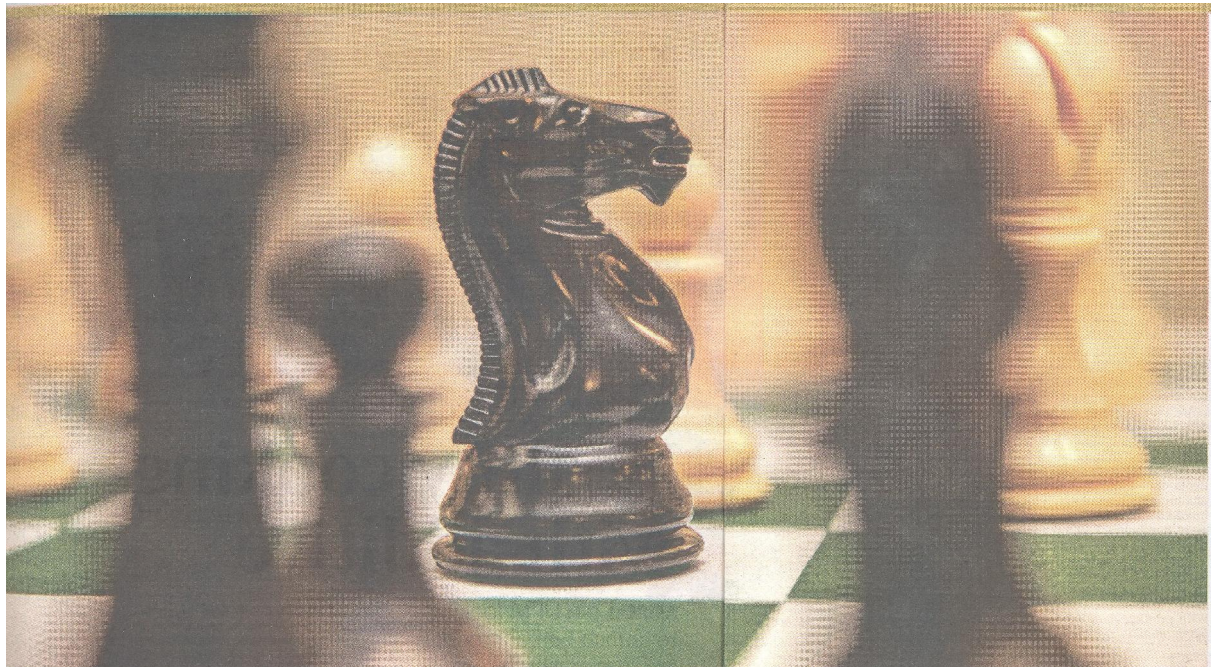


14 July 2015

## *Is Malaysia really competitive?*

**OBJECTIVE:** Rankings must accord with general observation and common sense



***Being a competitive economy is not an end in itself.*** We need to be realistic and practical, and get on with the job of becoming so.

THE term "competitive" is much used and abused. Adjectives describe a thing – in this particular case, the country and its economy. But all adjectives also involve an act of judgement. As the old saying goes; "beauty" (another adjective) is "in the eye of the beholder".

So what does it really mean to be competitive? Is there a common understanding, one that is objectively derived? Every year, much work goes into determining this by way of rankings, the two most widely followed being by the World Economic Forum (WEF) and the International Institute for Management Development (IMD).

In May this year, the IMD released its rankings, which showed that Malaysia had dropped two places to 14th place out of 61 countries. This was not particularly good news and Malaysians had other more pressing things on their mind so this was not considered highly newsworthy.

Being in the top 25 per cent of a global ranking is not bad at all, you might say. After all, Germany, at 10th position, and generally considered one of the most efficient economies in the world, is within striking distance. A drop of two places is not also highly significant, considering the rise and falls in previous years.

All rankings, like beauty contests, however, are questionable, even ones that are supposedly based on rigorous methodologies. Without going into the mechanics, which differ from others, the results must accord with general observation and, more importantly, common sense.

Does any Malaysian really believe that we are almost twice as competitive as Japan, which occupied 27th position? If this were true, why are not Malaysian companies investing more in Japan than vice versa? Japan's productivity per hour in purchasing power parity terms is almost three times greater than Malaysia's.

Malaysia also ranked ahead of South Korea, which was in 25th position. Yet South Korea was placed 10th in terms of networked readiness, an indicator of technology, while Malaysia was in 30th place. Why this discrepancy when we are supposedly so far ahead of our Northeast Asian counterpart?

China was in 22nd position but the last time that I looked, we, along with the whole world, were buying more goods from it than vice versa. The world's most competitive economies view China a threat even though, on paper, it lags far behind them, largely owing to its great size.

All this is to say that we cannot afford to make too much of international rankings, especially where they paint an inconsistent picture. Going by just about any measure of output or input indicator, Malaysia does not rank ahead of any of these countries. The totality of hard evidence just does not bear this out.

If Malaysia were truly competitive, the country would have one of the highest standards of living in the world rather than languishing in the 30s in terms of global GDP per capita. If we were competitive, growth would be steady and increasingly productivity driven.

If we were truly competitive, our workforce would be among the most educated and our people demanded all over the world. More of our people would hold tertiary degrees and diplomas and our institutions of higher education would be among the top 100 in the world.

Our exchange rate would not be withering and our asset markets wilting to the extent that it has. The job of attracting productive capacity building foreign direct investment would not be as difficult as it is, falling behind even other Southeast Asian countries.

We would not be standing idly by when precious financial resources are frittered away. Were it not for our petroleum and gas exports and the fact that we are not at all a large country, we would have sunk a long time ago. Everything now seems to be politics and politics is everything.

Perhaps most inconsistently, our mindsets would not be as closed and we would not be wasting time on nonsensical debates with religious orthodoxy about the length of skirts, of generally understood words that can or cannot be used.

Is Malaysia really competitive? Unlike a beauty contest where the most beautiful participant is chosen and the contest ends, being a competitive economy is not an end in itself. We therefore cannot take someone else's word for it and simply assume that we are. Above all, we need to be realistic and practical and get on with the job of becoming so.

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