Special Briefing

UN High Level Committee on South-South Cooperation

15th Session

STRATEGIC ACTION INITIATIVES FOR ECONOMIC DEVELOPMENT : A CASE STUDY OF ZAMBIA SHARING THE ASIAN EXPERIENCE

Side Event – Lunch

29th May 07,

New York

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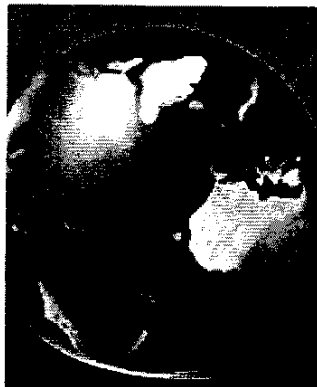

J Jegathesan

CEO

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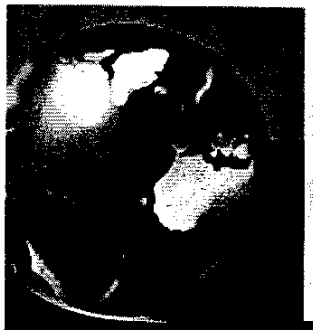
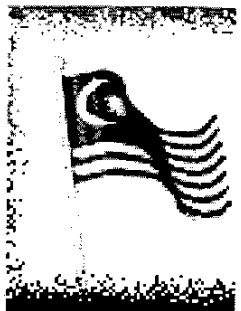
Senior Economic Advisor to JICA Malaysia and Zambia and Chief Coordinator for the Strategic Action Initiatives for Economic Development (SAI ED) programme in Zambia.

(Ex- Deputy Director General – Malaysian Industrial Development Authority - MIDA)



Who is Jegathesan and what is his credentials to address this issue of Economic Development in Developing Nations.

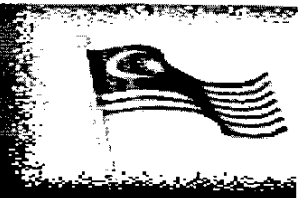


- Many years ago (1970), Malaysia was in the same position in terms of Economic Backwardness.

Malaysia took the Challenge to become a CENTER FOR BUSINESS EXCELLENCE to create Jobs & Wealth for its people.

I PRESENT HERE NOW A GLIMPSE OF THE MALAYSIAN STORY.

The Malaysian Experience



...in Summary:

Independence in 1957 from British Colonial Rule.

Multi racial/ Religious Nation.

Malays (Muslims 50%), Chinese (Christians, Buddhists etc 40%) Indians & others (Hindus, Buddhists etc 10%)

By 1965 Worlds largest exporter of Rubber, Hardwood Timber, Palm Oil, Tin, Pepper.

(Rubber from Brazil. Oil Palm from Africa)

1967 MIDA was formed.

WHY DID IT HAPPEN?

Rampant Unemployment

Identification of Race with Economic Function.

Imbalance in Wealth Distribution

FOREIGNERS : owned 60% of Corporate Wealth (CW).

Malaysian CHINESE: 40% Pop....35% CW

Mal. INDIANS & OTHERS: 10%....3% CW

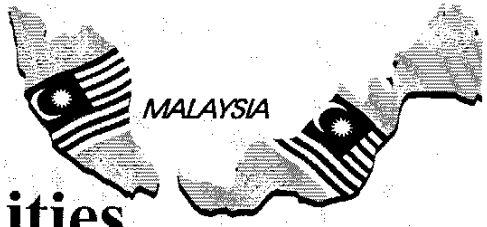
BUMIPUTRAS (MALAYS Etc): 50%...2% OF Corporate Wealth

THE Government LAUNCHED A 20 YEARS OVERALL PERSPECTIVE PLAN (OPP) (1970-1990) & NEW ECONOMIC POLICY (NEP)

Key Objectives of OPP & NEP:

*Create Jobs & Wealth

* Redistribute Income and opportunities within context of a rapidly Expanding Economy.



RESULTS

When we started our Big Push in 1970 Malaysia was a Raw Material Producer & did not have even ONE export Oriented Manufacturing Company.

