DRIVING AN ECONOMY WITH IMAGINATION

There are two ways you can run an economy. You can take the tack that all you need is to make sure that there are no obstructions to the functioning of markets, leave prices to find their own levels, and be happy with the thought that all else will fall in place.

The alternate path is to intervene. Here you have to decide the kind of trajectory that you would like to see the economy take. You would also have to imagine what kind of end-point you would like to see.

The part that would milk the creativity of the planners and the chief executive officer of the nation – because here we have to deal with Malaysia Inc. – would be on *how* targets are achieved. Imagination would make its demands on the CEO and his team of policy makers; and they would have to devise plans and strategies that can imaginatively drive economic progress.

An interventionist approach would require imagination in selecting the right kind of projects, and exercising imagination to ensure that the same mistakes are not repeated.

At the risk of oversimplifying, it appears that over the last 20 years Malaysia has chosen to take the path of interventionism.

The underlying signals were clear during the Mahathir era. It was all about ambitious goals, achieving developed country status and implementing policies swiftly with flaws and all.

After two decades of dizzying buildings being built and massive infrastructure projects being accomplished, the question is: what happens next? Is there broad continuity in the development policy? Are we creatively addressing mistakes that were previously made?

Poverty has more or less been decimated over the last 20 years. Bumiputera participation in the economy has soared to the clouds since 1969, although it is not clear if the equity targets that were intended have been achieved or not. Some of the prerequisites for growth have been put in place. A good manufacturing sector has been developed. All these make it pertinent to enquire what the next steps are.

Will we go the way of the Iskandar Development Region (IDR) project, one of the most impressive projects under the Ninth Malaysia Plan? Up to RM17 billion will be pumped into the IDR project initially. The 2,217 sq km project is expected to be a logistics hub, a medical hub, a centre for creative industries, biofuel, halal manufacturing, besides housing cyber-centres and universities and R&D institutions of world-class standing. A diverse catalogue, indeed.

But before launching another mega-project it would have been prudent to run a stock check on what went wrong with some of our national projects that never really became "world-class". If such a check has been conducted, the results have not been made public, and valuable lessons are lost to us.

It is reported that IDR is expected to compete for investments with the likes of Bangalore and Shenzhen. Expectations of this magnitude cannot be based on fanciful imagination. Otherwise, imagination will slip into fantasy.

Shenzhen, it must be remembered, has its origins in 1979 when China's then premier Deng Xiaoping opened its first special economic zone with the intention of introducing capitalism into the country.

If Shenzhen has been successful, it is because China's policies in attracting foreign direct investment have been successful. And China has been successful because it has been opening its economy dramatically. It has a tremendously huge market; and an abundant supply of labour of all specifications (highly skilled and qualified as well as very low-cost and unskilled). No wonder then that 103 Global Fortune 500 companies are based in Shenzhen. Shenzen was symptomatic of China's larger transformation.

Bangalore is not a city that was built as a national project with the intention of housing factories, information technology companies, pharmaceutical factories, research centres and universities.

Multinationals sought out Bangalore because of the technically skilled labour that was available. And that at a time when its infrastructure was poor. In fact, its infrastructural facilities are still not of world-class standards, although it continues to attract world-class investments.

The IDR project does not have the preconditions that Bangalore and Shenzhen had. As Tan Sri Kishu Tirathai, a member of IDR's advisory group, is reported to have said of IDR, "Planning has been done. The physical structures are coming up. The main challenge now is marketing and implementation."

One wonders if enough thought has gone into what has to be done to develop the preconditions for success. Beautiful buildings and nice roads will not suffice. More is necessary, be it the supply of appropriate labour, market size, or other relevant variables. Marketing and implementation can only hobble until the right preconditions are developed.

A skeptical reading of one case should not lead one to condemn the faculties of imagination that are being displayed. But such a reading carries a cautionary note. Imagination must be tempered with reason, reality and a sense of history, if it is to be productive.

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