

The George Washington University  
Sigur Center for Asian Studies  
Globalization and Democracy: Lessons from India and Malaysia  
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Shawn McHale: Good afternoon. I am delighted to introduce this luncheon workshop entitled, "Globalization and Democracy: Lessons from India and Malaysia," which is co-sponsored by The Sigur Center for Asian Studies, Institute for International Economic Policy and The Future of Democracy Initiative of the Elliott School. And I want to thank our partners for their co-sponsorship.

As you know, the enormous impact of globalization on states and societies is widely accepted but there is still no consensus on many aspects of its impact or implications. Addressing this issue, the economists Barry Eichengreen and David Leblang have noted the intuitive appeal of the idea that globalization and democracy go hand in hand, that economic openness leads to political openness but they point out that correlation does not mean causation and there are clear cadre examples to such general statements.

They eventually argued that in particular cases indeed globalization and democratization are linked and what they argue is it depends on resource endowments and global economic conditions. In fact, that last observation of course might lead one to wonder what is going to be the future of democracy

given the global financial crisis and its differential impact on different countries in Asia.

To the above comment, I wanted to add another one which may seem picky but to me seems rather fundamental. What exactly does democracy and globalization mean? I'm not going to give you a definitional argument here. Years ago, when I was a teaching assistant at Cornell University, one of my students came up to me, ran up to me, slapped me on the back and then said a few words and then he went on. And I was walking with a Vietnamese instructor whose immediate response was [indiscernible] very democratic - conveying the obvious idea that to him democracy was not necessarily about elections, not about judicial independence but more like an ethos of egalitarianism.

Words mean different things in different languages and anyone who knows their nation language realizes that the word "democracy" in these different languages, sometimes it translates differently from one language to another language to another. This may seem like an obvious point; we often forget it. Same thing actually is true with globalization - different meanings sometimes in different languages. We may think we share a common vocabulary. We should always remember that simple point. To sort of build on that right now, there is a crisis engulfing Thailand right now, both parties invoke

democracy. One of the parties invoking democracy is the royalists and historically from the 1940s, Thai royalists have often portrayed themselves as democratic. This is a different understanding of democracy than one which perhaps in Washington we are often accustomed to thinking about.

Today, we want to investigate economic liberalization and globalization in two countries - India and Malaysia. India and Malaysia are very interesting examples to focus on. The scale obviously of these two countries is radically different but both have actually had a long engagement with democracy and globalization. Both have had a long, certainly, engagement with democracy. They both are plural societies with diverse populations which have encountered difficulties actually in implementing the democratic process. At the same time, India has come later to this perhaps massive opening to globalization than Malaysia which has been at it for, you can argue, a longer period of time.

So, given these points, I want to now turn to actually the speakers for today. I think it makes most sense to lead off with, actually go in order, the people who are listed on the handout. I will actually just now go through the biographies of the different speakers.

Dr. Jomo K.S. is the assistant secretary general for economic development at the United Nations Department of

Economic and Social Affairs who is based in New York and has kindly come down from New York for this event.

Dr. Kaushik Basu is the C. Marks Professor of International Studies and Economics at Cornell University who lives in New York and has also just come down for this particular event.

And then, finally, we have one indigenous participant, Bridget Welsh who is from Washington, D.C. and who will also speak.

So without further ado, I want to turn it over to Jomo. We have asked the participants to try to aim for 20 minutes each and try. We will see. Thank you very much.

Jomo K.S.: Thank you very much, Shawn, for those kind words of introduction and for the invitation to be here this afternoon. It is a pleasure to be back in Washington especially at this time of the year when the IMF and the World Bank have its spring meetings, when in some sense the masters of the universe meet. In that sense, I think it is a statement about the nature of globalization and about who makes decisions in the world today.

What I would like to do very quickly, however, is to share with you some thoughts on the relationship between globalization and the current crisis and only tangentially refer to India and Malaysia. I will not really fundamentally

address the question of democracy but I think it might be worthwhile to note that the former chief economist of the IMF, Simon Johnson, in an article which appears in next month's *Atlantic Monthly* makes the important argument that basically what you have is a capture of power by finance and this has been part of the reason why we have the kind of situation which we have today.

This argument was anticipated about 12 years ago by, of all people, Jagdish Bhagwati, who talked about the nexus between Wall Street and the Treasury and Joe Stiglitz, at that time chief economist of the World Bank, who talked about the nexus between the Treasury and the Fund. And so in many, many ways we see how these relationships have had a very profound influence on the nature of globalization, particularly financial globalization.

Now there are many dimensions. Globalization is very much like the proverbial Indian elephant where you have six blind men touching different parts of the elephant and coming to very different conclusions about the physical nature of the elephant. Let me just say that I will largely confine my remarks to what might be termed trade liberalization and globalization relating to greater economic integration and relating to trade and to financial globalization, and let me proceed with the argument.

This bar chart basically indicates to you that contrary to what most people think - most people think about globalization as largely due to trade integration but what this bar chart really shows is - what may be termed financial globalization represented by the blue line has been far, far more significant than trade globalization.

Now, International financial liberalization has not delivered many things to developing countries. There has not been a net flow of funds from the capital rich to the capital poor, except during certain episodes. The cost of funds has not really gone down, again, except when it has been driven down by policy, thanks to the U.S. Fed for example in the recent period. And thirdly, and not unimportantly, we find that globalization has not eliminated volatility and instability but actually enhanced volatility and instability, but admittedly many of the current sources of volatility and instability are very new sources.

Also, very importantly, there are very adverse consequences of financial liberalization or financial globalization which are increasingly well recognized. Ken Rogoff, former chief economist of the Fund and adviser to the McCain campaign, for example, has acknowledged that financial globalization has not contributed to growth and has actually exacerbated instability. This was in a paper which the IMF did

not publish although he was chief economist of the IMF at that time.

The financial impacts on emerging markets are very complicated and I will not have time to try to elaborate on them but let me just move on very, very quickly to try to emphasize that there are, in terms of trying to understand what is going on right now, three main vectors of the spread of the crisis. One would be basically through the financial system itself; and secondly, of course, within the real economy; and the third, and perhaps most analytically interesting, is the interaction including feedback loops between the financial sector and the real economy.

So we now face a situation where all this has basically contributed to what may be termed a deflationary spiral. I was here about a month ago talking to some IMF economists and very interestingly, the research department at least agrees that the greatest threat right now is that of deflation rather than of inflation. But nonetheless, on the operation side, you still feel, you still see a great emphasis on trying to deal with the threat of inflation.

