

New Burma aid program about people, not politics

Australia's policy shift will provide assistance where it's really needed, **TREVOR WILSON** says

Australia now has a well-designed aid strategy towards Burma which for the first time offers the prospect of directly helping build a new nation after decades of military rule of one kind or another.

Foreign Minister Stephen Smith announced the new approach in the House of Representatives last month, in one of the most important speeches on Australian policy towards Burma.

Unfortunately, most of the Australian media did not report the statement in which Smith announced some significant new directions for Australian policy.

A key focus of Australian aid will be to provide direct assistance to ordinary Burmese people to help raise living standards and expand opportunity. Smith said Australia would increase its assistance to Burma by 40 per cent over the next three years to about \$50 million annually. For the first time in 20 years, Australia's aid program will specifically include "capacity building elements, addressing the long-term challenges facing the Burmese people".

The aid program will continue to target health and humanitarian needs, both through large nationwide activities as well as expanded community-level and village-level

assistance, but it will go well beyond mere humanitarian assistance. One significant new direction highlighted by Smith is to expand Australian assistance to improve teaching and mentoring skills, both in the classroom and at home, to support training programs for early childhood development workers, primary teachers and township education officials.

Also in the area of education, Smith reversed a long-standing policy of successive Australian governments by foreshadowing the creation of a scholarship scheme for Burma. This will be the first time in 20 years that Burmese students will be included in Australia's official scholarship programs. Australia alone excluded Burmese from such official schemes after 1990, a major mistake that was overdue for correction and is most welcome.

Smith announced that the "new" scholarship scheme will target Burmese with the potential to build civil society and improve service delivery, including in health, education and agriculture". As a start, 10 postgraduate scholarships and short-term professional development placements will be

made available, beginning in 2010-11. Hopefully, the Australian Government will lift the restrictions on the sectors for which scholarships will be available, as it does not make sense to limit study opportunities for young people who are likely to change their chosen field of study/work.

For the first time in decades, Australia's aid to Burma will contain some new programs targeting the agriculture sector. In a significant new initiative announced by Smith, over the next three years Australian aid will assist poor communities in Burma to improve their access to credit, seeds and tools; provide training in small enterprise; and help farmers diversify their production and gain access to markets.

This builds on existing AusAID programs that help vulnerable communities in the Irrawaddy Delta to restore their crops and fishing businesses. Agriculture is important in Burma but has been seriously neglected by international assistance and lags neighbouring countries, so assistance directed to the grass-roots agriculture sector is a major breakthrough. More than anything, this program has the potential to

improve livelihoods, reduce poverty and enhance self-reliance.

Burma has always presented a difficult operating environment for international on-government organisations, who have experienced difficulties in raising funds for Burma. However, there is now a consensus behind Smith's statement that "the collective experience in Burma over many years shows we can deliver assistance effectively to improve the lives of ordinary Burmese without benefiting the military authorities".

Let us hope this policy does not fall foul of Burma's critics who, at this time, have no grounds for opposing it. Smith underlined that, while being more generous with its aid, Australia expected genuine political reform from the Burmese authorities. He stressed that this was "not a one-way street". He called on Burma's military regime to respond positively to a recent offer by National League for Democracy leader Aung San Suu Kyi to work with the regime for the lifting of international sanctions, and to help Burma achieve meaningful progress towards "democratic reform, respect for human rights, and national dialogue and

reconciliation". Coming before Burma's first elections in 20 years, to be held later this year, this is an indication of Australia's aspirations for Burma in the future.

Not surprisingly, Smith said the Australian Government would maintain its policy of targeted financial sanctions "for the present". An expansion of sanctions at this time would "send a confusing signal", Smith said.

Although developments in Burma are still not very positive, with more political prisoners than ever, additional sanctions are not justifiable at the moment, and would contradict the direction that other donors are currently taking. Smith's position that the Australian Government would not lift sanctions until there was significant policy change from Burma's authorities is in line with the majority of current international opinion.

The timing of Smith's statement is well judged, but also most significant. It follows the "normalisation" of United States relations with Burma begun in August 2009 by Secretary of State Hillary Clinton, and close consultation between the US and

Australian governments is clearly ensuring that each government can reinforce the other in looking for reform in Burma.

Burma's military leadership now has a chance to consider the option of policies that will continue to generate more aid from Western countries for the future. As it deliberates on its policy strategies for the future, the military regime needs to place more trust in its own people.