But 10 years later…in 1980 Malaysia had become:

The Worlds Largest Producer of Electronic Semiconductors (employing more than 150,000 people) &

The 3rd Largest country in the world exporting Room Air conditioners.

Strategic Action Initiatives for Economic Development. A TICAD JICA initiative for ZAMBIA

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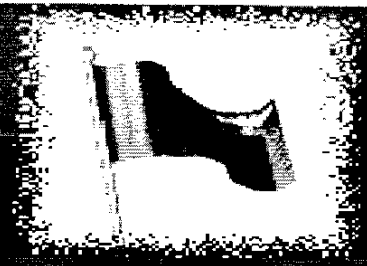
The Genesis:

In January 2005 the President of Zambia H.E. Mwanawasa went to Japan and had a meeting with the President of JICA Madam Ogata where he requested that the JICA Malaysian Consultant come and brief the Zambian Cabinet on the programme of Action for Africa.

It was called the TRIDENT STRATEGY.



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In March 05, a JICA delegation (from Malaysia & Japan) visited Zambia where a briefing was given to the President and Cabinet on programme called STRATEGIC ACTION INITIATIVES FOR ECONOMIC DEVELOPMENT.

The briefing contained 3 main elements:

1) The Malaysian & Far Eastern Experience with Economic Development.
2) A Programme called the "Triangle of Hope"
3) An Action Agenda called "The Quadrant Strategy"

The TRIDENT STRATEGY

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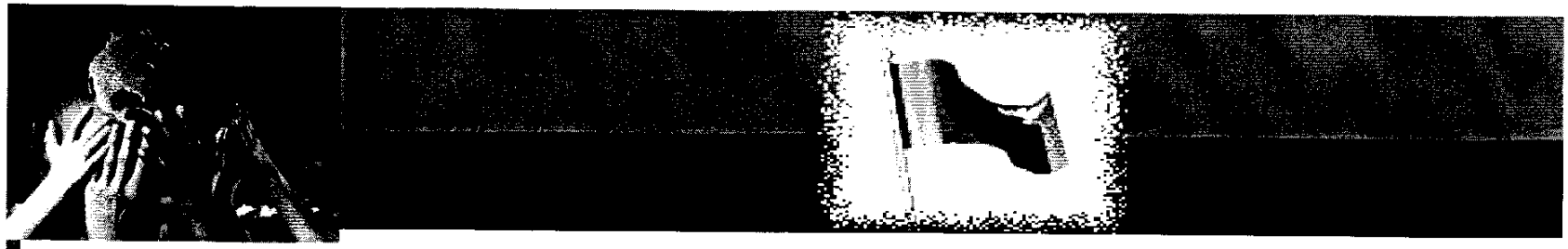
- Despite millions of dollars being poured into Africa, there is not one Economic Model that can be taken as a <u>Success Story</u> that others can emulate, unlike the multiple success stories in Asia, from Japan to Singapore, from Taiwan and South Korea to Thailand and Malaysia.

- I had suggested to many International Agencies, that whereas all nations be helped, 3 TESTBED Nations be selected to launch the full 3 to 5 year "Strategic Action Initiative for Economic Development" programme. That we work with these 3 Nations until we see success.
- Our Job should not end with a Report that sits on a shelf.
- Our Job ends when we see i.e. Jobs and Wealth on the ground.
- THERE ARE 2 KEY ELEMENTS
- 1) Investment Promotion is not an ACTIVITY: IT IS A PROCESS.
- 2) Do nations want "VISITING INVESTORS" OR "INVESTING INVESTORS"?

The 3 "Test Bed Models" were to be:

- (a) A Land Locked Nation (e.g. Zambia Uganda, Zimbabwe, Malawi, Rwanda, etc)
- (b) A Nation with Coastline and a relatively large population.
- (c) An Island Economy.

The Japanese Govt. through JICA accepted this challenge, initially, at least for (a)…Zambia was chosen.



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As a result of this Cabinet Briefing an MOU was signed between JICA and the Government of Zambia for the Malaysian Consultant to implement the programme working with JICA and Key Officials appointed by the President.