There are a whole range of issues which I think I would not be able to try to elaborate on because I have far too many slides in over-preparing for this, but let me suggest to you that what we face now and there is a rare consensus which has

come about over the last half year where our own prognosis of the situation in New York coincides increasingly with what the IMF is suggesting and in fact, some of their own forecasts are actually more pessimistic than our forecast. We were always criticized for being the prophets of doom but now their own forecasts are certainly far more pessimistic.

One thing I want to emphasize especially for those of you who are old enough, there is a very significant difference between what is going on today and what went on three decades ago. In the late 1970s, you had a situation of basically stagflation in the industrial West - low growth, if any growth, and high inflation.

This contrasted with the situation in many developing countries in Asia as well as in Latin America where you had relatively high growth. And part of this was made possible by the availability of petrodollars which were available at relatively low real interest rates and this led to high growth in certain parts of the developing world, but that kind of contrast does not characterize what we see right now.

What we see right now is that not only have developed countries basically seen many of the OECD countries are actually in recession and for the few who are not in recession, they are experiencing very, very low growth and developing countries have seen much higher growth rates come down almost

in parallel. Some countries have, until fairly recently, actually taken the view that they have decoupled or delinked and these are usually the bigger developing countries - countries like India and Brazil and China to some extent - where there is this view that they have had enough internal engines of growth and therefore are not going to be affected by what is happening in the world.

The next few charts basically just show you what is happening in the developed countries, in developing countries and let me move to the second aspect which I would like to talk about and that is about what is called trade liberalization.

I think it is important to recognize in the anniversary of Raúl Prebisch's birth that his original argument which followed on Hans Singer's research at the United Nations that there has been a secular decline of the terms of trade for primary commodities against that of manufacturers for the first half of the 20<sup>th</sup> century actually holds true for the second half of the 20<sup>th</sup> century. The IMF has showed this - Grilli and Yang at the Fund about 20 years ago - and more recent work where my former colleague Jose Antonio Ocampo also shows this.

Another phenomenon which was discussed by the Caribbean economist, Arthur Lewis, is that there has been a decline in terms of trade of tropical agricultural goods which has been worse than that of temperate agricultural goods. If we think

as what has happened to cotton versus wool for example, you will get a sense of what I'm talking about.

And thirdly, and not unimportantly, the developing-country manufactured goods which have grown exponentially in the last three or four decades have also experienced a decline in terms of trade vis-à-vis developed-country manufactured goods. And this becomes very important when you try to understand for example why the kind of industrial growth that Malaysia has experienced has not been sustained very effectively in the last two decades and has been spattering over the last decade.

Another phenomenon which I think is important for us to recognize is that even somebody who is basically an advocate of trade liberalization like Jagdish Bhagwati also recognized about half a century ago this phenomenon of what we call immiserizing growth, that you can actually increase output but actually get much less income for all your efforts.

This graph basically captures the trend in commodity prices, and this graph captures the trend in manufactured goods prices which I was alluding to earlier.

This recent crisis has basically impacted on trade in at least three ways which had been adverse: exports have declined; the terms of trade basically declined as well; and we see that trade surpluses and consequently what I call reserves have run down very, very quickly. The only silver lining has been the

decline of energy and food prices which of course impact on the cost of living for many people.

The decline of trade I think is quite phenomenal and I will not -- this table captures data which is about four months old now and that is the trade data or export data for East Asia. East Asia, of course, for all of us, has been the exemplar of export-oriented growth and what we see is a significant collapse. These figures actually are now pale in significance compared to the most recent data for the first quarter of this year where Chinese exports for example have begun to come down and other exports from the region including Malaysia - Malaysian exports have begun to come down. This, of course, has very important and ominous implications for the entire East Asian region including Malaysia. Part of the reason Malaysian exports were maintained at a fairly high level was because of the continued demand for some of the Malaysian exports but this unfortunately has also been affected recently.

This table gives you a sense of how the Indian situation has deteriorated as far as the current accounts deficit is concerned and the Malaysian data which I have also suggests an ominous situation in Malaysia. You can see that the merchandise exports for example are expected to collapse by about 13 percent this year.

GDP growth rates in the two countries have also come down significantly between last year and from the year before and I expect it to come down even further. In the case of Malaysia, the Asian Development Bank's projection is that you will basically have zero growth. That combined with the higher population growth rate in Malaysia means that on a per capita basis, the situation is going to be even more dire. In the case of India, the expectations of per capita growth income of about three-point-something percent but I think the Indian situation, as I'm sure Professor Basu will emphasize, has to be tempered with the recognition of the inequalities and particularly some of the phenomena affecting the countryside and Indian agriculture in particular.

I could not resist but show you this graph which is an attempt to try to capture income distribution between countries and between income groups; this is really on a world scale.

The point I really want to make is to show you that the Indian impact on income inequality at the global level is actually quite modest compared with the Chinese impact. You can look at it in terms of world minus China and world minus India. We can see the significant -- this is captured much more in this graph where if we look at the Chinese impact, it is far, far greater than the Indian impact. But when the two of them are taken in combination, they constitute, of course,

well over a third of the world's population and so when combined, you actually get a sense of how significantly the relatively rapid growth in India and China affect our perceptions of global inequality.

This crisis, according to the ILO, using the earlier more optimistic projections of the IMF, the ILO actually expects an increase of about 200 million working poor and a rise of formal unemployment by over 50 million. Government social spending is at risk and as you can imagine, as you know, developing countries generally collect much lower taxes on a lower base and therefore, the ability of governments in developing countries to cope with the crisis by spending its way out of the crisis is much more constrained especially given the way the IMF tends to - through its Article IV Consultation - impose very strict public borrowing limits.

The likelihood of social unrest is quite significant and as the U.S. Intelligence estimates in February and March, it seemed to suggest that this crisis really is the greatest security threat in the world but there is no real recognition of it in most capitals in the world.

So let me stop here and just sort of emphasize that I think the most important issue which we face in terms of dealing with this crisis is how we deal with the crisis and the question of who are making the decisions and what kinds of

decisions are being made. The policy choices are very complicated and I did not have time to elaborate on them but I do think that we are at a very, very critical juncture, if you will. At the risk of sounding slightly apocalyptic, I think we are in what might be termed the Bretton Woods moment in the sense that in 1929, it took not only 15 years but a world war before we got to Bretton Woods in 1944.

I hope we have learned the lessons of the very difficult 1930s not only for the U.S. but also for many other parts of world which have become much, much more integrated countries such as Malaysia which had become much, much more export oriented and they really suffered much more during this period compared to a country like India which had much more domestic market and was much more domestic market-oriented. And parts of Latin America for example actually experienced very rapid growth during this period; Brazil, for instance, sustained growth throughout the Depression years.

