Dr. Steinbock, global growth would be based on three elements – the US economic recovery, China's sustained growth and a stable environment. All three elements have to be there – the revitalisation of global growth depends on it.

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## ISIS ROUNDTABLE DISCUSSION: MALAYSIAN RESPONSES TO THE GLOBAL FINANCIAL AND ECONOMIC CRISIS

Forty-five senior business executives, policy analysts and public sector officials participated in a roundtable discussion organised by the Institute of Strategic and International Studies (ISIS) Malaysia on Jan 19, 2009, to discuss the impact of the global financial and economic crisis on Malaysia, and to explore possible policy solutions. Presentations were made by Dr Mahani Zainal Abidin, Director General of ISIS Malaysia, Mr. Stewart Forbes, Executive Director of the Malaysian International Chamber of Commerce and Industry, and Dato' Sh. Yahya Sh. Mohamed, Deputy Director General of the Ministry of Human Resources, after which there was extensive discussion. This article summarises the main issues raised, conclusions reached and recommendations made at the Roundtable. **Veena Loh**, Senior Fellow, ISIS Malaysia, reports.

### Impact of the Global Crisis

There was broad consensus that the world economic recession would further deepen in 2009.

Indications are that the IMF will further downgrade its 2009 global economic forecasts in the near future as the decline does not appear to have reached the bottom yet. The implementation

of the US stimulus package (estimated at US\$775-\$825 billion) was seen to be a key to recovery efforts. Asian countries, especially those dependent on exports, will feel the pain more acutely in 2009. Japan, South Korea, Taiwan and Singapore have all reported very significant double-digit export contractions at the end of 2008 and these are likely to increase (e.g. Japan's exports decreased by 26.7% in November 2008). Singapore recently warned that its GDP could contract by 2 per cent to 5 per cent for 2009.

The Roundtable took note of the fact that many indicators for the Malaysian economy had yet to show negative trends. Despite the fall in industrial production since September 2008, the unemployment rate in November had not risen considerably and the number of reported retrenched workers is low, especially when compared to posted job vacancies. The banking system loan growth (up to November 2008), registered a healthy 11% expansion year-on-year. For the same period, consumer loans grew at 9%. For added measure, Malaysian banks are well-capitalised and net non-performing loans fell to an all-time low of 2.4% of total loans (November 2008). There is therefore none of the failures of financial institutions and the risk of contagion that has characterised the economic downturns in the US, Europe and other parts of the Western world.



(From left) Dr Mahani Zainal Abidin, Tan Sri Mohamed Jawhar Hassan and Mr. Stewart Forbes

Nevertheless, these indicators are no guarantee that the global economic downturn will not also have severe repercussions on Malaysia. Given developments from November 2008 through to January 2009, the possibility that the Malaysian economy could 'fall off the cliff' is one that cannot be discounted. Indeed, Roundtable participants were of the view that Malaysia, as one of the most open economies in the world, would, after a lag, experience similar situations as have occurred elsewhere.

Participants were also of the view that the impact of the current global recession could last longer than previous episodes. Already, industrial production has registered a large drop in November 2008 (-7.7%) led by the electrical & electronics, mining and electricity sectors. Accordingly, 2009 economic forecasts by the Malaysian private sector have been revised downwards. The Malaysian Institute of Economic Research and Malaysian Rating Corporation have lowered their 2009 estimates to 1.3% and 2.5% respectively. Foreign banks have forecasts ranging from 0%-1.5%. For its part, the Government has not revised its 3.5% forecast for 2009 and suggests that it will not do so.

## Policy Issues

The discussion then turned to policy issues that the Government ought to take cognisance of. The most immediate problem

facing Malaysia is the same one that is confronting other Asian economies, namely the enormous fall in aggregate world demand. Malaysia needs, to the degree that is feasible and financeable, to replace external with domestic demand. In this respect, Roundtable participants were mostly of the view that the first stimulus package of RM7b was not sufficient to counter-balance the fall in external demand and to achieve reasonable growth rates.

The sharp production and export contraction will also increase retrenchment and will cause higher unemployment.

*An effective stimulus package must ensure that disposable income is maintained if not increased*

Efforts to boost domestic consumption will be difficult if more workers are unemployed. The uncertainty of retrenchment, including information on the numbers of workers retrenched, can trigger a loss of consumer confidence. Keeping workers employed and encouraging companies to hire new workers are important measures to maintain domestic growth.

Furthermore, no government would wish to undermine business and consumer confidence as this can lead to self-fulfilling outcomes. At the same time, however, government policies will not be credible to

the public unless they take into account the possibility of adverse global developments. Participants were overwhelmingly of the view that the Government would do better to demonstrate greater realism and willingness to address economic problems rather than denying that such issues exist.

Another issue raised was that of disposable incomes. An effective stimulus package must ensure that disposable income is maintained if not increased. Past stimulus packages have focused on sectors such as construction and infrastructure which have high income multiplier effects. This has not always ensured, however, that employment in other sectors is maintained and that Malaysians are in a position to purchase. Spending on the construction of housing, for example, does not ensure that average Malaysians can afford to buy these houses.

It is also critical that credit-worthy businesses and consumers have access to financing at all times. During times of economic crisis, however, banks can become highly risk-averse and significantly reduce the amount of credit extended. While the Government and banks maintain that there is sufficient lending in the system, borrowers, especially small- and medium-scale companies, continue to report difficulties in securing bank facilities. There appears to be a disparity between policy and practice that should be resolved through closer dialogue and consultation.

Next, in conditions of low demand, business survival is a major preoccupation and business costs are an important aspect of this. There should be a focus on policy actions that will not only enable Malaysia to ride through the global financial and economic crisis but to achieve a competitive edge when the world economy recovers. In this regard, Roundtable participants raised the issue of lowering business costs, especially energy-related.