A BRIEF SUMMARY OF THE 3 ELEMENTS

The 1st briefing given to the Zambian Cabinet

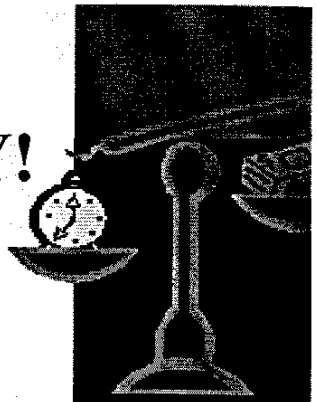
The Malaysian & Far Eastern Experience with Economic Development.

I have mentioned this earlier in my introduction.

It was emphasized that:

COMPARATIVE ADVANTAGE IS NOT THE KEY!

Comparative Advantage of *Raw Materials* (Malaysia, Indonesia, Thailand) OR *Location* (Singapore, Hong Kong etc) are not enough.

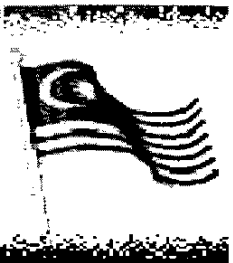


Key is Competitive Advantage ...e.g. Rubber 1970s Malaysia – world largest producer / exporter yet world's largest exporter of

Rubber shoes – Viking Askim in Scandinavia

Rubber swimming caps -- Skellrup in New Zealand

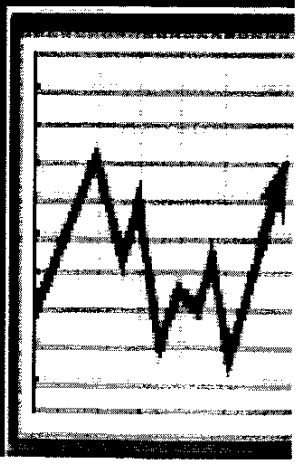
Yet within 1000 miles of NZ and Scandinavia – not a single rubber tree.



1970 – 1980 Malaysia focused not on RBI but labour and competitive advantage

After 1980 – Malaysia had both comparative and competitive advantage :– Viking Askim & Skellrup moved to Malaysia

All developing nations- to succeed- must focus on competitive advantage



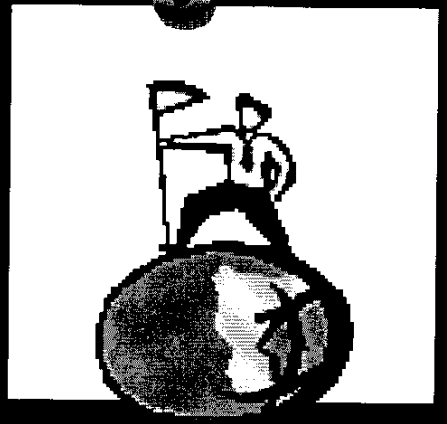
In simple terms:-

Comparative Advantage

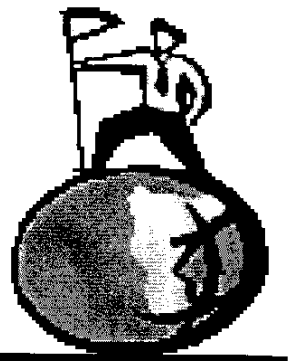
is conferred by God (i.e. Natural Resources / Location etc)

Competitive Advantage

Must be manifested by man to make full use of



Competitive Advantage



To manifest :–

need for maximum cooperation, efficiency and incorruptibility among certain forces that initially make up a

TRIANGLE OF HOPE

TRIANGLE OF HOPE

And subsequently the

The Quadrant Strategy

The Quadrant Strategy

- In all Nations – the people, the citizen, the poor – look hopefully to a

[redacted]

– to deliver jobs, opportunities, a decent life (wealth is a bonus).

Thus

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Hope

The Challenge here was to Change the "Mind Set" of those involved in the 3 Forces so that all think in one direction

TRIANGLE OF HOPE BRIEFINGS

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In June 2005 the JICA delegation returned to Zambia and undertoo the following. In an incredible display of Political Will the following was arranged with the approval of the President:

1) A Half day briefing and Q&A for Zambian Parliamentarians (including opposition members)

2) A full day briefing and Q&A for the Private Sector

3) A 3 day workshop for all Top Civil servants.