So much of what will happen really depends on the very nature of these economies. And this is true not only of Latin America, it is also going to be very true and is a very important contrast in my view between what is likely to happen in India versus what is likely to happen in Malaysia, notwithstanding the fact that India has also opened up a very important risk, so let me stop here. Thank you very much.

Kaushik Basu: Thank you very much, Shawn, for the invitation to come here to Washington. When Jomo said that it is a pleasure to be here, especially at this time, I was wondering if he will show up as a frivolous person and refer to the blossoms or a serious economist and refer to IMF and World Bank's spring meetings, he passed the test on that. Actually, I think what he describes as very treacherous and dangerous moment for the world, I think that is true and I think the risk that we are seeing in developing countries some of which are doing well and then suddenly taking a plunge is still a distinct possibility for countries like India and China which are doing reasonably well. So we are gathering at a moment when we do not quite know the way the world is going to go, the global economy. My brief from DPA was to speak on the Indian economy in this context and also in the context of politics and democracy, and that is what I will do.

For India, this is a very confusing time because if you track the Indian media and the global media on the Indian economy, you will be getting very different pictures. In India, all the write-ups that are appearing, most of it, is about how dire the Indian economic situation is; its dreadful; the growth miracles seems to have stalled; the unemployment situation is bad so a whole lot of very dire articles coming

out of India. But if you look at the global media on India, in general, it is good.

So the best way to handle a confusing situation like this is to take a look at some of the facts. The British satirical magazine, *Private Eye*, once wrote that if you want to be famous as a journalist, you should realize that some facts are just too good to be double-checked. We will not follow that principle. We are going to look at facts and see what the facts say.

The growth figures were already put up over here but let me dissect that a little bit more. The figure that came out of India's financial year ends on the 31<sup>st</sup> of March, so the year that has just ended, if you look at the whole year's growth it is seven percent. But that is really deceptive because for the first six months of the financial year, the crisis really had not hit India so it was sort of chugging along and then it suddenly took a sharp knock.

So what you should do is what I believe is behind the figure that was shown just now; it is you take the last quarter which is what most people are doing, the last quarter that was just ending - the magazine *Economist* does that. Then you take the annualization of that quarter and see what is happening to the growth rate. There, India is at 5.3 percent - between five and 5.5 percent depending on how you are calculating - so the

growth rate is 5.3 let us say for India annualized right now. The *Economist* prediction is 5 percent for the coming year. In itself, this means very little so let's look at it comparatively.

Again, if you look at just the growth figures with other countries - again, as you saw on the chart over here - compared to the richer countries, industrialized countries, many developing countries are doing better so India does come out better on that. But what happens if you do a comparison with somewhat similar countries? One way of doing this is to take the G20 countries and look at their growth rates; since they have just met, it is of interest to see. Here, India does stand out.

India and China are the only two countries with clearly positive growth rates. To continue, China is over 6 percent, close to 7 percent; India, as I just said, is 5.3 or so. There are two other countries in the G20 which have just positive growth rates - Saudi Arabia and Indonesia. Even on per capita income, theirs is negative because it is just barely positive growth rate. All the other 16 countries, it is negative growth.

From this, of course it appears that the Indian situation is not that bad, but let's draw a bit of comparison with India's own past as to what the current situation is. And

there, it is indeed a very sharp drop because from 2003, the country has been growing over 9 percent a couple of years so it has been a very rapid growth compared to India's past, and compared to that it is a drop down and I'm also actually pretty shocked.

Growth in the coming year will be clearly lower than 5 percent; 3 or 4 percent in the coming year is not to be ruled out though the government is making those year predictions for the country. So compared to the recent past of India, it is a bad situation; compared to a cross-country global comparison, it is not really that bad. However, if you take an even longer view with India's own past, say 20 years ago, if it was said that India is going to grow at 5.3 percent, this will be treated as very good news. So the fact that in India there is so much complaint about what the economy is doing is to me a bit of a heartening sign that the country is being held up to a standard much higher than what would have been the case 15 or 20 years ago. So it is really a changing standard against which it is being held.

Having said that, the unemployment situation which is difficult to track in India, the data comes with a bit of a lag, the poverty situation is difficult to track in India. It is very good to track if you are looking at poverty two or three years ago but the immediate crisis, it is difficult to

tell; the data comes with a lag. All signs are that India is doing badly on those fronts.

And in fact historically, even when India is growing very rapidly, say, from 1994, the growth has been extremely rapid for the country. The poverty and unemployment situation, poverty has gone down but really not as rapidly as it should; it is a gentle downward movement. The current crisis - it was very interesting. If you go back to the Indian media in serious writing, I mean coming out of Reserve Bank of India and places, there was a lot of concern that there may be a homespun crisis in India.

So India's subprime - *Economic and Political Weekly* a couple of months ago, four or five months ago, was talking in terms of a possible subprime crisis in India but that never happened and it is interesting to see why it did not happen for reasons good and bad. People who are completely ideologically mired and tried to fit everything into a nice box, they run into difficulty because the reason why India did not have a subprime crisis is I think a mixed bag of causes.

First of all, let me take the bad cause which has been written by actually prominent journalists. In India, a lot of housing transaction takes place where the official value of the house is shown as less than the real value. This is the black economy. Part of it is transaction which takes place with no

record because you avoid taxes, which is a dreadful thing - not to be recommended - but it played a role. When you go to get mortgage from a bank, you are getting it on the official part so already there is much greater value of the house but you are getting it on a small part of the mortgage.

So what happened in the U.S. when the housing prices went down, your loan became bigger, the loan that you had taken compared to the value of the house because the house price had gone down. In India, it could not happen because there was the buffer of the black money so even when the price was falling, it did not cross the amount of loan you had taken. So it turned out to be a blessing. It is not that this is being recommended that countries should hide a part of their transactions but it was one of those strange fallouts.

A second reason - it is rather unusual that *Economist* goes likely over this because of the global situation. In India, as you probably know, more than half of banking is still in the state-run sector. So in some sense, what is happening in the U.S. by default, the government stepping in and taking over, India was already there. There is a private sector, a very thriving private sector but there was also the state-run sector, and this sector not being driven quite as sharply by profit motives and lending recklessly to get more returns, it

has turned out to be a buffer. So the state-run banking sector has turned out to be a buffer against this crisis.

And there is a third factor - last summer when I was in fact visiting the Reserve Bank of India, the only talk at that time was controlling inflation which had crossed 12 percent so the monetary policy was put under a bit of a tight leash with the interest rate in particular what the Central Bank controls the repo rate being raised. So there was a mopping up of money taking place which really helped in not fueling excess lending which was happening in industrialized countries.

