

# Dr J Scott Younger

**D**r Scott Younger was born in India into a family with a long history of engineering. Having lived half of his life in Asia, the Chairman of Strategic Intelligence is an appropriate person to offer advice on business development in this country. Here is what he shares with us.

*Mercantile World: What is Strategic Intelligence?*

Dr. Scott Younger: Strategic Intelligence was established about two and a half years ago. It is arguably the best connected intellectual force in Asian business.

We run conferences where we try to keep a high level of debate and bring in real experts to speak. We have executive forums which we hold in several Asian cities - about eight meetings a year in each case - and that is for the heads of business, held in closed-door format, to listen to what might be called "inside stuff".

An important part of the business activities is customised research and deals with business needs on a product or market basis. We add information on politics and economics, and how these should affect the decision making process, under a generic title "Strategic Scen-Alysis".

Offices are now operating in China, in Beijing, Shanghai and Hong Kong, and we'll be extending our Asian network over the next year or so. Although we are focusing in Asia we also have business centers in London, and in America, and Sydney.

*MW: What is the main objective of Strategic Intelligence?*

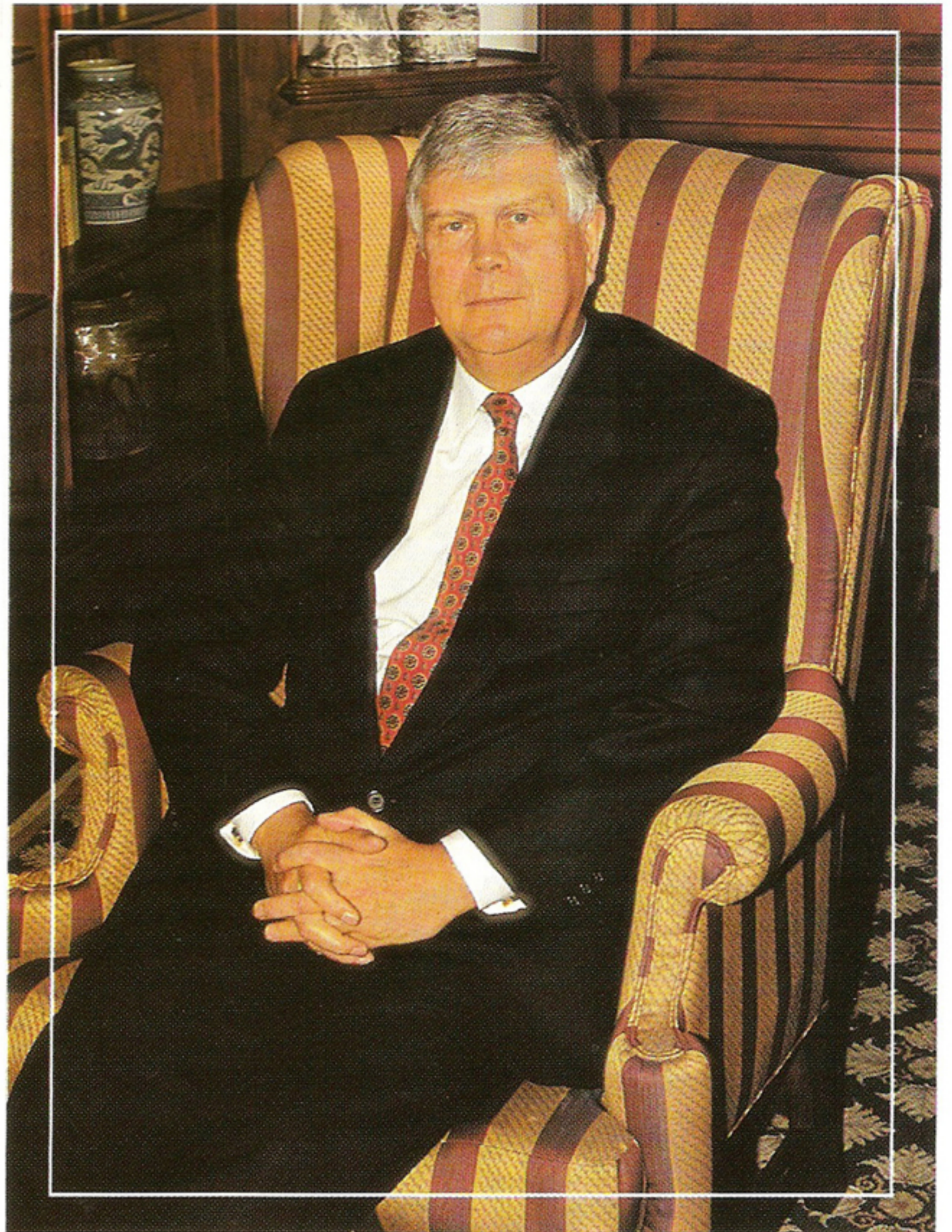
SY: To be the best provider of business intelligence, in whatever format, for people who want to find out what is going on in Asia and develop business there.