Additional challenges discussed include what could be done to mitigate the falling trade surpluses, the sizeable capital outflows and the volatility of the ringgit as well as other currencies. If the global crisis is a long one, how long in turn can we sustain domestic demand given limitations to government resources?

## Policy Proposals

The discussion then turned to policy proposals that might be made to the Government. Roundtable participants were of the view that a second stimulus package should be considered. A more robust stimulus package must be delivered that addresses the confidence of consumers and makes them prepared to spend. In designing this package, the survival of businesses should also be ensured, as without this there cannot be real job protection. The following should be taken into account:

- The fiscal deficit ceiling of 4.8% can be relaxed for

one or two years. Several countries (US, Japan and South Korea) have spent or proposed up to 4.0% to 5.8% of GDP in their second stimulus package. It is better to err by over-spending than to err by under-spending.

- The second stimulus package should not place too much emphasis on large infrastructure projects, where only a few benefit, and housing, where fewer people can afford such big



*Mr. Stewart Forbes*

ticket items. In selecting construction projects, spin-offs should be felt and seen to be effective.

In order to stimulate private consumption, the government should also put more cash in the people's hands such as by either lowering or abolishing taxes for 2009. In the UK, the Value Added Tax rate has been reduced, while in Taiwan, a voucher system for the unemployed and lower-income families has been announced. Conversely,

the voluntary reduction in the EPF contributions in Malaysia was not effective as a stimulus measure as many companies reported that more than half of their staff did not opt to reduce their contributions. The second stimulus package should target the lower-income and lower-middle income groups and focus on increasing unemployment and health benefits as cash strapped families are likely to spend every sen given.

The Government should then seek to significantly expand trade through more active government-to-government channels, including barter trade with nations that have foreign exchange problems, export financing and credit insurance.

Timely information is the lifeblood of good decision-making both in the public and private sectors. Efforts should therefore be taken to reduce delays in the issuance of vital information such as trade and finance data. When releasing bad news to the public, the Government can do so together with information on how it intends to tackle the problem. The Government has to inspire confidence that it is on top of the situation, is pro-active and not behind the curve.

Malaysian corporations are, on the whole, net savers, particularly ones in the resource-based sector. Being cash-rich and debt free, they should be encouraged to take the lead in domestic investments. The

Roundtable also felt that more public funds should be channeled to domestic tourism and tourism-related projects through either the construction of related tourism projects or encouraging refurbishments of hotels through tax incentives etc. The Tourism Industrial Structure Fund should be open to all irrespective of race for the next three years to help the country over this difficult downturn. The domestic tourism industry should also be encouraged to offer incentives to the public.

rates or tax holidays. Additional benefits can also be given for job creation and the retraining of workers.

Furthermore, it is imperative that the cost of doing business is reduced wherever possible. The recent 26% electricity tariff increase has substantially increased business costs. A reduction in electricity tariff increase or deferment will help companies to remain viable.

There have also been complaints that domestic

The Roundtable also stated that while SMEs are often mentioned in policy statements, it is clear that the economic slowdown has restricted access to loans and working capital. Banks should be encouraged to support viable businesses by being willing to restructure their loans and provide additional working capital.

Finally, the Government can encourage more economic activity and reduce the unofficial economy by simplifying regulations and/or considering the declaring of an amnesty from prosecution for tax offenders on the condition that amounts owing are regularised. Experiences from other countries have shown that this will increase the Government tax revenue.



*Dato' Sh. Yahya Sh. Mohamed*

It was also stressed that companies that are looking to cut their work force in order to save costs should be assisted. Contributions to the Human Resource Development Fund can be suspended for a period of time. Companies can also be given tax incentives for the retention of workers and this can come in the form of reduced corporate tax

industries (such as rubber glove-makers) wishing to buy gas from Petronas are told that there is no supply while at the same time exports of liquefied natural gas have increased. Efforts should hence be made to increase gas availability to domestic industries.

## ISIS ROUNDTABLE DISCUSSION: WILL THE MINI-BUDGET ADDRESS MALAYSIA'S VULNERABILITIES?

*51 senior business executives, policy analysts and public sector officials participated in a roundtable discussion organized by the Institute of Strategic and International Studies (ISIS) Malaysia on March 16, 2009, to examine the effectiveness of the Mini-Budget in mitigating the adverse effects of the global financial crisis and to help economic recovery. The discussion served as an avenue to receive feedback on Malaysia's Mini-Budget, to highlight any possible gaps, and to propose remedial action. Presentations were made by Mr Gerald Ambrose, Managing Director and Head of Malaysian Operations of Aberdeen Asset Management Sdn Bhd, Encik Nor Zahidi Alias, Economist of the Malaysian Rating Corporation Bhd, Dato' Wong Siew Hai, Chairman of the Malaysian American Electronics Industry (MAEI) and Governor of The American Malaysian Chamber of Commerce (AMCHAM) followed by extensive discussion by the participants of the Roundtable. ISIS Senior Fellow, **Veena Loh** summarises the main issues raised, conclusions reached and recommendations made.*

### An Update on the Global Economic Downturn

Mr. Ambrose began his presentation by stating that the key event in 2008 was the rise in stock market volatility VIX Index, often referred to as the fear index which represents a measure of the market's expectation of volatility. The VIX Index had been relatively stable for a decade until September 2008 when the Lehman Brothers collapsed. As market volatility and subsequently the value at risk rose, banks and hedge funds were forced to liquidate risky positions.

The result was that 2008 was a dreadful year for risk

assets. Equity and corporate and emerging bond prices collapsed. Only government bonds ended the year in positive territory.

The US is the second biggest constituent of global GDP (34%) after Europe (41%) followed by Japan (11%), China (8%), India (3%) and rest of Asia (3%). Household expenditure constitutes an estimated 59% of total US personal consumption. Further falls in the US housing market pose a big risk to the US economy.