Perhaps the most encouraging message is the new underlying philosophy of Smith's policy statement that Australia's aid strategy aims to prepare Burma for a return to civilian administration after the elections later this year.

This represents a welcome strategic approach by the Australian Government and is the most carefully designed aid program for direct assistance to the people of Burma – rather than the government – compiled so far. This should mean that it can survive the ups and downs of the overall situation in Burma which will assuredly be challenging. Let us hope that the new aid program can be implemented successfully and that it helps get Burma and Burmese people on their feet again.

Trevor Wilson is a Visiting Fellow at the Australian National University's Department of Political and Social Change.

Benefits grow in monthly CPI data

STEPHEN KIRCHNER

Timely information is crucial to the conduct of monetary policy. Yet the single most important input into the decision-making process of the Reserve Bank board, the consumer price index, is also one of the least timely by international standards. Australia shares with New Zealand the distinction of being one of the few countries to release its inflation data at a quarterly rather than a monthly frequency. Even New Zealand publishes a monthly food price index, a useful series for forecasting the quarterly CPI inflation rate.

This lack of timeliness in compiling and issuing inflation data gives monetary policy a backward-looking bias. About 45 per cent of the changes in the official interest rate since 1990 have been announced at the board meeting immediately following the quarterly CPI release. In the 2002-08 tightening episode, 67 per cent of rate hikes followed this pattern, including every one of the six tightenings between May 2006 and February 2008. This suggests the Reserve Bank may sometimes delay policy action by one or two months while it waits for the latest inflation data. This goes against what it tells us is good policy practice, which is to be pre-emptive and forward-looking. It is also potentially confusing to the public, implying that the bank is passively responding to past inflation outcomes rather than actively targeting the future path of inflation. A monthly CPI release would ensure that each Reserve Bank board meeting had the benefit of an update on the inflation rate, which also serves as the baseline for the bank's inflation forecast. The bank would no longer have a bias to changing interest rates in the wake of the quarterly CPI release. The bank and financial markets could more quickly identify potential turning points in the inflation rate and the economy more generally.

It is considered desirable for central banks to smooth changes in interest rates over time, to minimise the risk of policy errors. This argues for a gradualist approach to policy. But more timely policy action could facilitate this gradual approach by reducing the need for future changes in interest rates. A monthly CPI that results in more timely policy action would not necessarily lead to an increase in policy activism whereby the Reserve Bank engages in unnecessary fine-tuning.

While the Reserve Bank and financial markets would welcome a monthly CPI, the Australian Bureau of Statistics has traditionally resisted the idea. It says the increased cost of a monthly data collection would outweigh any benefits to users. But this is based on a very narrow reading. If a higher frequency CPI leads to more timely monetary policy action, the economy-wide benefits could be very large. Most other developed countries have apparently decided that a monthly CPI is worth the cost. It would be surprising if the costs and benefits in Australia were very different.

Funding has been an issue for the ABS in recent years and it has implemented saving measures that have resulted in less reliable labour force and retail trade data, decisions that were subsequently reversed. However, savings could potentially be made by reducing the frequency of other data, such as the monthly labour force release. These data are very noisy at a monthly frequency. They are good for generating newspaper headlines, but add relatively little new information. Monthly readings on the labour market can be left to private sector surveys, like the ANZ job advertisements series. Most analysts welcomed the demise of the volatile and revision-prone monthly current account data in 1997 in favour of a quarterly release.

Stephen Koukoulas, of TD Securities, and Professor Don Harding, formerly at the Melbourne Institute and now at La Trobe University, teamed up to create a monthly inflation gauge that has a low tracking error with the official CPI, showing what can be done with limited resources. Their inflation gauge has been a valuable source of more timely readings on the inflation rate, while also helping to better forecast the official data. Unfortunately, the Melbourne Institute recently discontinued publishing the index numbers with the monthly release, which has reduced the usefulness of this series to analysts.

The ABS is conducting its five-yearly review of the CPI – canvassing options such as the release of higher frequency data on consumer prices. Public submissions can be made before March 12, with the outcome of the review to be announced in December. It is to be hoped that the review leads Australia to match its developed country peers in the frequency of its official data on consumer price inflation.

Dr Stephen Kirchner is a research fellow at the Centre for Independent Studies.