As a result of these briefings and having achieved some sort of consensus and at the request of the Zambian Government the next stage was launched:

THE QUADRANT STRATEGY

Zambia is a land locked Nation and this created certain unique challenges.

- It was realized that the normal Malaysian type model ((Malaysia has efficient Sea Ports and Airports) could not be used.
- In fact in all the successful dynamic Asian Nations there is not a single one that presented the same model that one could follow for Zambia i.e. A successful, dynamic land locked nation, with problems of costs relating to transportation, dependence on neighbouring Nations for ports etc.
- [illegible] and by thinking "outside the box".

RECOGNIZE THAT CURRENTLY 3 Great Waves Drive Economies of Nations

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1St Wave. Agriculture & Mining (Commodities) – slow moving- long term continue this initiative! KEY: Cost efficiency & Productivity.

2nd Wave Industrial Development: must establish competitive advantage.

Who are your competitors?

3rd Wave Service / Knowledge based drive….! Knowledge workers are driving World Economy.

Thus we had a unique Challenge in Zambia.

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- Can Zambia while proceeding along its Agricultural & Mining Strength (1st wave) add value to its commodities (2nd wave) before they are exported?
- As it would be very difficult for Zambia to compete with its well endowed Coastal neighbouring Nations along 2nd wave, could Zambia leap frog into a 3rd Wave economy Maximizing Efficiency & Promote Service Based and Knowledge Based Industries.

INVESTMENT PROMOTION

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QUADRANT STRATEGY

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n August 05, the GOZ & JICA launched the next phase of this challenge.

- 12 Task Forces were formed consisting of 5 members each (3 Govt. officers and 2 Private Sector) with ability to co-opt.
- The Task Forces would focus on creating THREE elements of the Quadrant Strategy i.e. ENVIRONMENT , INDUSTRIES/ PROJECTS & IMPLEMENTATION.
- The Task Force members were personally appointed by the President.
- They were given 3 months to finalize their reports (i.e. by end Nov.) and a mid term review was undertaken in Mid Oct. 05
- In Dec. there was a full study of all Task Force Recommendations and by early Jan 06 the Task Force Recommendations were ready to be presented to Cabinet.

THE 12 TASK FORCES

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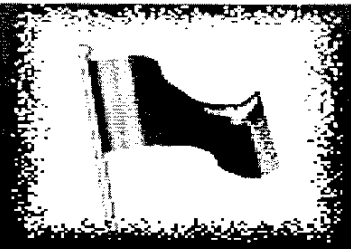
8 TFs focused on the 1st & 3rd waves which would develop 2nd wave wherever viable.

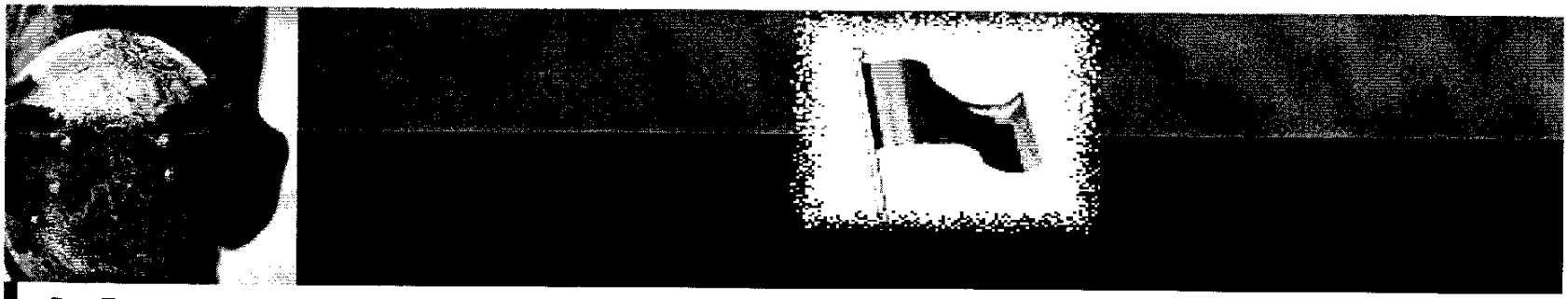
<u>These will focus on making Zambia a Center of Excellence for:</u>

1) Agriculture & Agro Based Industries (1st & 2nd)
2) Cotton and Cotton based projects (1st & 2nd)
3) Education (3rd wave & 2nd wave)
4) Medical & Health (3rd & 2nd wave)
5) ICT (3rd & 2nd wave)
6) Tourism (3rd & 2nd wave)
7) Banking & Finance. (3rd)
8) Mining (1st & 2nd Waves)



improve Administrative and Physical Infrastructure, assist Small Scale Businessmen and help speed IMPLEMENTATION OF PROJECTS.