Case-Shiller's Quarterly Index for property prices in 20 US cities showed an 18.2% drop in the three months through December 2008 from the same period in 2007, compared with a 16.6%

year-over-year decline in last year's third quarter. The 20-city Index is down 27% from its 2006 peak. US residential prices could fall much further given that property prices have doubled from 1996 to 2007 based on another index called the Robert Shiller's Index. Both US real personal consumption growth versus real residential investment growth are in negative territory.

What started as a subprime crisis triggered by excessive leverage and spread via securitised products resulted in bank write-downs and a credit freeze. Subsequently, the withdrawal of credit in the US and Europe has affected the real economy, triggering a global recession, and emerging markets with the largest deficits have been hardest hit by the global crisis. It was also speculated that between 2002 and 2006, cheap money may have helped to bring about the crisis as real interest rates were mostly negative in the US, Eurozone and Japan.

Ambrose also noted that the World GDP has fallen significantly and is at its weakest since World War II. This time, unlike during the dotcom bubble when property markets took off in other parts of the world, all the major economies are facing a synchronised fall in global economic activity. Leading OECD indicators show that economies globally are falling into recession and the contraction is likely to be deep and long. Industrial production will fall throughout 2009.



At the same time, the US savings rate is rising, simply because banks are not lending to households anymore, given that their tangible assets such as property are falling. The US savings rate, which rose 3.6% in December 2008 from 2.8% in November 2008 may return to the 8% levels experienced prior to 1980s. As a result Asia and other exporting economies will suffer. Asia has to think of a new plan for economic growth.

Ambrose then went on to state that there is a full-blown crisis in Europe, with the US hardest hit, and massive bank bailouts. Eurozone's GDP is likely to fall 2.9% year-on-year in the first quarter of 2009. Real estate markets are slumping in many parts of Europe but not Germany. Both EU's construction activities and industrial production have collapsed.

Japan on the other hand is also back into recession. The Japanese economy contracted 12% in the 4Q 2008. Its GDP is forecast to fall 5.5% in 2009. With US imports plunging and exports to Asia falling, Japan is faced with the possibility of a return to its deflationary period in the 1990s. Other Asian countries which have flourished through trade will be equally affected by this global contraction. China's exports in November, December and January have fallen 2.2%, 2.8% and 17.5% respectively.

Turning to the causes of the crisis, Ambrose posited that the traditional relationship between

a bank and a borrower, where banks borrowed from people with the promise of giving a return has been overtaken by innovative ways of financing through repackaging of loans and the resale of disintermediated financial products. As a result, the creditor no longer has a sense of the credit worthiness of the original borrower. This innovative form of 'asset' money has grown substantially since 1992 and now accounts for 305% of world



Gerald Ambrose

GDP in contrast to traditional money which accounted for less than 100% of world GDP. The Government has lost control over how to fix this problem. 90% of the liquidity pyramid created through securitised debt and derivatives is out of control of government. Despite injections of US taxpayer's money to rescue banks, financial, and insurance companies, banks are not lending. Borrowers are also not borrowing.

Job loss trends appear to mimic those post-World War II recession. The US Government was left with little choice but to step in and provide the much needed boost to the economy. The consequence, however, is that US money supply will rise.

Ambrose concluded his presentation by expressing his belief that Asia remains the most dynamic part of the world at this time. Emerging markets account for 55% of GDP while G7 account for 42%. Asia Pacific is the most important component of the emerging market economies. Higher spending in Asia may be the only answer. Over half of the people in the world live in Asia and Asia's spending is on the rise.

## The Economic Downturns Compared

Encik Nor Zahidi's presentation focused on comparing the current economic downturns with the crises of 1998 and 2001. His first point was that the rapid downward growth revision by IMF suggests that the global economy is heading for a 'cardiac arrest' with global growth rates falling to 0.5% in 2009 and with negative implications on Asian economies such as Malaysia. The OECD Composite Leading Indicators (CLI), signalling future world economic direction, is at the lowest point (-7) since the first oil shock of 1974 (-8) and it continues to decline as at January 2009. US, Europe, China and India indicates a similar trend, but there is still a significantly positive gap

(-1 to 7) compared to the OECD's lowest point.

Japan and South Korea are almost at the OECD's lowest point of GDP growth as at 4Q 2008. The US manufacturing index (ISM) is at its lowest level since early 1980s and has remained below the 50 point demarcation line for 20 months.

Regarding the impact on Malaysia, Nor Zahidi felt that Malaysia's GDP, in the very best-case scenario can expect a growth of -1% for 2009. There is a high correlation between the US' ISM Manufacturing index and Malaysia's industrial production, which suggests that Malaysia's industrial production will drop further.

This argument is supported by the ISM New Orders Index which has also dropped drastically, indicating an extreme weakness in the manufacturing sector, and suggesting that the IPI may follow a similar path. The current downward cycle is characterised by a sharp contraction in exports following a collapse in global demand, particularly for E&E products. Global chip sales have fallen by 28.6% in January 2009 while Malaysian exports have fallen 27.8% in the same month.

This is a worrying trend as the Malaysian domestic economy relies heavily on private consumption (53% of GDP). Comparing the present situation with experiences in 1998 and 2001, MARC has found the following:

- The KLCI has declined more severely than in 2001 and 1998.
- Vehicle sales have not declined as drastically as they did in 1998 but are now below the 2001 level.
- Sales taxes have increased for 3 quarters following the peak of industrial production although there is a possibility that it may follow the path of 2001.



Nor Zahidi

- Wholesale and retail trade registered positive growth for 3 whole quarters after industrial production peaked, in sharp contrast with the experience in 1998.
- Overall private consumption has held up well and has actually increased since the industrial production peaked, another difference from the situation in 1998.