*MW: How long have you been in Indonesia? Have you always been with Strategic Intelligence?*

SY: I've been in Indonesia over fifteen years now. Strategic Intelligence is a relatively young company. I was one of the founder shareholders and appointed to be the Chairman. I've been working in Asia for 23 years and I've resided in three different countries. I stayed in Thailand for a long time, and also in Hong Kong, but I have also worked and carried out business assignments in many Asian countries.

*MW: What interested you about Strategic Intelligence?*

SY: It's because I've always been interested in politics and it's influence on business affairs. I'm not an economist, so I



can't add any economic analysis, but I always follow politics wherever I may be. Politics is an expression of the life blood of the people, however justifiably ill one may think of it!

*MW: What is your background?*

SY: I have lived half of my life in Asia having been born in India. My background is a mixture of civil engineering and training, mostly associated with academia. I am a graduate of Glasgow University, Scotland, U.C. Berkeley, and Hong Kong University. Much of my time formerly was in research, teaching and in consulting engineering. For the last 10-12 years, I have increasingly concentrated on business development.

*MW: Do you think that Indonesia now has a good, clean government?*

SY: Better than before, but not yet. Look at what has happened. No single party won a majority, and the cabinet is a rainbow coalition. The government necessarily has favours being paid off to different parties. Therefore, we do not always have the most appropriate people in the ministries.

Probably the worst government we had here was in the period 1993 to 1998, a very poor government indeed. There were some better governments before that. But you have to look at the way Indonesia has developed. It was easier to do

things up until the mid 1980's because development was from an extremely low base and the issues that had to be faced were so obvious that government just got on with it. There was the so-called Berkeley mafia, an excellent group of economists, who steered the country well. Prime targets were illiteracy and infant mortality and these were tackled. By the late 1980's, it was realised that the government couldn't sustain the rate of growth without bringing in the private sector. Hence deregulation of the economy was started, and new rules brought in to encourage the private sector.

The problem, then was that the private sector involvement was controlled, and the best jobs always went to the favoured few. The private sector never really began to get involved until the late 1990's, not long before the crisis.

Basically the things that were going to go wrong with the economy, the seeds of failure, were apparent in the 1980's, but ignored. Government was not used to monitoring the key parameters affecting the economy, and perhaps it hadn't needed to. So we had this mad rush of things going on, but reserves were being drained. The nation was building like fury and borrowing unhedged dollars until the crisis hit. The private sector just rolled onto the band wagon of expansion without the experience, financial structuring or sometimes technology needed, and was bound to collapse.

*MW: How do you view the recent economic and political situation in Indonesia?*

SY: I have been concerned. I thought that Gus Dur was doing a fantastic job. I'm not going to say that he's doing a bad job at the moment, but about the time former minister Laksamana was fired was the time the country seemed to go into a political wobble. It appeared to be climbing out of the bottom at that time, and then it went down. I put that down to Gus Dur coming off the moral high ground which is where he should have stayed, and coming down into the political bear pit and trying to mix it with consequent indifferent results. I remember writing some eight months ago that his biggest job would be to manage people's aspirations. That still holds.

Now what happens with business? Business is always more cautious. It was also slightly improving, mostly consumer led, but as soon as the political side stumbled, business took fright and stopped progressing. Confidence in the rupiah dropped sharply. Having talked to many people in the city, they are extremely worried at the moment on the business front, whether they're local or foreign, and there isn't going to be any foreign direct investments until a clear political picture emerges.

*MW: The rupiah has recently hit its lowest level against the US dollar for some time. Do you think it will recover?*

SY: It is, in real terms, undervalued. But what does one mean by real terms? It is a question of market confidence, and right now there is not much of that.

The BCA float, for argument's sake, didn't go off quite as well as people hoped. The international buyers are not coming yet. The rupiah condition is affected by the political situation. It's true that in all these Asian emerging countries, politics

have a huge influence on the economy and business. For instance, in the Philippines, the economy is in decline because politics have adversely affected business confidence.

Compared to other Asian countries, Indonesia is perceived as doing badly. Consider, for example, Thailand - it's not that the Thais don't have huge economic problems, but they present a far better perception of their situation. They had many coups over the years, but finally a stable form of civilian government is emerging. The military was much stronger in Thailand than it was here, but having a level of reference, above parliament, the monarchy in this case, prevented a possible descent into chaos. This was very important during the period when the cold war "domino theory" was considered strategically relevant.

