

A DEVELOPED SELANGOR

A measured move beyond mere perception.

By Bhupinder Singh

What constitutes a developed economy? The main gauge is a high per capita income level but in reality the parameter is wider. The United Nations (UN) allows each nation/economy to decide its own designation, either as undeveloped, developed or developing. There is no established convention for the designation.

The UN has, nevertheless, put a compound indicator, called the Human Development Index (HDI), to give a sense of how developed a country is. The HDI measures factors such as poverty, education, life expectancy and literacy to get a standard means of gauging a nation's well being.

The index stipulates three basic dimensions of human development:

- A long and healthy life as measured by the life expectancy at birth;
- Knowledge as captured by adult literacy and the combined primary, secondary and tertiary gross enrolment ratio; and
- A decent standard of living as measured by the gross domestic product (GDP) per capita.

An economy is developing if it has not achieved a significant degree of industrialisation relative to population and has a low standard of living. Also, it usually has a low average income, relatively backward infrastructure and a poor HDI.

The standard of living refers to the quality and quantity of goods and services affordable by the people as gauged by real income per capita, the number of telephone per 1,000 people and life expectancy.



Selangor Menteri Besar Datuk Seri Dr Mohd Khir Toyo has come under fire from certain quarters

The well being or quality of life is an important and wide measure that takes into account factors such as happiness, art, freedom, environmental health — which are not tangible and are harder to measure compared to wealth — and access to goods and services.

Developed economies tend to have an economic system based on continuous, self-sustaining growth. They have achieved a high standard of living and high per capita GDP through the adoption of high technology and diverse economic activities.

Singapore is not classified by some as developed because of its form of government, while South Korea does not consider itself as developed. Others like Brunei and the oil-rich states of the Middle East and the tourist havens in the Caribbean

have high per capita incomes but rely solely on oil export or tourism.

Nations also often carry other tags such as Old, New or Third World, North or South, and rich or poor, to reflect their respective level of development. In general, Japan, Canada, the United States, New Zealand, Australia and Western Europe are considered developed by the UN. Table 1 gives an indication of the HDI of the various income levels.

Selangor's march

The Selangor state government is proclaiming the state as 'developed' on August 27. The event, timed three days before Malaysia celebrates 48 years of independence, has the official support of the Federal government.

'The development is not perfect but Selangor is the first product of Vision 2020,' Deputy State Secretary Datuk Dr Abdul Munit Kasmin tells *Malaysian Business*.

The plan to declare the state as 'developed' is not new. Former Menteri Besar Tan Sri Muhammad Muhd Taib reportedly submitted a paper to the Cabinet in 2000 to declare the state as developed by 2005, a target that was set in 1991.

Yet, not everyone is willingly accepting the notion of the state achieving developed status. DAP's Lim Guan Eng called it 'an exercise in self-delusion' and questioned the methodology used.

'There are doubts about the credibility, comprehensiveness and the reliability of the study undertaken by the National Productivity Corporation (NPC) on behalf of the state government. Some findings are mind-boggling,' says the secretary-general of the DAP.

The NPC study, titled 'Competitiveness of Selangor State — Executive Opinion Survey 2004', selectively used 75 soft and hard indicators developed by the International Institute for Management Development (IMD) in Switzerland for its World Competitiveness Report (WCR).

The Selangor competitiveness report encompasses economic, institutional, business and infrastructure and cultural value perspectives involving 113 criteria. It ranks the state against 28 other economies with population sizes below 20 million. Selangor has a population of 4.49 million.

Primary data was collected from private and public sector participants of a workshop organised by the State Economic Planning Unit, while secondary data came from relevant agencies and ministries.

Only a random sample of 33 responses to a questionnaire were used in the analysis by NPC. This sample may not be large statistically, but as Abdul Munit points out, it was based on IMD's parameters. To say that the method is wrong would mean IMD's WCR is wrong as well. The NPC would not comment on the subject. Incidentally, the NPC is a body under the Ministry of International Trade and Industry and is a representative of the IMD in Malaysia for over a decade.

The competitive strengths of Selangor as a developed state are identified as those areas in which it is ranked in the top 20 among the sample economies. Conversely, its weaknesses are indicated by areas ranked below 20 (see Tables 2, 3, 4 & 5).

A question of methodology

The developed assertion is based on hard statistics like per capita income of US\$ 12,876 in 2004 based on purchasing power parity (PPP), which puts Selangor in the high-income non-Organisation for Economic Co-Operation and Development (OECD) group of economies (see Table 1).

Selangor's per capita figure, although possible for certain sections of the society in the state, may not reflect the actual distribution and has come under attack.

'The US\$ 12,000 income is a dream for most people. The average wage is about RM1,600 per month. In a company with 2,000 workers, we have found that 60% of the workforce earn less than RM600 per month. There is a high disparity in wage level between management and operations people in our economy,' says G Rajasekaran, the secretary-general of the Malaysian Trades Union Congress (MTUC).

Rajasekaran adds that the difference in income levels between management and workers can be as high as 200%-300%, compared to 20%-30% in developed economies.