Nor Zahidi concluded that a comparison of the current

situation with previous crisis shows that the present scenario is worse compared to the downturn of 2001 but has not yet deteriorated to the crisis level of 1998. Private consumption provides a buffer to the economy as it is still contributing positively to GDP growth as at 3Q 2008. This might be due to better labour market and lending conditions.

### Can the Mini-Budget Help the Manufacturing Sector?

Dato' Wong began by saying that the manufacturing sector in Malaysia does not expect a recovery anytime soon. However, small and medium-sized supporting E&E industries may be able to hold out for the next 6 months at most before they start to retrench people. Despite the gloomy outlook, Malaysia can benefit from a worldwide consolidation amongst the MNCs. Opportunities exist to encourage manufacturing activities to be moved to Malaysia.

There are 3 areas in the Mini-Budget that impacts the manufacturing sector, namely: reducing the cost of doing business, financing, and human resource development. The MAEI is of the opinion that the measures in the Mini-Budget, including the 6-month suspension of HRDF contributions and subsequent reduction of contribution to 0.5% from 1% for 2 years, accelerated capital allowances, and double salary deductions will have limited

impact on manufacturing companies as these are hiring very selectively at present; most are trying to increase productivity without having to spend more. The carry back losses will have an impact but will only be seen next year. The expansion of the Penang Airport to make Penang a logistics hub is positively received by the industry, but the timing of this move is crucial.

In terms of financing, measures such as the Working Capital Guarantee Scheme and the Industry Restructuring Guarantee Fund Scheme are viewed positively by the manufacturing sector. Again timing is of the essence and the government must ensure the proper implementation of the disbursement of funds.

The RM700m allocated for human resource development via training and development will definitely help the industry when demand returns to the market. The manufacturing industry views positively the measures announced on training non-industry-ready graduates, positioning Malaysia to go up the value chain, encouraging more engineers & technical people to enroll in masters or PhD programmes, and providing PRs for highly skilled professional workers. Dato' Wong also believed that the measures to improve telecommunications would be useful, as it will be positive for the country in terms of foreign direct investment, and encouraging a knowledge-based economy.

The MAEI notes that it is crucial at this juncture to increase the competitiveness of the country, to position Malaysia vis-à-vis the rest of the world. Dato' Wong recommended a number of additional measures, in the areas of reducing the cost of doing business and human resource development. Measures to help reduce the cost of business include the suspension of HRDF; meaningful



*Dato' Wong Siew Hai*

reduction of utility tariffs (which he called 'low-hanging fruits' that the government can quickly implement for immediate impact) reduction of corporate tax to below 20%; double salary deductions to apply to those earning below RM10,000 per month to encourage companies to retain workers; the removal of levies on materials and equipment for upgrading equipment; and providing export grants to support global marketing activities.

In terms of Human Resource Management, the use of permanent residencies (PRs) is a good competitive strategy to attract talent to help the country move up the value chain. Many other nations have embarked on this strategy. There have been occasions when Malaysia lost talented people who have worked for a long time in Malaysia, to Singapore, as we were not able to offer PR status to these workers. Foreign workers in skilled jobs should be offered PR status, including those working in SMEs supporting the E&E industry. This would encourage the country to move up the value chain for E&E. The terms and duration of their stay should also be extended and made more certain, so as to encourage the adequate transfer of skill sets.

## Policy Issues

Based on these presentations, several key policy issues were noted. First was the need to identify effective short- and long-term measures to deal with the crisis. Given the protracted global recession, the Government needs to be clearer in the direction it wants to steer the economy in the short term, especially for the next 6 months, and for the longer term. It is highly unlikely that the country can substitute the fall in external demand by domestic demand. Rather than give handouts, it is better to target the policies at providing or retaining jobs. In the medium and long term, it is important for the economy to diversify from its

traditional markets and be less dependent externally as we are likely to see weak demand for the next 5 years.

Malaysia's location is strategic as it is located between three of the world's fastest growing markets: China, India and Indonesia. These are the 3 markets that it should try to target over the next 5 years. Realistically it may be better for Malaysia to go up the value-chain for electrical and electronics, which formed a large portion of Malaysia's exports in the past, than to abandon manufacturing for services.

The low NPLs of 2.5% in Malaysia may be an indication of risk averseness of lending to the people. If the capital guarantees don't work, the Government may need to resort to directed credit to SMEs – those with the greatest potential.

An opposing view from a banker says that the low NPLs are due to the alternative route for financing given the expansion in the capital market. The impact of the downturn in the real economy has yet to affect the banking sector.

There is no clear strategy to kick-start the domestic economy in both the first and second stimulus packages. There were no real structural changes mentioned in the Mini-Budget. A large percentage of oil revenue will fall off in a few years' time and there is no mention of how the Government will address this issue.

Next, the most immediate problem facing Malaysia is the fall in aggregate world demand. Roundtable participants were mostly of the view that both the stimulus packages are not sufficient to counter-balance the fall in external demand.

The third issue was the lack of detailed guidelines on capital guarantees. The disbursement of capital to SMEs will have a significant impact on the economy, especially since it comprises a large portion of the mini-Budget and can be

*Roundtable participants were mostly of the view that the both the stimulus packages are not sufficient to counter-balance the fall in external demand*

implemented quickly. However these capital guarantees are yet to be made clear to the public. The less clear the guidelines are to qualify for the loans, the greater the likelihood of abuse.

There was also much concern regarding the lack of clarity in the measures announced by Government. For example, while it is laudable that the Government is trying to encourage the import of talent into the country, the policy on granting of Permanent Residence status remains unclear

as the word 'may' is used. Again this is likely to lead to abuse.

Fifth was the issue of infrastructural projects being awarded but not implemented. Although RM200bn worth of construction projects from the 9MP have been awarded since the end of 2007 and early 2008, the bulk of them have still not been implemented.

Some also queried the insufficient training given to construction workers. Since the Nov 14 announcement on training of 100,000 local construction workers by the Prime Minister, the project has still not got off the ground.