I think for these reasons, internal crisis in India did not take place; however, it is a country that is more and more linked to the world and that I think is an unmitigated blessing for India that it has globalized, but as a consequence of the globalization it is nowhere nearly as linked as China for instance. So the global sector is taking a hit and that is what is coming into India.

But since the global sector despite the very rapid growth from 1991 India has really internationalized, but still it is in the early stages. That sector has taken a hit but not as big, and that I think sort of explains the current situation in India. And you can draw a bit of comparison with the 1997 East Asian crisis when India had just started opening up. The hit

that India took was even smaller because it was just not as export dependent that time as it is now.

Again, I'm actually taking my brief a little bit more seriously which was to touch on the politics and economy. For that, I'm going to go back a little bit and again point to you the mixed bag that political economy always is; it is so difficult to straitjacket this. India's growth, I believe, and I have over the years and in recent times, I am worried about the unemployment and poverty situation but the growth scenario, the immediate run could be bad but the long run, I'm optimistic. I think there are lots of very deep changes that have taken place in the country which leads me to believe that in the medium to the long run, the country is going to see just very, very rapid growth. And let me tell you and give you the basis of that belief, I think it is also linked somewhat to the political system that India has - chaotic, muddling, but it has contributed to the strength of the current situation.

The growth in India I think is in that very important sense and this is to be contrasted with China. It is a bottom-up growth that is taking place because in India, it is very difficult for the government or the state to bulldoze in new policy changes, whereas in China, a lot of the policy changes come from interventions from the top, very good interventions from the top.

So I think the government in China has been very intelligent in terms of designing a policy but all said and done, it is an extremely centralized economy. In fact, if China had the political system that China currently has and had very low growth, I can assure you that a whole lot of mainstream economists will say that this is obvious. This is what would have to happen because of China's political interference in the economy. The fact that China has done phenomenally well means immediately that it does fit in with textbooks of economics, whereas in some ways India's growth is a more traditional kind of growth that has taken place and it has taken longer to occur.

I have actually just recently done some work on comparison between India and China and I'll be happy to come back to that if time permits me to do that. I actually have with me an interesting thing of civil society.

In China, just before the Olympics, there was a lot of tracking of civil society and civil society behavior which in India would be unthinkable because you just would not be able to have such command. And I have things like in China, the government announcing that there is going to be a queuing day and on the 11<sup>th</sup> of every month, government officials would go out and tell citizens, it is civilized to queue, glorious to be polite. There will be no chance of that in India. You could

try that but civil society would be in revolt and difficult to control. This has to do with the long-run history and I think very often in assessing China, we look at the post-1978 Deng Xiaoping period, whereas the deep communist period, the Mao Zedong period, is also very important in explaining what has happened subsequently in China.

Likewise in India, the history plays a role; it is a different kind of role. India's growth, the step ups that took place, literally you can trace three stages in which this happened. First of all was in the late 1970s and early 1980s, growth rate stepped up once. The next one happened in the early 1990s and the last one was from 2003 - very different causes.

The late '70s step up in the growth rate or early '80s step up in the growth rate I believe has something to do with bank nationalization where the nationalization played a positive role. In 1969, Indira Gandhi who, I think during her lifetime had a dramatic change in her policy views of what constitutes right policy from the left Indira Gandhi to the market-liberal Indira Gandhi happened some time in the mid to late '70s, which was also for her politically a very traumatic time. But in 1969, it was the left Indira Gandhi who nationalized the banks. With that, I think that was an unintended payoff, these nationalized banks were pushed to open

branches in remote areas, villages where private banks typically would not go in.

And in fact, in China, where there is a lot of state control over its financial sector and also the corporate sector, some of the same kinds of benefits have happened for very similar reasons. Once these banks rented and opened branches, if you now track India's savings rate, ordinary people's saving, dramatic rise from about 1969 until about 1974 or 1975. One can never completely show what caused it but I think the access to easy banking was a very major factor in the step up in the savings and investment rate of the country.

Opening up the banking sector was also very important. If India continued to have a completely nationalized banking sector, I think it would have been bad for the country but the country subsequently opened up and that played a role as well. So the banks caused the savings rate increase and that was probably the early '80s growth rate increase. The big change for India and which I think was a very good set of policy was a kind of liberalization, not gung-ho liberalization but a kind of liberalization which took place from 1991 to 1993 - the most important policy changes.

And this again shows, I think the Indian government had realized by the early '80s that India needs dramatic shifts in policy change. The government was too intrusive. The private

enterprise was not being allowed to flourish but India could do nothing simply because of its democratic system where if you have made people, helped them to think in a particular way, if the leadership changes its mind, it is not quite as easy to change policies.

It could not be done the way it was done by, say, Park Chung-hee in Korea or, say, in China where policy could change much more flexibly; in India that was not possible. It needed a crisis for the government to be able to make the changes that the government wanted to make. And in 1991, the first Gulf War and a massive international sector crisis for India enabled the government to push in a whole lot of changes.

Initially, there were the IMF conditionalities that came in but you have to remember the IMF is a big bully when the IMF talks to small countries, but when IMF talks to big countries, IMF is not such a big bully because the big countries are all going to the IMF and saying, "Look, tell us to do something which we anyway want to do."

And it was believed that in 1991, there was a lot of going back and forth between the Indian Ministry of Finance and the International Monetary Fund, and India undertook these policy changes which I think even 10 years before that, Indira Gandhi wanted and Indian political leaders wanted but it was not politically feasible for India to do that.

With these changes from 1994 was the next big break in the growth rate. From 1994 to 1997, three years, India grew at over seven percent per annum which was, actually at that time, completely unthinkable for India. Chugged along after that, the 1997 was a bit of a crisis; growth rate dropped to 4.5 percent, picked up within two years. And then the next change was 2003. 2003 is a very interesting bag of things. We do not yet fully understand what suddenly made India's growth rate move up to 9 percent from then onwards annual growth rate, and I feel here it is a mixture of politics and economics.

Number one, the political factor - improving relations between India and the United States I think has been a major factor, and also India and China despite there being some troubles with the demarcation of the border and things like that, on the whole, economic relations have improved dramatically and the growth and trade between India and China has seen a really sharp rise from 2003. I feel both for China and the United States, India is a bit of a comforting third country that if there is going to be a complete face to face with China and the U.S., it is better to have some other countries which are moderately powerful but big economies which are these stable players.