Abdul Munit doesn't doubt that income distribution may differ but as he points out, this is the method used by IMD and NPC.

According to the state government's data, 1.1% of households in Selangor live in poverty, while those living in absolute poverty represent only 0.2% of the population. The median gross household monthly income increased to RM3,563 in 2004 from RM3,144 in 2002.

Selangor's GDP totalled RM228 billion last year, with 60% of it derived from the industrial sector. The foundation of a developed state has already taken shape, with value-added activities being the focus of development.

The soft indicators are reflective of a developed state. Infant mortality rate in the state was 3.7% per 1,000 births, which compares favourably against Australia, Austria and New Zealand. Teacher-to-student ratio was a robust 1:19 for primary level and 1:16.8 at the secondary level, which was found to be below the national average.

Secondary school enrolment in Selangor is higher than the national average and the Netherlands, Denmark, Thailand and Australia.

Criticism about the quality of university education in the state is misguided, says Abdul Munit. He says the survey question was on

TABLE 1: SOME INDICATORS OF THE VARIOUS INCOME LEVELS FOR THE YEAR 2003

Income bracket		2003
Low & middle income		
Exports of goods and services (% of GDP)		31.13
Fertility rate, total (births per woman)		2.78
Fixed line and mobile phone subscribers (per 1,000 people)		248.75
Foreign direct investment, net inflows (BoP, current US\$)		152 bil
GDP (current US\$)		7.12 tril
GNI per capita, Atlas method (current US\$)		1280
GNI, Atlas method (current US\$)		6.78 tril
Internet users (per 1,000 people)		75.1
Life expectancy at birth, total (years)		64.63
Mortality rate, infant (per 1,000 live births)		58.71
Lower middle income		
Exports of goods and services (% of GDP)		30.81
Fertility rate, total (births per woman)		2.1
Fixed line and mobile phone subscribers (per 1,000 people)		381.46
Foreign direct investment, net inflows (BoP, current US\$)		99.6 bil
GDP (current US\$)		4.17 tril
GNI per capita, Atlas method (current US\$)		1,490
GNI, Atlas method (current US\$)		3.94 tril
Internet users (per 1,000 people)		62.84
Life expectancy at birth, total (years)		69.21
Mortality rate, infant (per 1,000 live births)		31.39
High income		
Exports of goods and services (% of GDP)		...
Fertility rate, total (births per woman)		1.65
Fixed line and mobile phone subscribers (per 1,000 people)		...
Foreign direct investment, net inflows (BoP, current US\$)		421 bil
GDP (current US\$)		29.3 tril
GNI per capita, Atlas method (current US\$)		28,600
GNI, Atlas method (current US\$)		27.8 tril
Internet users (per 1,000 people)		376.81
Life expectancy at birth, total (years)		78.45
High income: non-OECD		
Exports of goods and services (% of GDP)		...
Fertility rate, total (births per woman)		1.53
Fixed line and mobile phone subscribers (per 1,000 people)		1,479.76
GDP (current US\$)		948 bil
GNI per capita, Atlas method (current US\$)		16,330
GNI, Atlas method (current US\$)		946 bil
Internet users (per 1,000 people)		296.76
Life expectancy at birth, total (years)		77
High income: OECD		
Exports of goods and services (% of GDP)		...
Fertility rate, total (births per woman)		1.65
Fixed line and mobile phone subscribers (per 1,000 people)		1,254.66
Foreign direct investment, net inflows (BoP, current US\$)		391 bil
GDP (current US\$)		28.4 tril
GNI per capita, Atlas method (current US\$)		29,360
GNI, Atlas method (current US\$)		26.8 tril
Internet users (per 1,000 people)		433.31
Life expectancy at birth, total (years)		78.53
Upper middle income		
Exports of goods and services (% of GDP)		36.78
Fertility rate, total (births per woman)		2.32
Fixed line and mobile phone subscribers (per 1,000 people)		593.95
Foreign direct investment, net inflows (BoP, current US\$)		36 bil
GDP (current US\$)		1.86 tril
GNI per capita, Atlas method (current US\$)		5,440
GNI, Atlas method (current US\$)		1.81 tril
Internet users (per 1,000 people)		207.94
Life expectancy at birth, total (years)		73.65
Mortality rate, infant (per 1,000 live births)		17.84
Middle income		
Exports of goods and services (% of GDP)		32.73
Fertility rate, total (births per woman)		2.12
Fixed line and mobile phone subscribers (per 1,000 people)		402.51
Foreign direct investment, net inflows (BoP, current US\$)		136 bil
GDP (current US\$)		6.02 tril
GNI per capita, Atlas method (current US\$)		1,930
GNI, Atlas method (current US\$)		5.76 tril
Internet users (per 1,000 people)		115.86
Life expectancy at birth, total (years)		69.71
Mortality rate, infant (per 1,000 live births)		29.76