The seventh issue was the export sector's need for assistance. Although exports have fallen, there is still demand, except that pricing is now keener. Firms will have little choice but to cut back on its headcount. It is therefore important to help businesses by reducing the cost of doing business as well as to find new markets for exports.

The need for energy saving was also brought up. Malaysia uses 5 times more energy than Japan. Japan has a culture of saving energy and every Japanese is a stakeholder and is responsible for saving energy. When the Japanese economy was contracting, the Government embarked on this energy saving exercise. There is considerable scope to improve energy efficiency in Malaysia which will help reduce the cost of business

operations and achieve 10% to 20% energy savings.

The last issue of note was the changes of the policies in regards to rights issues announced in the mini budget. The Government's decision to allow the rights issue without going through normal channels of approval may open the floodgates for raising capital irresponsibly and further dampen the capital market. It may be better to reduce the paid-up capital of newly listed companies to encourage more companies to seek listing.

## Policy Proposals

With these challenges in mind, the Roundtable then proposed that several policy proposals be put forward to the Government.

Chief amongst them was the importance of clearer communication between the government and the public. Roundtable participants were of the view that the short- and long-term strategies were not clearly communicated to the masses. As a result of this, the announcement was not able to instill confidence in the general public. As global demand is likely to remain weak for the next 3-5 years, it is important that the nation diversifies away from existing export dependency on traditional markets like US, Japan and Europe to markets like China, India and Indonesia with greatest proximity to Malaysia.

Second was the need for greater transparency in the

expenditure of the Mini-Budget. The Mini-Budget, being the largest in Malaysian history, should be clearly communicated to the public. Details of expenditure as well as ongoing expenditure on the Mini-Budget should be posted on a website. Even if this proposed website is not as open as similar sites in the US and elsewhere, it is important to ensure that the website continues to provide adequate information to track spending. With the details on the website, the rakyat will act as the eyes

*Furthermore, it was felt that the Federal Government had to monitor, coordinate and if necessary, remove obstacles and roadblocks holding up the implementation of construction projects and the training of construction workers*

and ears of the Government with regard to implementation. The rakyat can then be invited to give feedback to the government.

The issue of information is related to this. The Government's policies must come across as crystal clear to the public. It needs to provide clear guidelines on the implementation of the capital guarantees of SMEs and other measures announced to prevent abuse of the system. Decisions have to be made before the

announcements leaving no room for doubt; e.g. the announcement on allowing of PR status, to attract foreign talent.

Furthermore, it was felt that the Federal Government had to monitor, co-ordinate and if necessary, remove obstacles and roadblocks holding up the implementation of construction projects and the training of construction workers.

There also seems to be a lack of urgency at the state levels. A crisis management task force such as the NEAC, headed by the Prime Minister, should be set up to look into the matter, co-ordinating all the different states, Ministries and agencies.

Given that Malaysia's oil reserves are likely to fall significantly in a few years' time, it is also appropriate to look seriously into energy savings measures. It is recommended that the management of companies be sent for energy management courses. Middle-management and engineers should be retrained in energy management. The potential energy savings from this exercise can be in the region of 5-10%. The Government can also provide interest-free loans or tax incentives for companies who wish to retrofit their cooling systems to affect energy savings in their offices, shopping complexes and commercial buildings. Similarly, factories may want to retrofit their heating systems for energy savings. Energy savings can be substantial ranging from 10%-20%.

There were also calls for the Government to reduce the paid-up capital of newly listed companies to encourage more companies, to seek listing and to reconsider allowing rights issues to be freely issued by existing companies without prior approvals of the SC. Also, to encourage companies to look for new markets, it is recommended that the Government provides export grants to support global marketing activities of the manufacturing and other export sectors. Export taxes should be removed to enable our industries to be more competitive for eg. in the export cess on rubber gloves.

Lastly, since the country already has a head start in the low-end E&E industry and has developed supporting SMEs, the Government should consider moving the country up the value chain for E&E. Foreign workers in skilled jobs, including those working in SMEs should be offered PR status, supporting the E&E industry, as it takes years to transfer skill sets. The terms and duration of stay should also be extended and made more certain, so as to encourage the adequate transfer of skill sets. It is recommended that the provision of grants for factory upgrades and improvements be on an 80:20 government-firm basis, instead of the current 50:50.

To nurture higher value-added activities such as design and development in supporting E&E industries, the Government should provide soft loans for

such companies. In giving out loans to SMEs, a clear set of guidelines or criteria is needed for companies with cash flow problems, and such loans must be given expeditiously, to help SMEs stay in business, avoid retrenchments and to prevent the loss of technology and technical knowhow.

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## TECHNOLOGY DEVELOPMENT IN MALAYSIA: IS THE GLASS HALF FULL OR HALF EMPTY?

*Have we already filled the 'technology glass' and are we in the process of tipping some out (in other words, regressing) ? Or is the 'glass' only in the process of being filled? If it is the latter, it suggests that further action needs to be taken to raise the level in the technology glass. **Dr Jorah Ramlan**, Senior Analyst at ISIS Malaysia examines the issue and concludes that there is room in the 'technology glass.'*

### Introduction

In a study on the impact of ICT on economic growth in Malaysia, it was discovered that the contribution of ICT to Malaysia's economy was estimated at RM15 billion or 0.08 per cent of GDP (Ramlan, 2008). This finding is highly significant as it puts into perspective the various ICT policies and the importance of technology as a catalyst for economic growth.