And I remember some years ago in Singapore, Lee Kuan Yew came and addressed a talk where there was a lot of talk that

the Indian naval presence in the Strait of Malacca was being really happening with a nod and a wink from the United States precisely because today the Straits of Malacca are the vital arteries of the global shipping trade. It is more important than any other comparable channel in the world with trade going through. There are risks of terrorist attacks over there but also, the U.S. and China do not have to want to a face to face over there on any global issue. There is a showdown over something else - they do not want that. They want that to be a big part of a multilateral region where an Indian presence just diffuses the situation.

So the political situation of India has played role. There is another very curious effect. I have written about this; I call it the Lou Dobbs effect. In some ways more minor, when not this election but the previous one, there was a lot of criticism of outsourcing in the U.S. and so on television, there was a lot of discussion and Lou Dobbs picked it up and it would be evening after evening how American enterprises were unpatriotic; those who were sending out work elsewhere on larger profits.

This turned out to be an advertisement on American television of the larger profits that you can make by outsourcing. Advertising on American television is extremely expensive and for poor countries, it would not have been

possible but this repeat Lou Dobb attack turned out to be a form of free advertisement taking place. I personally feel that the outsourcing really does not impoverish America at all. It changes the structure of American business. It is just like if America had protected its automobile industry in the '80s, it would probably have been a poorer country with a bigger automobile sector protected by their government. It is better to allow these things to happen more by the power of the market and it is stronger for the economy and there was a fallout for South Africa, for India, for the Philippines of a rise in outsourcing which took place quite sharply.

I think India's greater global openness has played a role and I was also going to talk about currency and exchange rate policy but about four minutes ago, I was told that I have three minutes left so let me at this point just stop by saying that the policies that have taken place -- let me just mention that India's savings rate and investment rate which I'm again going back to China. China saves and invests a lot and it is the fastest growing country in the world, and the two have a strong connection.

Something very surprising has happened which does not make it to newspaper front pages - India is now saving and investing at about 35 percent of its national income. China, it is about 40 percent of its national income. But for India, 35 percent

was really the most unthinkable statistic. If you look at all the statistics that India could save and invest at that rate, it was unthinkable. This is happening over the last four or five years and I think that is also feeding to the growth rate.

And unlike the stock market indicators which rise and fall very dramatically, savings and investment rates do not rise and fall so dramatically so once you are there, you are probably with a margin of two percent plus or minus, you are going to be there. So my hunch is India's immediate run is bad but the medium to long run prospects look very good. Thank you.

Bridget Welsh: Good afternoon. Not only am I indigenous from Shawn's competitor across the way which he did not quite say; he cited Johns Hopkins in his introduction. I'm also a different kettle of fish in that I'm not an economist; I'm a political scientist. And so we have a focus on a certain degree so far in this discussion - a very rich and robust discussion - on economic forces and economic dimensions and particularly a very fascinating discussion of the impact of crisis. I'm not going to talk about that. I'm going to talk more about the relationship between some aspects of globalization and the second part of it, the label which is the element of democracy.

My brief was to look specifically at how economic integration actually affected globalization, affected democracy

and to look at sort of the intermediating factors that are actually shaping that relationship. And so, what I chose to do is to kind of disaggregate elements of democratic governance or lack thereof in Malaysia and kind of go through some of these key elements and see how things have shifted and changed and where do I see certain types of directions.

I began with the assumption that I think Malaysia is probably one of the most globalized economies in the world compared to many others, and again I'm not an economist so they can correct me if I'm right or wrong on this. But most studies, particularly things like David Held and Samuel Kim and others who looked at levels of good globalization in East Asia really pointed to Malaysia perhaps among the most in East Asia, usually after Singapore, which of course is a thing that Malaysia has to deal with the after Singapore part.

The second thing I began with my assumption is that Malaysia is not a democracy. In most discussions of Malaysia, it is a semi-democratic regime and, yes, there are regular elections and, in fact, for those of us who follow Malaysia, there had been a lot of elections in the recent history. Since March of last year, we had five by-elections and we will have another one, hopefully, if they set it, next month so we are going to the sixth by-elections in less than a year. But we also have a situation in Malaysia where there are not

necessarily all the civil liberties that are seen to go with democratic governance. In fact, Fareed Zakaria talks about this as a liberal democracy. Well, Malaysia tends to follow in that particular area.

So as I reflected this week about this relationship between globalization and democracy, I started from a sense of a highly globalized state while in terms of economic and other forces of globalization and a state that actually does not have the same level of democratic governance in the case of India. In Malaysia, the only thing they may queue for is food and they will be polite about it.

So what are the different aspects of democratic governance that I would look at therefore? I think, as Shawn rightly noted, the most critical people element that people talk about is elections, and I'm going to talk a little bit about how I think globalization has affected elections in Malaysia. The second component that I want to look at is these issues of inclusion, and here we are looking not just the economic inclusion and issues with classes but also the issues of political inclusion. We will come to that in a little bit.

The third aspect of democracy has to do with the robustness of civil society and the nature of participation in Malaysia and how that is shifting and changing and transforming and expanding. And the final element that I look at is issues

of civil liberties. How has globalization in these forces come to play in affecting civil liberties trying to as much as possible look at some of the economic dimensions?

The final upshot of my remarks is that the picture in the relationship between globalization and democracy in Malaysia is mixed. There are success elements, there are positive stories and then there are less positive stories. And I think Jomo touched on some of those key elements when he talked about the issues in terms of economic equalities and the issues of poverty and the issues associated with economic exclusion which I'll come to in a little bit later. But in terms of thinking about it from the perspective of democracy and how democracy is expanding in Malaysia - and I do believe that in the last two years and the last five years we are seeing a gradual expansion of democratic governance - the picture emerges as a mixed story. Let me step into each of these elements individually.

Elections - for those of you who do not follow Malaysia closely, in March of last year, the people have labeled a political tsunami. Of course, tsunami is not a really good word to use in Southeast Asia for obvious reasons but in this regard, you had a situation where the opposition basically broke the threshold of two-thirds of the holding of parliament. It also picked up five state governments, one of which the

incumbent government, incumbent coalition - Barisan Nasional - has rested back and is sort of dealing in the courts.

But in this particular way, you have seen an important and significant gain in the opposition which has now formed the coalition called Pakatan Rakyat or the People's Alliance. And in the last year, as I mentioned, there have been five by-elections, and of these five by-elections, the opposition has won four and two of those in seats that it would never have won previously. So we are talking about an expanding power of representation, and the composition of the opposition has actually included more Indians in parliament than ever before, a lot of more non-ethnic minorities into the system and I think that this is an important transformation.

