

## **ARTICULATING AN AGENDA FOR THE DECADE AHEAD**

In the last 20 years, Malaysia has pursued a path of development that has hinged on heavy industrialisation and physical infrastructure projects. The term infrastructure is used very broadly to include, besides, transportation systems such as the Light Rapid Transit (LRT), mega-projects such as the Petronas Twin Towers.

The LRT system falls more easily into the category of infrastructural facility than does the Twin Towers. Rather than merely being an infrastructural instrument, the Twin Towers are a symbol of national pride, an announcement that Malaysia has attained a certain status.

Aside from its sociological value, the Twin Towers and other such mega-projects had their own economic value. They helped, in a typically Keynesian fashion, to drive the growth of the economy.

Thus, the last two decades have seen a long list of projects of varying degrees of value. Some of the individual projects have succeeded, others have patently failed, and yet others faltered. This raises a crucial question: What is the agenda for the next decade? The answer has not emerged with a distinct tone. One can only speculate.

One possible strategy for the next decade would be to go on replicating the pattern that served well in the past. This would be to try to create new industries and to attempt to construct new competencies where none existed previously.

Just as the Multimedia Super Corridor was an attempt to create an infrastructural facility of considerable dimensions, so some such venture can be selected. This will capture public imagination as well as possibly provide a platform for the take-off of a new industry.

A variant on this theme would be to attempt to create a new industry, or to make Malaysia the regional hub of a selected industry. The national car project is one such example. Only, one should avoid the danger of creating a project that offers pockets of welfare surplus but which is welfare-diminishing when taken as a whole.

While the automobile industry supports small and medium industries and generates employment, it shows no signs of gaining markets beyond our shores. Neither does it seem capable of performing effectively without government support. Given the intense regional competition, the argument that the national automobile industry needs time to develop can be problematic. It, therefore, seems that other more viable approaches need to be explored; but more wisely and realistically.

Clearly, in selecting possible candidates, Malaysia would need to support an industry that can reach maturity in a short period of time. More than that, it is important that this potential industry should be able to penetrate global markets in the style of Nokia or Acer.

What other agenda can Malaysia pursue in the next decade? We could, perhaps, seek to improve some of our core abilities, such as pushing forward our scientific and technological frontiers. Obviously, having the requisite educational and scientific ability will pave the way for technological competence.

Here, there seem to be two strategies that we can adopt. One would be noisier and more flamboyant. The other, quieter, but more likely to achieve results. The latter strategy would be to revamp our educational system so that we can produce students at all levels who are as good as the best in Germany, Israel or the United States. Otherwise, it would be an empty advertisement to promise to send men to

space when students have difficulty solving quadratic equations or reading computer manuals in English.

While it would be a solid and fruitful goal to achieve high educational standards, this is not likely to be a popular course of action. Too much has to be done and one would have to wait long to see the results.

A more striking option, for instance, would be to establish a sprawling science park with research institutes. The Hsinchu Science Park in Taiwan forms an interesting model and so does the Industrial Technology Research Institute (ITRI) that is located there. ITRI has 6,000 employees and conducts research in areas such as nanotechnology, biomedicine, disk drives and materials science. Given our human capital constraints we may not be able to achieve what ITRI has been able to do.

There is another alternative that we can pursue, and that would be to produce an institutional structure that effectively reduces the cost of doing business in Malaysia. This strategy will focus on increasing economic freedom. This implies reducing corruption, improving corporate governance, enhancing transparency and, generally, promoting a more transparent and competitive economic environment where all individuals and firms are on equal footing.

Associated with this strategy will be the goal of transforming our economy into one where the government has a facilitating role and not one which encourages monopolistic behaviour or rent-seeking. It follows that crony capitalism will have no place in an economy where economic freedom prevails. Similarly, firms will have fair and equal access to government procurement, to mention just one item on a possible list. Indeed, creating an institutional framework that contributes towards economic freedom will demand a major overhaul of many of our existing practices.

The years ahead have pressures of their own. On one hand, we have to contend with fault lines that are the creation of our own history. These include an outmoded educational system, the lack of an entrepreneurial spirit among certain sections of society and the continued reliance on an interventionist state. On the other hand, we have to contend with the competition that comes from China, India, and closer to us, from Thailand and, in time, perhaps from Vietnam, too.

The need to choose an optimal strategy at this juncture in history has exigencies that are more pressing now than they have been before. We do not have to choose one strategy to the exclusion of others, but one strategy would tend to have a dominating flavour. The cost of a wrong choice (or the lack of a clear choice) can result in a foundering economy.

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