Are we developing technologically at a rate comparable to other developing nations or are we lagging in this area? On the one hand, if one is to look at the development of technology in Malaysia, it is obvious that the nation has progressed from relying on agricultural technology, towards manufacturing technology, to information and communication technology (ICT) and to space technology. On the other hand, where do biotechnology, nuclear technology, medical

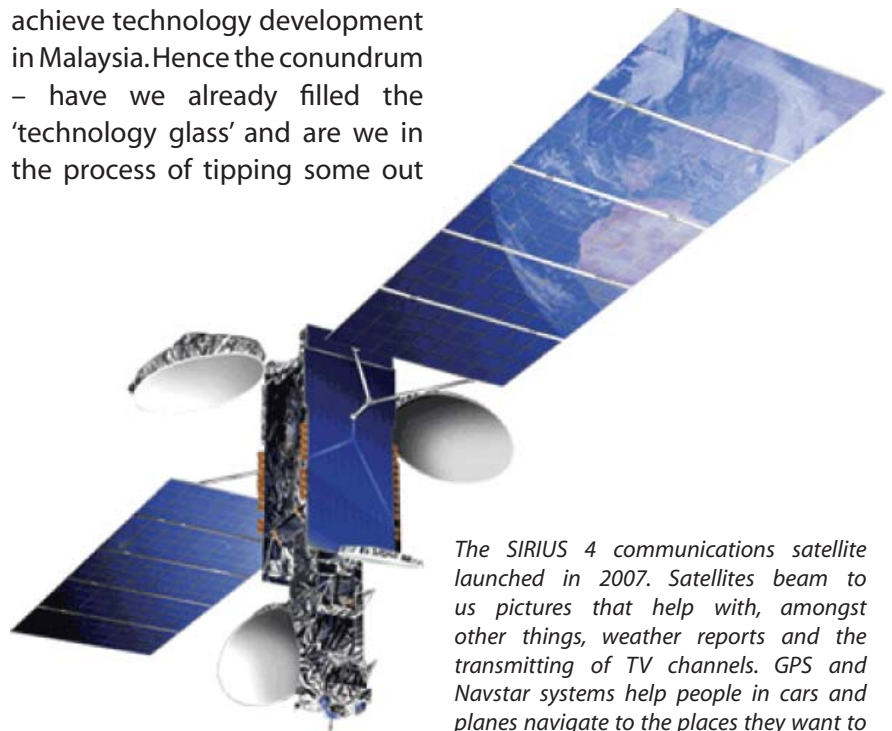
technology and the like fit into these developments? We are aware of the advancement in these areas in Malaysia, but the lack of indicators restricts our understanding of the extent of this development.

This to a certain extent hinders the goals of various policies which are in place to achieve technology development in Malaysia. Hence the conundrum – have we already filled the 'technology glass' and are we in the process of tipping some out

(in other words, regressing) – or is the 'glass' only in the process of being filled? If it is the latter, this suggests further actions need to be taken to raise the level in the technology glass. If it is the former, perhaps technology policies need to be re-evaluated. In both instances, factors affecting technology development need to be determined and goals need to be examined in order to ascertain progress. There are two major concerns which are associated with technology development in Malaysia: measurement issues and human capital.

### Technology, Economy and Human Capital

The term 'technology' originates from the Greek 'technologia' – 'techne' refers to 'craft' and 'logia' refers to 'saying'. The general definition of technology refers



*The SIRIUS 4 communications satellite launched in 2007. Satellites beam to us pictures that help with, amongst other things, weather reports and the transmitting of TV channels. GPS and Navstar systems help people in cars and planes navigate to the places they want to go to*

to the application of knowledge to practical aims in human life. Technology encompasses a broad concept, the use of which started with the conversion of natural resources into tools, and the knowledge on the use of these tools to improve society's well-being, leading to sustainable growth of economies. It is acknowledged that there are negative externalities of technology development such as pollution, biological and chemical weapons, global warming, and diminishing natural resources, but the benefits outweigh the liabilities.

Studies have shown that there are three stages of technology: namely tools, machines, and automaton. The first stage involved the use of tools. History has shown that the emergence of technology was made possible by the development of the rational faculty which paved the way for basic tools such as a container, spear, arrow, plough, and a hammer, which increased labour efficiency in achieving a person's objective. These tools provide a mechanical advantage in accomplishing a physical task and must be powered by human or animal effort. There are animal-powered tools such as the plough which is used with a horse or buffalo, which has significantly increased the productivity of food production over the technology of hunter-gatherers.

Tools allow one to do things which are impossible to accomplish by one's natural physique. These are for example, seeing minute details with the aid of a microscope, manipulating

heavy objects with a pulley, and creating the cart and wheels as a means of transportation. The second stage of technology was the creation of machine-powered equipment. The Industrial Revolution saw the creation of steam engines, lights, computers, satellites, and submarines. Thus, machines became a substitute for human physical effort but still required human knowledge and skills to control their functions. The third stage of technology is the automaton. This refers to a machine that removes the element of human control

with an automatic algorithm. Examples include digital watches, pacemakers, computer programmes, and neuro (robotic)-technology. The common factors in the three stages of technology are knowledge and skills which are the essence of the concept of human capital, suggesting that the development of human capital is pertinent to technology development.

There are three ways of measuring the technological development of an economy: technology indicators, economic



*The steam engine can be considered the single most important invention of the entire industrial revolution, although the idea of using the power of steam to the advantage of human beings has been around since almost the beginning of time*



growth, and human capital. The most common technology indicators are economic indicators such as national income, private and public sector contributions to the economy, population and employment data, and the Gini coefficient. However, more specific indicators such as the number of professionals in each area of technology, research and development surveys, bibliometric studies, intellectual property rights (patents, copyright, trademarks, domain names, registered designs), and levels and components of subjects in the education system, enable a better understanding of the development of technology in Malaysia.

Economic growth indicators such as the components of national accounts, contributions to the GDP from the various economic sectors (products and services), income per capita, employment, and population distribution, are the most common proxies for technology development analysis. Several areas of development run contemporaneously – the greater importance accorded to human capital in the pursuit of technology, the discovery of new materials such as those employed in industrial activities, and advanced techniques such as the use of chemicals which inhibit the body's rejection of transplanted organs or forestall the ravages of cancer.