Now what is the relationship between elections and globalization? Well, interestingly enough, I would suggest that there is a very interesting one, and that the elections occurred in March and of course now we are in a period deflation. We are now in a period of issues associated with the financial crisis but a year ago, we were in a period of inflation. We are talking about issues associated with food security, and Malaysia was very much affected by this because, one, oil prices were rising very sharply and this was basically affecting the cost, the government removed the subsidies on oil prices because of the pressure of the marketplace, and you also

saw increases of overall inflation across the board in Malaysia in terms of cost of living.

This provided for the opposition a catalyst. Almost all of their political campaign was organized around the questions of economic cost of living - the Islamic Party, the party associated with the middle rank and in terms of guideline, in terms of Anwar Ibrahim's party, the Chinese opposition, DAP. And in some ways, it provided something for the opposition to come together to talk about that actually had real meaning to connect to the populist. So the economic conditions provided a dynamic.

Also connected to that, Malaysia's economy traditionally has been one that has been very closely linked to ICT and technology. In part, Malaysia has tried to adopt internet to become part and parcel of the expansion of internet technology and you have a lot of its electronic manufacturing in a way that is engaged with international economy. And part of that has been a deal the government has had in terms of accepting a certain degree of internet freedom, and this was how they set up the Multimedia Super Corridor.

They basically said, "We will not touch that sector," and it is a way of trying to bring in investment because Malaysia's economy is very highly dependent on foreign investment and that is something we will come to a bit later. So what you saw is

that how Malaysia integrated into the economy provided to a certain degree a space in the area of internet for the opposition to capitalize on.

And so if you look at the campaigns, Malaysia has moved to a period of now modern campaigning. We do not quite have that yet in India but we do actually interestingly enough have that in Indonesia, but what you see is the use of polls, the use of blogging, the use YouTube. As someone who went and followed the campaign on the ground and looking at how elections were actually conducted, what is fascinating is that you saw that the use of YouTube served as a way of basically creating credibility problems for the incumbent government that were very real. So when they would make comments about the opposition, the immediate impact was say, "Hey, that is not what we said," and the opposition was able to use this particular tool to bypass the controls that they have on the traditional mainstream media.

So what you are seeing here is again economic linkages, how Malaysia connects to the international community and international economy actually had spillovers. But the global forces themselves, they were only necessary but they were not sufficient. It was the opposition actors, the agents in Malaysia that actually had to embrace them and adopt them in a way that made it selective for them to be effective, to gain

ground. And so, here you see a picture where globalization provided a means for the opposition to a certain degree to step up and increase their support. Interestingly enough, you are now seeing the new Prime Minister of Malaysia who actually tried to have his own website and tried to keep up with this in this particular type of way so it is interesting to see how that will evolve.

There is no question Malaysia - and I'll come to this a little bit later when I talk a little bit about civil liberties - stands out for its internet usage, especially in the urban areas, especially among young people. Surveys say almost 90 percent have some sort of internet activity especially if they are under the age of 30 so we are talking about a total transformation in terms of how Malaysia has moved towards technical economy, technologically savvy economy.

The second area that I was pondering about in terms of looking at the issues of globalization and democracy is in the area of political exclusion or inclusion. We heard both our previous speakers talk very wonderfully about the issues of economic inequality and the issues associated with poverty. I want to come to that secondary because when we think about Malaysia, the first thing that often comes to fore is the issue of race. And, of course, what we have in the context of Malaysia is we have three major ethnic groups - the Malays, the

Chinese and the Indians - mostly in West Malaysia and of course people always live behind the tremendous diversity that exist on East Malaysia which, of course, has more than 30 ethnic groups and it is very robust but they get classified as non-indigenous, non-Malay, Bumiputras which of course is in the centralization that of course they do not like but that is another talk and another situation but we are talking about the framework.

The framework of interpreting politics and engaging in politics is very much race based. Malaysia, like India, has an interesting and very controversial affirmative action policy that is tied to issues associated with race, and that is known as the New Economic Policy. And this policy basically is an attempt to try to basically challenge the market forces, to basically use the state as a vehicle to basically distribute revenue in a particular way along racial lines that are based on basically race as opposed to questions of merit or need, and it actually in some ways has been a hindrance to the liberalization of Malaysia's economy and in some ways also opening up and re-channeling and re-thinking about how state resources should be allocated.

It is fascinating because if we look at how Malaysia's economy evolved from the '70s to the contemporary environment, there has been consistent pressure by external economic

investors to remove or to at least somewhat downgrade the elements of the New Economic Policy. And the Malaysian government, in its own decisions, had chosen very much to keep it in place although if one looks at the detail, one finds many of those particular measures actually watered-down or at least loop holes and things along those lines.

Now the NEP, the controversy around it is very heated, it is very tense depending on where you stand on this issue and it is not an easy thing to reform. But what is fascinating to me is that from the perspective of democratic governance, the NEP has institutionalized racial difference. And for many non-Malays, the NEP is seen as a means to actually solidify second-class citizenship for different and for the non-Malay community within the context of Malaysia.

Malaysia knows it is in a very difficult economic position. In the last five years in particular, its relative position in terms of attracting foreign investment has reduced comparatively. It also recognizes that it needs to seek out new forms of investment capital in a more aggressive fashion and it knows that it needs to actually engage with partnerships in a more effective economic liberalization process. This has played out in the process of the FTA negotiations between the United States and Malaysia. One of the key stopping points of

that trade agreement was an unwillingness to open up certain sectors because of policies associated with the NEP.

And so, what is the upshot here? The upshot here is that as states try to resist globalization, they also face difficult challenges. They face that and how they go about it can actually have democratic empowering elements in many ways that the NEP in the early years, in the '70s and '80s was very empowering for the Malay community but it can also have very negative democratic consequences for different communities.

Yesterday or a day before yesterday, depending on how you do the math, Najib Tun Razak, the current prime minister of Malaysia, the sixth prime minister, basically reduced 27 elements as trying to at least on the surface looks like liberalization of the NEP. He is basically trying to at least present the picture outside that the NEP is becoming more reduced and reforming. But ultimately, economically and politically for Malaysia, transforming the NEP will be an important dimension of any more widening of democratic process and external economic pressures are really directing and being a key catalyst to changing that.

Another key aspect of the issues of political inclusion has to do with the issues associated with poverty. Malaysia after Singapore in Southeast Asia has the highest level of inequality. We do not really know how many poor people are in

Malaysia because the government does not effectively release those statistics and particularly the methodology of how they are carried out. In the case of India, it is a few years but in Malaysia, we really still do not know in terms of the U.N. and other studies but actually this data is very controversial.