Source: World Bank

TABLE 2: TOP 20 COMPETITIVENESS RANKING-HARD DATA

Factor	Criteria	Rank
Economic Performance		
1.1	Real GDP growth	1
1.2	Employment growth	2
1.3	Exports of goods (% of GDP)	3
1.4	Current account balance (% of GDP)	5
1.5	Unemployment rate (% of labour force)	5
1.6	Consumer price inflation	6
Government Efficiency		
2.1	Collected total tax revenue (% of GDP)	7
2.2	State government domestic debt (% of GDP)	14
2.3	Serious crime	15
2.4	Interest payment (% of current revenue)	16
2.5	State government foreign debt (% of GDP)	16
Business Efficiency		
3.1	Overall Productivity - real growth	1
3.2	Labour force (% of population)	1
3.3	Labour force growth	2
3.4	Compensation level	7
3.5	Agricultural productivity (PPP)	14
3.6	Productivity in industry (PPP)	19
Infrastructure		
4.1	Internet costs	2
4.2	Total public expenditure on education (% of GDP)	3
4.3	Air transportation per capita	4
4.4	Roads (density)	6
4.5	Fixed telephone lines	5
4.6	Mobile telephones	6
4.7	Secondary school enrolment	12
4.8	Electricity cast for industrial clients	15
4.9	Internet users	13
4.10	Investment in telecommunications (% of GDP)	15
4.11	International fixed telephone costs	16
4.12	Dependency ratio	19

Source : Selangor State Government

TABLE 3: TOP 20 COMPETITIVENESS RANKING-SOFT DATA

Factor	Criteria	Rank
Economic Performance		
1.1	Resilience of the state	1
1.2	Relocation threats of production	3
Government Efficiency		
2.1	Management of public finance	1
2.2	Adaptability of government policy	2
2.3	Government decisions	2
2.4	Legal framework	2
2.5	Transparency	4
2.6	Bureaucracy	5
2.7	Investment incentives	5
2.8	Public service	5
2.9	Social cohesion	6
2.10	Personal security and private property	12
2.11	Public sector contracts	18
2.12	Bribing and corruption	19
Business Efficiency		
3.1	Corporate bodies	1
3.2	Attitudes towards globalisation	4
3.3	Values of society	4
3.4	Labour relations	5
3.5	Skilled labour	6
3.6	Image abroad	10
3.7	Health, safety and environmental concerns	14
Infrastructure		
4.1	University education	2
4.2	Interest in science and technology	6
4.3	Knowledge transfer	8
4.4	Environmental laws	9
4.5	Health infrastructure	10
4.6	Communication technology	14
4.7	Information technology skills	14
4.8	Quality of life	17

Source : Selangor State Government

TABLE 4A: COMPETITIVENESS WEAKNESSES-HARD DATA

Factor	Criteria	Rank
Economic Performance		
1.1	GDP per capita (PPP)	27
1.2	Direct investment inflows (% of GDP)	23
1.3	Employment (% of population)	22
Business Efficiency		
3.1	Overall productivity (PPP)	28
3.2	Labour productivity (PPP)	28
Infrastructure		
4.1	Total health expenditure (% of GDP)	29
4.2	Life expectancy at birth	26
4.3	Mobile telephone subscribers	25
4.4	Pupil-teacher ratio (secondary level)	25
4.5	Illiteracy	24
4.6	Computers per 1000 people	24
4.7	Pupil-teacher ratio (Primary level)	24
4.8	Total expenditure on R&D (% of GDP)	21

Source : Selangor State government

TABLE 4B: COMPETITIVENESS WEAKNESSES-SOFT DATA

Factor	Criteria	Rank
Government Efficiency		
2.1	Foreign investors	26
2.2	Investment protection schemes	21
Infrastructure		
4.1	Alcohol and drug abuse	28
4.2	Pollution problems	25

Source : Selangor State government

the perception of university education meeting the needs of a competitive economy, and not about the quality of university education. The reply was that it did.

Some may argue that the findings contradict what news reports and the market are indicating. Arguments about the survey do not end there. On the issue of transparency, the survey asked whether its level in Selangor was satisfactory, not whether the state was more transparent than other economies.

Abdul Munit says the attacks against the state government and the Menteri Besar were unfair as they did not play a role in the survey.

The state's competitive strengths are found in 29 out of the 42 indicators derived from hard data and 29 out of the 33 indicators derived from soft data (see Tables 2 & 3).

While large areas of Selangor are not as developed as the Klang Valley and the Multimedia Super Corridor, officials say 90% of the state is urban with good access to amenities and a reasonable standard of living.

The developed status is meant to push the state forward and help encourage other states to work towards what has been achieved by Selangor, so that the country may realise its Vision 2020. Abdul Munit explains that the survey also identifies the state's shortcomings that should be addressed in the face of foreign competition.

'The developed status will push us now to work on improving the quality of life and the delivery system in the state. We can also concentrate on the environment and on promoting the underprivileged community as we work on our sustainable development target,' says Abdul Munit. If the competitiveness report can support such an effort, however controversial it may be, its findings should be welcomed with an open mind. **mb**