New materials, new uses for existing materials and processes such as nanotechnology,

and new theoretical concepts, all run parallel in furthering technological advance.

Studies have shown that these three areas of development are not mutually exclusive. Conclusive results have indicated that there are positive relationships between technology and economic growth, technology and human capital, and human capital with economic growth. Advocates of a long-run economic growth model will argue that technology is the factor contributing to total factor productivity (TFP) which will gradually shift the economy to a steady state, thus, achieving sustainable economic growth. The concept of TFP relates to the efficiency of input factors. The recognition that the increase in knowledge and skills in human capital will increase inputs efficiency has led to the development of TFP growth model.

Others continue to be proponents of the Cobb-Douglas production function or the augmented Solow model in the contribution of labour and capital to output. This is because while some studies have shown that total factor productivity does contribute to economic growth in developed countries, others have provided conclusive evidence that inputs such as labour and capital (and not total factor productivity) are the driving force of some economies, specifically, the newly industrialised economies of Asia and Latin America. Despite the argument

on the significance of total factor productivity and the long-run growth model, it is recognized that knowledge and skills in human capital are pertinent to society's development and economic well-being.

## Technology and Malaysia

In Malaysia, technology development is the result of the influence of the several cultures that colonised Malaysia in various periods prior to Independence. While some countries such as Egypt and China had initiated technological development as far back as 5000 BC, there has not been a corresponding progress in the welfare of the people or the advancement of the economies of these countries until recent times. Most OECD nations as developed countries typify a lengthy history of civilisation that has engendered notable progress in technological development resulting in economic progress. If economic progress is an indicator of technological development, Malaysia has shown greater progress in technology and economic growth in the half century since the attainment of self government.

The recognition of technology as a catalyst for economic growth in Malaysia started with the inception of the Ministry of Technology, Research and Local Government in 1973, renamed the Ministry of Science, Technology and Environment in 1976, and re-named again to Ministry of Science, Technology

and Innovation in 2004. As a proponent of technology development for more than three decades, the Malaysian government has identified several technological clusters for financial allocation in support of technologies relating to agriculture, biotechnology, information and communication technology, sea-to-space, and industrial technology which includes advanced material, advanced manufacturing, nanotechnology, waste to wealth, and alternative energy. With the introduction of the sea to space cluster, there is no doubt the government is seriously committed to promoting technological development for the country. To further strengthen the commitment to technological development, the Government has recently announced the formation of a Ministry of Energy, Green Technology and Water.

We await further information relating to the expansion of Green Technology in Malaysia. In general, Green Technology is expected to encompass a continuously evolving group of methods and materials, from techniques for generating energy to non-toxic cleaning products. This covers all aspects of human life and includes the various industries such as energy, building, manufacturing, chemistry, and the environment. To date, policies relating to this technology have yet to be announced. It will be interesting to know to what extent the policy makers are willing to advance in promoting this technology due to its non-exclusive nature.

## Challenges and Solutions

Apart from cost, accessibility, and information, there are two major challenges which Malaysia needs to address in determining technology development of the country: measurement issues and human capital.

Measurement issues are a major concern in Malaysia. Evaluating the development of technology is limited due to the unavailability of and restricted access to information and data relating to the various technologies. For example, information technology, which came to be known as ICT, was available in the country almost 3 decades ago. In addition, it was acknowledged as the engine of growth since the Seventh Malaysia Plan.

Despite the nation-wide push to embrace ICT for the last two

decades, detailed information and data pertaining to the various aspects of ICT which include the industry, employment, Internet and broadband users, e-commerce, contributions to national income, and network spill-over, is limited to the last few years, or to geographical areas, or completely unavailable for public consumption.

Limited service coverage for 3G technology has yet to be resolved despite the advancement in communication technology. The service quality of ICT based on the infrastructure such as broadband has yet to be determined due to the unavailability of data. The introduction of biotechnology, nuclear technology and recently, green technology, hopefully will not suffer the same fate as ICT did in relation to measurement issues.

One solution to this problem would be to introduce a specific



*The US car manufacturer Zero Pollution Motors plans to introduce the six-seater Air Car CityCat to the U.S. market. At low speeds, this vehicle emits only air from its tailpipe making it a good option for 'green' inter-city travelling, and it is designed to consume only small quantities of fuel*

agency which will monitor the development of each technology in terms of information and data collection from the very date of its public announcement. This would permit the precise evaluation of the development of the particular technology, as well as its impact on society, and on national development.

The development of human capital is also crucial to the social and economic growth of a nation. The direct association between technology and the practical application of knowledge and skills of a society suggest the importance of human capital for technological progress. History has shown that humans can survive without technology but technological progress will not be possible without intellectual capability. This ability is expected to lead to labour and capital efficiency which translates to increased productivity in a society and the economy.

The problem with human capital in Malaysia includes the unavailability of standard measurements for human capital. This leads to the use of various proxies such as education levels, skilled, semi-skilled and unskilled workers categories, employed labour force, and the income level. The use of the hourly wage rate is also a common proxy for human capital in developed countries but not in developing countries. In Malaysia much data can be obtained from the manufacturing sector but the same cannot be said for other economic activities. Education is a good measure for human capital but the impact of education policies in the



*A humorous description of what has become a very indispensable gadget*

development of human capital can only be determined at least a decade later in the life of the younger generation or after they have passed through the formal education system.

One solution in developing human capital for technological development is to promote analytical thinking skills at various levels of the formal education system. In addition, a new method needs to be introduced to assess the skills and experience of individuals who have acquired a specific knowledge, through informal education.

## Do we Need to do More?

The answer is an unequivocal yes. There is room in the 'technology glass'. Not only is there more room, the glass itself is expanding in the sense that humankind appears to be insatiable in its quest for all that is bigger, faster, newer and arguably better. History has shown us that technology continues to develop and we have every reason to expect that the future will show a similar path of development for Malaysia.