The inequality in Malaysia is racial in some ways, it is majority Malay, majority in terms of numbers. There is a high proportion of Indians and extremely high proportion of non-Malay, Bumiputras in Sabah and Sarawak so there is a racial component to it. It is regional and it is actually basically predominantly rural in its composition when we look at it.

Now as I thought about these issues of exclusion of the poor and why and what are the reasons for that and how does this connect into globalization, it is fascinating to me to look at the structure of the Malaysian economy. First of all, Malaysia's economy and growth has been heavily dependent on export-led growth and foreign investment largely in the manufacturing sector. Most of the manufacturing is taking place along West Malaysia and particularly in sort of key states. And so, there has not been adequate attention to the rural sectors, particularly into areas of agriculture that are non-commodity based such as rubber and palm oil, and there has been very little of level of investment going into East Malaysia comparatively speaking because of how the government

has focused its energy and where it has put these incentives to build up its economy.

And at the same juncture, because of the fact that you do have an NEP which is basically a patronage device and how it has evolved, you have weak domestic capital. In contrast to India where you have robust entrepreneurs, you have a very high level of embracing of new technology and creativity and business acumen that is coming and driving a lot of the Indian economy, that Malaysia's domestic capitalists are comparatively weak or not given the same type of economic conditions because of how Malaysia has globalized, how it has integrated internationally. And so, the weak capitalists depend on what - they depend on contracts from the government in order to actually continue develop their resources and their financial books. So the implications of this is that you have a system where it promotes inequality because the cronies and the capitalists, they get the contracts, keep the money and do not trickle it down and you do not have a more diverse, more robust economic environment to actually engender growth from within. And so, what makes Malaysia more vulnerable to the conditions externally, to changes in FDI that other countries do not have and it makes the communities that are not integrated into the system that do not have the same type of patronage networks or access more vulnerable to these sources of poverty.

So when you go to longhouses in places like Sarawak and you think to yourself, "How is this going to change," it has to change not just by changing the integration into the global forces but it also has to change how the nature of domestic capital is actually articulated and engaged with domestically. And it is going to take a very difficult process of reform in order to carry this out.

So, class, political and exclusion along race, political exclusion along class lines are very much tied into how Malaysia's economy has connected globally, and in some ways these relationships really create significant structural impediments for a broader democratic governance and experience for those that are not on the receiving end of how Malaysia's economy has developed.

Two quick points to finish as quick examples on the areas of civil society and civil liberties. In thinking about civil society and painting this mixed picture, one of the things I wanted to talk about has been in the last 10 years in particular an expansion of Islamic civil society - Muslim groups. And it is fascinating to look at the parallel expansion of this civil society along with the parallel trade and the South-South Trade between Malaysia and parts of the Middle East that we did not see previously.

Part of this has been geared - last stages of Mahathir government - but part of it has been allocated as a product of people trying to expand their markets or to find more places as source of revenue. And part of it has been driven by the fact that many domestic capitalists do not get the same political environment within Malaysia so they have to go outside in order to find an environment for them to actually be competitive in and find resources and capital too. It is fascinating to me to talk to a lot of businessmen and clientele who actually have investments in the Middle East because they felt they could not invest and find the right type of capital domestically but that has had spillovers in terms of civil society.

If we look at how many organizations have Islam in their name that did not previously or have Islamic finance and Islamic identity in terms of how they portray themselves, it is really quite fascinating and interesting - charity networks, professional or business organizations, doctors as a key example, small business or SMEs have actually also developed - and they are actually now pressuring different actors. And not all of these civil society groups are civil, some of them are not so civil, but there is to a certain degree a tremendous relationship between trade and expansion of civil society in Malaysia in different ways than we often think about because social capital is linked to real capital in many key ways.

My final point here is about civil liberties and I mentioned earlier about how the connection between the internet had an impact on elections. Well, that is similarly so in the areas of freedom of speech. There is much more discussion of issues in Malaysia and liberalized issues from questions of race, questions associated with corruption, questions associated with accountability that are happening on the internet than ever before.

And even though, yesterday, one of the key bloggers who was charged for sedition who is now overseas and there are problems and the state is trying to address the issues of bloggers by using arrests, there is still a huge cyberspace. So, as a consequence of that, discussion is happening and that widens democracy. So a mixed picture here from the lens of looking at democratic governance. Thank you so much.

Shawn McHale: Well, on one sense, my preference would be to allow the panelists to talk to each other if they have any comments about each other's presentations. Our time is limited and so what I'll ask the panelists to do is I'll ask you to ask questions and perhaps in answering the questions, you can bring up any differences you might have with your fellow panelists. I would ask you to -- there is actually a microphone, Erin has a microphone over there. I'll ask you to identify yourself and I'll remind you that we do not want to pretend we are in Hamlet

or something giving soliloquies - have a question and ask it.  
Thank you very much.

William Seymour: Hi, my name is William Seymour [phonetic]. I'm an undergraduate student in Elliot School here. My question is in regards to Malaysia with the recent advancement and gains by the opposition parties and Anwar Ibrahim's general tendency towards wanting to reduce significantly or limiting affirmative action for the Malays, how might this have an impact on the Malaysian economy, positive or negative?

Jomo K.S.: I think it is very important to recognize that there is a very long history of what is colorful with the election. The purpose of the election means different things to different people. There was a political ideology in Malaysia associated with the ruling party called Malay Dominance; for want of a better term, Ketuanan Melayu. That is a term which actually means very little to ordinary people. It does not mean very much to a Malay worker in a firm or a Malay worker working in the civil service and so on and so forth.

So I think one has to really deconstruct, if you will, the ideology of Malay supremacy because it means very different things for very different people. I think a simple direct challenge to the neutral [sounds like] policy in so far as the neutral policy is understood as providing needs for these other

indigenous people can be seen through each other. This is if you eliminate for example privileges for [indiscernible] caste. If the Mandal Commission's report was done in [inaudible] I think there will be a strong reaction from those communities. So I think one really has to be clear on what Anwar means and for that matter, what the new prime minister means by eroding the neutral policy.

Anwar has tried to elaborate especially during the last year that what he basically means is the elimination of the privileges for the Malay elite. In the case of the prime minister, for you to understand, I'm not quite sure what exactly he means but I think one has to be very, very clear as to what an ideology which defines communities against each other, what it actually means or who it especially threatens. Needless to say, the elite of any community which has -- I mean if you think about South Africa, for example, they just had an election in South Africa and if you look at the coverage of Al Jazeera or BBC, I'm not sure what American networks of the -- there is a palpable sense of great disappointment among the African masses in South Africa about the failure to deliver but there also, undoubtedly, in the case of South Africa, a number of African businessmen who have become multimillionaires and multibillionaires.