9) SME Development.
10) Zambia as Air Cargo Hub & Inland Ports.
11) Multi Facility Economic Zones
(Combining benefits of Industrial Parks & EPZs)
12) Streamlining Government Machinery.



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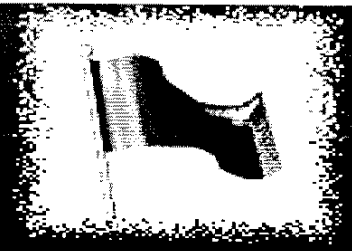
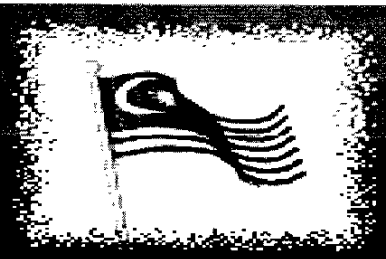
A Presidential Steering Committee (PSC) for TOH was appointed by the President headed by the Economic Advisor to the President Dr. Musokotwane.

The PSC was charged with initially supervision and now the implementation of all T. Recommendations.

- To date the Cabinet has approved Key Recommendations of 8 of the TFs and we expect the other 4 will go through soon.
- An Implementing and Monitoring mechanism has been set up by the PSC and it is expected that the approved Recommendations will be translated into Rules, Policies and Laws…i.e. THE INVESTMENT ENVIRONMENT.
- The period of Investment Promotion was to commence once all key Recommendations are seen to be moving forward and Zambia has a positive and specific story to tell the world.





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HAVING BEEN SATISFIED THAT THE SAI ED (TOH) PROGRAMME WAS MOVING IN RIGHT DIRECTION (2005 & 2006) – AN INVESTMENT PROMOTION INITATIVE WAS LAUNCHED:

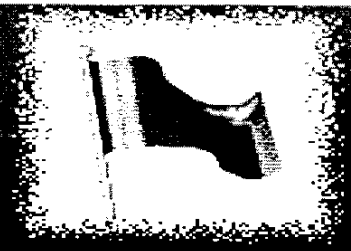
1) In Feb 2007 a 18 Member Malaysian Private Sector Delegation visited Zambia. This was the first ever such mission to Zambia and for many their first visit to Africa.

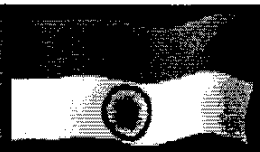
Due to the preparatory work done this first Mission announced Projects:

(i) The Assembly and subsequent manufacture of Mobile Phones and to use Zambia as a hub for Africa. (3rd Wave ITC initiative moving into 2nd wave)

(ii) A Private College for Technical Training (3RD Wave).

Discussions are underway for other Projects: Organic Fertilizer, Hotels, Maintenance and repair of Hospital Equipment etc.





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IN APRIL/MAY 07 THE PROMOTION INITIATIVE SHIFTED TO INDIA.

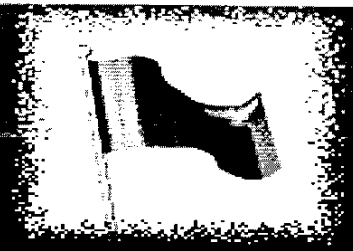
The JJIC Team visited 4 major cities and briefed close to 300 businessmen in Seminar type sessions and one to one meetings.

This was a very successful visit.

The curiosity factor for the Indians was this: "What was a Malaysian Sr. Ex Govt. Officer doing Promoting Zambia and why was the Japanese Govt. through JICA involved?"

Well if we can measure success by instant results the JJIC team left India for home on 9th May.