# ISIS calendar

## Upcoming Events

### Transboundary Haze Dialogue

5 October 2009

### ISIS Malaysia Roundtable on 1Malaysia

22 October 2009

### Korea-Asean Co-operation Forum

11-13 November 2009

### 7th East Asia Congress

6-8 December 2009

### Asean-ANZ

9 December 2009

## Past Events

### ISIS Roundtable Discussion: Malaysian Responses to the Global Financial and Economic Crisis

19 January 2009

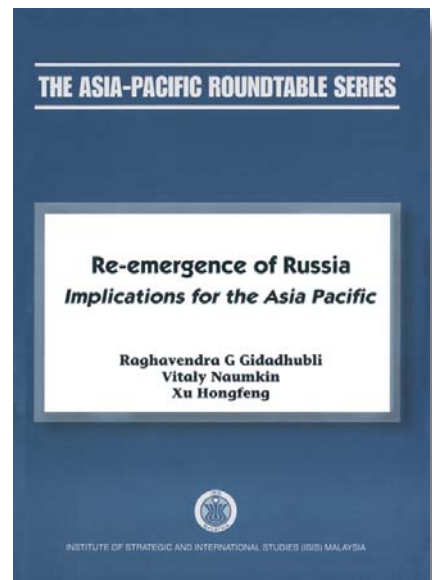
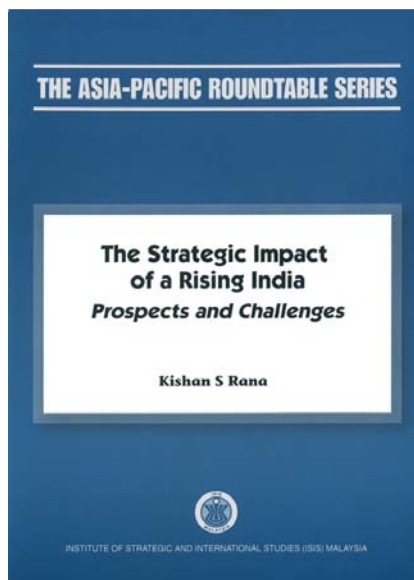
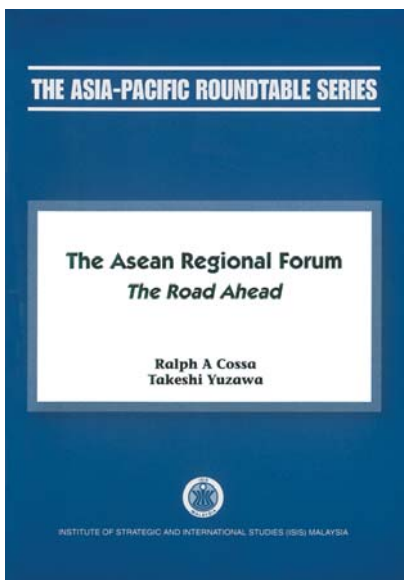
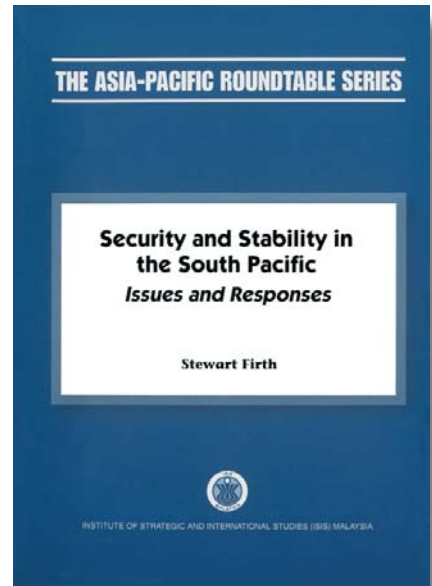
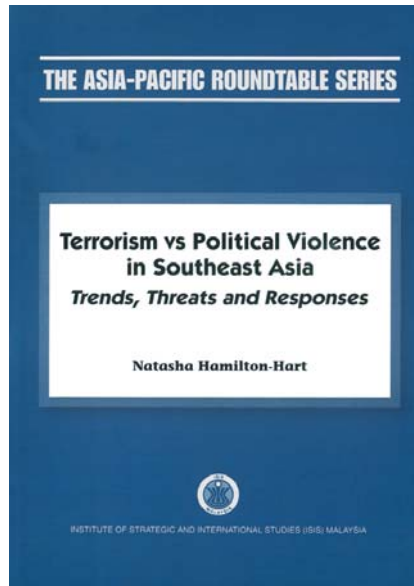
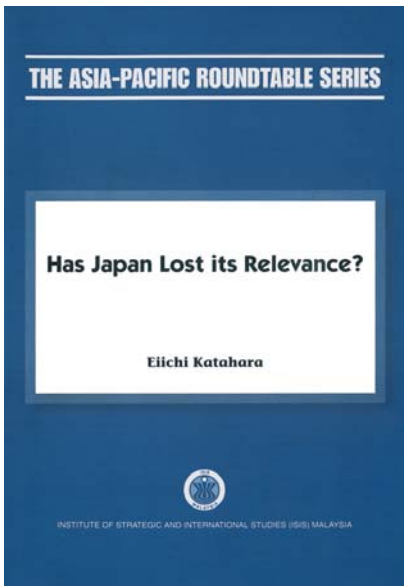
### ISIS Public Lecture on "Global Financial Crisis: US Recovery and China's Growth" by Dr Dan Steinbock

3 March 2009

### Roundtable Discussion on "Will the Mini Budget Address Malaysia's Vulnerabilities?"

16 March 2009

# LATEST ISIS MALAYSIA PUBLICATIONS



## *NOTES*





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