So, I think one needed so much more nuanced sense of what exactly is meant. At this point, of course as far as Anwar is concerned since he is not in office, it is a rhetorical. As far as the new prime minister is concerned, he has just been there for less than a month and it is not clear what he actually means, but I think there are other kinds of situations which we can see including what the experience of the United States itself where the erosion of affirmative action has in those kinds of consequences and you can look for example in what it meant.

For example, the massive increase in the African-American population in Detroit in the automotive industry was most extremely significant in terms of raising African-American incomes. And to some extent, that became a defining industry particularly for African-Americans in the Midwest. So I think we have to really look at this very carefully in terms of what it means and then translated into policies. I think the level in which you and I have been exposed to this talk, one way or the other, those who are for and who are against it is really at the level of broad rhetoric and this I think we have to really get beyond that.

Bridget Welsh: Just quick points on this. Number one, I think that I agree with Jomo that it is seen very much as rhetorical; it covers a lot of things and my topic covered a

lot of things. But in this regard, it is clear that the issue of the NEP really strengthened the non-Malays for the opposition in terms of it was a critical factor, particularly among the Chinese.

Number two, I would say if one looks at the widening, looks at the data that we have on differences within ethnic communities, the inequality divide is the widest in the Malay community, which I think points to the fact that the problems with the NEP in the Malay community are also very serious and I think to a certain degree, Anwar Ibrahim actually has identified that. I think it was not a political move for him and he does not have the same degree of Malay support than he has on the non-Malays, and I think that he has been able to use it because racial tensions and racial issues and discourse particularly at the Malay press, in one Malay mainstream press, had actually capitalized on this issue.

And finally, my third point is that I do feel that any true reform needs much more sophisticated discussion about what measures are going to be there. Now I do not think -- I personally have nothing against an affirmative action policy but I think a lot of it is how it is being implemented and actually whether or not it is reaching the target communities that matter.

Shawn McHale: The woman on the front here.

Female Voice: [Speaks away from microphone] I'm curious, first of all, last week, I think it was PBS reran a show called [indiscernible] where the host described how Wilson's plan to have countries set up and choose their own governments effectively and democratically ended up with things like Turkey massacring the Armenians and he gave many examples of the countries that were self selecting to have majority rule and the minority driven out in India and Pakistan exchange populations and all of that. So I'm really curious, in Malaysia, it seems as though not only is the NEP advantaging Malays but it also had drop in the population of Indians over the time that I have noted about Malaysia but a considerable amount and it seems to be targeting [indiscernible] and any party that represents this. And it is not too thrilled about the Chinese although the Chinese make money for Malaysia. I'm curious if there is a deliberate policy behind any of the -- or any other politics to actually remove Indians and Chinese from Malaysia and make it Malaysia for Malays.

Bridget Welsh: A very controversial and very difficult question. My answer is I would say at a macro level, I would say no, but that does not mean that there are no problems in inequalities. For example, there are incentives for children, for the Malay and within the context of the NEP that given this proportion, a sense of funding over the issue of scholarship

for the younger -- so Malay families tend to have a larger family than Indian families and Chinese families, and that has been a factor that has actually changed the demographics over a long period of time.

But I think one other thing is when we look at policy is we look at their intent that I think it is very important to and something that I think Jomo implied, it is that the NEP was intending to actually address some of the important economic equalities. It was not about how it is necessarily being interpreted in a contemporary environment politically as an idea of racial supremacy. I think that is something that is very different and that has emerged partly because of the contestation and the tensions that have come in account with policies that have been implemented.

So my short answer is no, but I do think that there are very serious concerns for the Indian community and in fact, I cut that out of my talk partly because of the three-minute warning that was given to me by Shawn. But I do think that one of the elements of this discussion is it has to do with how the Indian community is actually disproportionately negatively affected by global forces because a lot of them have not found supports of employment. There has not been a connection for moving out of the states into the urban environment so you have higher levels of issues associated with poverty, particularly

among rural Indians and that is connected to economic forces in major ways.

But that is not necessarily a direct intentionality of the policies. I think that is part of the fact that in part of global forces have created their integration and in part by the fact that there needs to be better representation for the Indian community in order to address some of those [inaudible].

Shawn McHale: We are getting towards 2:00 and I suggest we have one more question and I'm hoping that if someone has India or comparative one, I'll be thrilled to hear it. I guess we would go to the far back --

Female Voice: My name is [indiscernible], student at the Elliott School. I actually have a question about India. Speaking of the fact that India is in the middle of its elections right now and the last time that India had elections, the economic campaign of the BJP had to do with India Shining and then they consequently got bumped off the election. Do you have any ideas or predictions of how the current economic situation is going to affect the elections that are being held right now?

Kaushik Basu: You know, the belief that it was the India Shining campaign which caused the BJP to do badly, the cause of that, of course, we do not know. We know that the BJP did go gung-ho about India Shining and it probably [indiscernible].

Now, in the current election, hence, to that episode in the last one, I think the congress government has taken a lot of care not to paint everything as going very well for India and rightly so because after all, there is about 80 percent of the country has only got really little bits of the benefits of globalization so 20 percent that has benefited.

The one economic policy which interacts very closely with election outcomes is inflation, and I think one of the reasons why the government went very heavy handed on inflation last year of trying to control it with probably some consequence on the growth rate is precisely to keep the electoral popularity of their government in place.

Having said that, if you are following India, it is virtually impossible to guess who is going to get into power because it is going to be a multitude of parties that will come in and a lot is going to depend on the post-election outcome haggling that goes on in joining the smaller parties to support. My hunch is just following the last couple of weeks that it is going to be congress with another mish-mash coalition that is going to come back but just a hunch and it could go around very easily.

Shawn McHale: Let me ask if the panelists have any concluding remarks that you want to say and then after that, I'm going to suggest that for those of you who may still have

some questions, if the panelists are willing, a few minutes after we end, you can come up and ask questions if that is okay. Do the panelists have any concluding remarks? Any fireworks? Anything that they would like to say? No fireworks. Okay.

I would like to thank the three panelists for an invigorating discussion about India and Malaysia and actually the current global financial crisis and how it affects us. It is interesting to hear actually from the panelists how one case, India there is perhaps less cause for a concern than other countries but indeed, the global financial crisis is going to have a varied impact, obviously, on Asia and it actually might affect - we do not quite know yet - quite clearly a range of things ranging from the number of people who are going to drop into poverty to actually such things as the way in which democratic process unfolds.

In any event, I want to thank them once again for a very stimulating presentation. Thank you very much.

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