In the last few years, an expanding educated civilian, middle class has managed to get to the top. The Thais have a much better-educated middle class generally than does Indonesia, which is one of the serious problems here. The Thais have learned the art of public relations, and they have attracted some inward investments, and Thailand is perceived as a reasonable place to invest once more. Accordingly, they are clearly growing out of the economic mess, despite remaining debt problems.

*MW: Do you think the situation here will deteriorate any further?*

SY: I think not. What I would call the elite probably understand the concerns, and I would hope to see, in the short period, some positive moves on the political front which will alleviate the business worries. But I don't see any quick improvement in the business situation.

*MW: What should be done to improve the economic and political situation in Indonesia?*

SY: One of the odd things is that there are some very good economists with lots of ability in the country, but many are



# Member Profile

only sitting on the touch line, either as observers or in advisory counsels. They should be able to be doing something of a more direct positive nature, eg planning constructively for the future, whether near or far.

There are many capable people, of the older genre, who could make a useful contribution and there are several younger people coming through. It's a pity that Laksamana is forcibly sitting on the touch line; I think he has lots of ability. These capable people should be included in key active roles.

*MW: What do you think will happen in the General Session in August? Will there be an impeachment?*

SY: I think before August some reorganisation will have been thought through. There may be some changes in portfolio, but probably less than thought earlier. Whatever, the leaders will be looking between them to try to come up with a stronger government for the future. Gus Dur will want less of a rainbow coalition, and more people closer to his thinking. In return, other parties will be looking from him for more straightforward direction, but I fully expect Gus Dur to be given a vote of confidence for another year.

There's much talk going around asking why don't we have a prime minister type of position, perhaps because of his eyesight handicap. There have been discussions, I'm advised, on this sort of issue, but nothing ever happens. Some better people coming in, with a more formalised structure for the direction of the country, is really essential, and would certainly do an awful lot to boost confidence.

All the reform issues that the International Monetary Fund keep pushing and all the questions on legal certainty, are continually highlighted, because right now the whole legal system is a shambles.

*MW: What is your prediction for the economy and political situation after August?*

SY: After August, I think we will have a 'watch and see' position, certainly from a business perspective, to see how the revised team performs, and how they can promote their policies. Many of the reform issues, particularly on the economic side, have to be to the front.

Business has also to look at factors such as security because this is extremely worrying for companies working in Indonesia. This is an issue outside Indonesia as well as for those working here. Business will not come back and invest for a while yet. If matters stabilise, then we might see some investment coming back in the next year. I don't think we're going to get back to the pre-crisis conditions properly for another three, four or even five years. This year's growth is consumer led, and this cannot be sustained without real investment.



*MW: What will the new cabinet be like? Will it be another coalition?*

SY: Some of the weaker ministers in place who have been there as political favours might be changed, but, considering political realities, I expect the number to be relatively small. There may even be a slimmer main cabinet. For instance in British politics we have a cabinet, which is smaller than the one here. Underneath that, there are a lot of other ministerial portfolios. We need a strong person sitting over this, a chief co-ordinator working closely with Gus Dur.

One thing which worries me immensely, is the education issue. At the moment, Indonesia has only about ten percent of the population

in the middle class. Any other country of this type which has a solid base from which to go forward has at least double that. One should be looking at a middle class of about twenty five percent of the population. So we should be moving, from today's figures of twenty million, to fifty or sixty million people who should be in the middle class. There is another problem, that the average age in Indonesia is 24, much younger than that in developed countries, where it is about 40 or 50, or sometimes more than that. We have a huge, young population that is totally undereducated, underemployed and frustrated. It means not just giving attention to primary or secondary education, but looking at how to release the energy of the band of people between 15 and 30 years old to develop the economy.

That issue is not being properly addressed at the moment. Right now, the government education process is far too regulated, and action is needed to encourage involvement of the private sector, as Thailand and Malaysia are doing. Indonesia is falling further and further behind in educational opportunities to the detriment of the future well being of the nation.

*MW: What is behind the education problem?*

SY: Perhaps a past lack of will, but this country has the worst educational budget in Asia. I know this particular government is strapped for cash, but before this the amount of money that was put into the educational sector was the poorest among the major Asian players and I acknowledge that "inefficiency" was probably also a factor.

The other thing you're going to find, as the economy improves, people will move towards the cities. And within 25 years there will be sixty million or more who will be classed as urban people. Sixty million is like a whole country, and provides a very challenging planning problem.

Finally, despite the concerns expressed, I am confident that this great country will go forward properly, based on the innate strength and commonsense of the people.

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