On 15th May we returned to Zambia and on 19th May the CEO of a major Indian Private Hospital landed in Zambia to investigate potential for setting up a Private Hospital (3rd Wave).



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- In July we expect more Indian Companies to make investigative tours into Zambia.
- In Oct 2007, a Senior Zambian Delegation will visit India to follow up.
- In Feb 2008 attempts will be made to organize an Indian Investment Delegation to visit Zambia and there an ASIAN BUSINESS CONFERENCE will be organized to include not only the Indians but the Asian Diaspora from Middle East, South Africa etc.
- So as one can see this is a painstaking process and is not a ONE SHOT affaire.
- Please allow me to summarize!

What is the AIM of this whole exercise ?

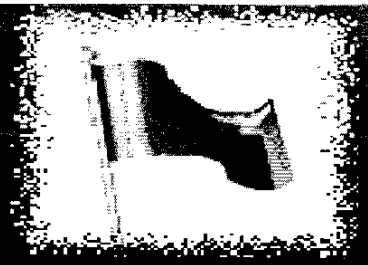
1. This is TICAD Agenda to help Zambia create an Investment Environment that will attract waves of domestic & foreign investments. If it succeeds than the model can possibly be adapted by other land locked nations.
2. It is NOT to solve all problems of the economy.

a. Asia Zambia South - South Co-Operation :
(i) To learn from Best Practices from Asia
(ii) To promote Private Sector initiatives

b. To create the Administrative and Physical Infrastructure to attract FDI from all sources into Zambia

c. To stimulate Domestic Investment in target sectors

d. To create conditions for the above...



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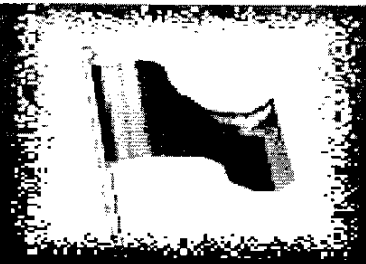
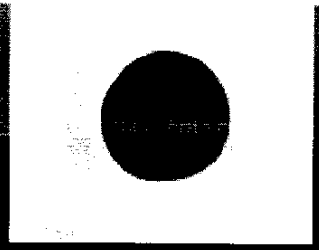
I BELIEVE THAT IF ZAMBIA PROCEEDS FIRMLY ALONG THE PRESENT PATH…

& if the TRIANGLE OF HOPE HOLDS AND THE QUADRANT IS IMPLEMENTED and if all the Recommendations of the 12 Task Forces do not sit of official drawers but are implemented (and with the Presidential Steering Committee supervising implementation there is every indication that these will be), than Zambia will have a positive story to tell the world and we can within the next 2 or 3 years see the TRICKLE of Investments flowing in being transformed into a WAVE of Jobs & Wealth creation.





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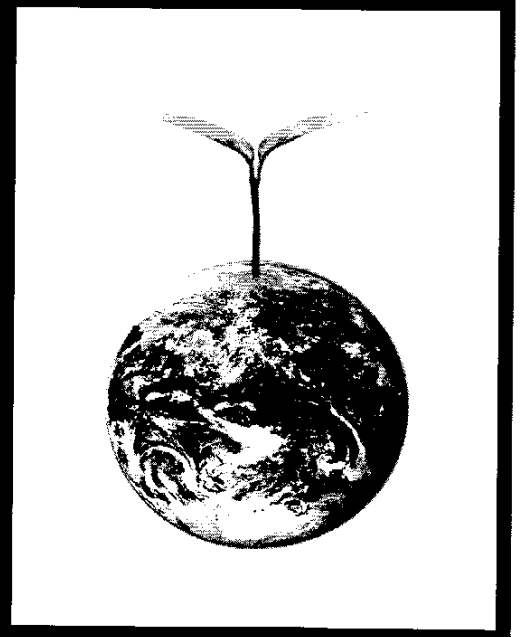
Than JICA and Zambia may, just may, have a model that other land locked nations can emulate and all will realize that

- **INVESTMENT PROMOTION IS [illegible] STRATEGIC ACTION INITIATIVES THAT MUST BE EVOLVED AND IMPLEMENTED.**



THANK YOU

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