

**Waseda University Global COE Program,
'Global Institute for Asian Regional Integration'
Investigative Research Assistance Achievement Report**

Affiliation	GSAPS	Year	D2	Name	Juita Mohamad
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Itinerary	8/	3 / 2008	/ ~	9/ 29	/ 2008	/ (Month/Date/Year)
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Destination (Name of city and country)

Putrajaya, Bangi, Kuala Lumpur, Kuala Selangor, MALAYSIA

Research objectives

My research objective is to link the wage inequality phenomenon with the trade reforms in Malaysia. My question is: do the liberalization of trade and governments' encouragement through exporting method (and not the import substitution policy), result in a more pronounced growth in all sectors of the economy or only in some subsectors? If so, why do some sectors flourish while others suffer. In a more globalized East Asia, governments and private sectors take part in a more transparent trade regime, so that its economy and its people will achieve a much higher living standard and quality of life. But as Malaysia recovered from the 1997 Financial Crisis, some sectors flourish than others mainly the manufacturing sector leaving the agriculture subsectors behind even with boosts from trade on certain commodities, leaving the wage gap wide open. My aim is to determine the relationship between these two compinents, and to see how the relationship could contribute to a more strong East Asian trading community, in the future. If Malaysia is having this problem even with strong trading activities, other neighboring countries are bound to have this problem. With this, a deep study of the phenomenon is needed.

Research project

The study of wage inequality in Malaysia has started in the early 1970s by renowned developmental economists such as Anand, Ragayah Mat Zin and Ishak Shaari. Through their rigorous work, the growing problem of wage inequality were analyzed using income distribution data according to detailed segregations within households, subsectors and areas. Statistics on laborers' background were also taken into analysis, to determine the pattern of the problem. Even through their detailed research, sources or causes for this phenomenon were not determined or explored deeply. However suggestions of causes were made, and the most ardent reason was that of the trade liberalization process which was

undergone by the government in the 1980s. Through their adjustment policies, incentives for exports were introduced while the well being and survival of the *new poor* and *the old poor* were not secured even in this globalized environment.

My study will look at the changes of wages (household income and income in sectors data) in all subsectors in Malaysia from 1970 to 2006, taking into account the trade reforms that has been undergone during that period. The implementation of AFTA will also be used as a timeline for trade liberalization in Malaysia. The productivity and output from each sectors will be observed, along with trade policies implemented in each subsectors (details of tariff). All these observations will be divided into before and after AFTA periods, to see the difference in changes of wages, to see if wages has increased or decreased in sectors and by how much. If wages have increased or decreased, productivity will also be observed to see if it plays a role for changes in wages itself.

Hopefully through the analysis, the relationship between the wage inequality component and the trade reform component could be determined, and if trade reform is the cause for wage inequality, solutions need to be created. There are many causes for wage inequality in any developing country, but as the pattern is stronger as liberalization grows in Malaysia, it is definitely important to look into the issue at a more deeper level.

Achievement

I learned a lot from the people I met with. Their firsthand views on the topics of wage inequality and trade reforms in Malaysia. May it be about data problem or pointers on research, I am grateful for their inputs as they have shed more light on this particular phenomenon. With more awareness and knowledge on the topic, I can now construct a more concrete hypothesis, and able to formulate a clear framework of my study.

Through data collection, the distribution of income in Malaysia from 1970 to 2006 in every sector can be observed more thoroughly. The differences between sectors with wages and data on the laborers themselves are helpful in my analysis, as it is the main component of my research. Through data observation, it also emphasizes on the weight of the wage inequality problem in Malaysia, which has started more than 3 decades ago.

Through interaction with academicians in Malaysia, I found out that the wage inequality phenomenon, has been receiving a lot more attention internationally, than it is from within Malaysia. This is why it is important to study this problem especially in the age of globalization, to ensure that the trade reforms can bring more balanced growth to a developing country, depending on trade of its commodities and products and not a negative effect, which is more wider wage inequality between sectors.

The most important achievement of my research is getting hold of the income distribution data according to sectors. As these data are highly sensitive and hard to attain, I am very grateful to have had consultations with the Chief of Statistician at the Economic Planning Unit, where problems about data and the nature of the data were discussed. It is impossible

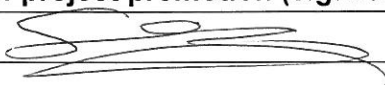
to get the data, without this consultation. This data is highly important for my research and through the attainment of this data on wages and data on the nature of labors, analysis will proceed.

Through consultations networking was created. This is important for my research as extra guidance will always be welcomed. In the future if I ever need their help, I will know where to go.

Through data collection, it has only strengthened my hypothesis that unbalanced trade growth and protectionism in some subsectors, are the sources for wage inequalities gone unchecked in Malaysia. With this study I hope that the relationship between wage inequality and trade reforms could be determined, and if there is a link, then steps for a more equal society economically could be taken, for a better Malaysia and a rich East Asian Community.

Confirmed by person in charge of project promotion (signature and seal)

Academic Adviser URATA Shujiro



Sub Adviser Tran Van Tho

(Note: please write within a length of two A4 pages. Space for each item can be changed to suit.)