Maker can't see wood for trees

Toyota's problem is not just a technical one but more a philosophical problem of management, **KENICHI OHMAE** writes

Over the past decades, Toyota has built a strong presence in the United States by serving its consumers well and doing what the US Government has wanted. Now, it has stumbled badly largely because its greatest strength – the Toyota way of "accumulation of small improvements", or "kaizen" philosophy – has turned out to be a weakness in the age of complex electronic engines.

There is every reason to believe Toyota will fix its technical and management problems. The question is whether it will dig a deeper hole by losing the air of trust and reputation for competence among customers it has spent so long building up. That would be bad for Toyota, and for America.

Most auto companies in the past, including Ford and General Motors, have had recall problems like Toyota. They all seem to try to hide the early evidence of flaws, even if they affect safety. This goes back to the American consumer advocate Ralph Nader's "unsafe at any speed" campaign in the US in 1965 that involved the Chevrolet Corvair produced by GM.

Today, however, with electronic programming of cars, many of the problems emerging – such as the braking system of the Prius – are of a new nature. They are judgmental engineering calls. If they can be corrected by readjusting the setting on recalled cars, then Toyota can handle that quickly.

But what we are seeing may be a more fundamental problem that has to do with the engine control unit as a whole. In an average Toyota, there are about 24,000 inputs and outputs, with as many as 70 computer chips processing information and sending it on to other chips to operate the engine control units. It is a very complex system.

Such complex systems are a problem these days for all auto manufacturers – Germans and Americans as well as Japanese – because about 60 per cent of a modern automobile is electronics. Toyota is the canary in the mine, so to speak, since it is the world's largest manufacturer of cars, with more than 50 plants across the globe outside Japan. Toyota has been expanding so rapidly it has more models on the road than any other car maker.

What we see with Toyota in particular is that this new electronic complexity has overwhelmed its famous concept of kaizen – "the accumulation of small improvements" – that has made



Toyota such a quality brand worldwide. The company has so perfected the practice of kaizen from the bottom up at the assembly line that it has lost the big picture of how the whole electronic engine – and thus overall safety – works.

This is a limitation of the kaizen philosophy, a philosophy that has helped Japan become the headquarters of quality manufacturing. If Toyota does not recognise this, and tries to chalk all its problems up to floor mats touching the accelerator, or resetting a computer, it will miss the real issue. Where Toyota has failed is that rather than review the overall safety of the engine operating unit, it has focused instead on diagnosing the function of many thousands of pieces of an

electronic engine. What the company is missing is the human factor – a single person who has a comprehensive understanding of the details of the engine and how the parts interact and work as a whole.

In the old days, one chief engineer used to design everything. This was true with ships and aeroplanes as well as nuclear reactors. Now, design and production is broken down into so many details that there is no one in the current generation of Toyota engineers who seems to have the whole picture. A 45-year-old engineer at Toyota today would have spent the last 25 years working on "the accumulation of small improvements".

What this suggests is that Toyota has to come up with a new

organisational ethos beyond kaizen that can oversee the crucial safety features that may have been compromised by so much incremental improvement over the years. This is a philosophical problem of management, not a technical issue. A new system of "man and machine interface" needs to supplement the kaizen philosophy – in other words, one that perfects the big picture of engine control safety instead of just the small picture of components.

I believe Toyota can meet this challenge. The challenge I fear it will fail to meet is the psychological one, enveloped as the company's leaders seem to be in a sense of panic at being attacked politically and in the press in their most lucrative market,

the United States. There is such a clash between aggressive American political and media culture and reserved Japanese ways.

As America brings Toyota to account on safety, it must also put the company in the right perspective. Toyota has also always done what the American market and politicians demanded without losing quality or productivity. The US asked Toyota to come to the US to produce cars instead of export them from Japan, and use up to 50 per cent local content.

Today, 2.5 million cars are produced annually in the US at several plants; this has created many jobs. Toyota's annual spending on parts, goods and services from hundreds of US suppliers totals more

than \$22 billion. Ninety-five Japanese component companies were transplanted from Japan to supply Toyota through its "just in time" manufacturing process, building up a component supply network along the Mississippi Valley that didn't exist before.

Toyota is in the hot seat. But everyone should understand that the issue at hand is the trade-off between complexity and safety in an age in which electronics and computers dominate the vehicles we all use on a daily basis.

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Kenichi Ohmae is a management consultant and a former senior partner at McKinsey & Co. He is author of The Mind of the Strategist and The Borderless World.

Cycle of revenge hits again with deadly night in Dubai

Everybody assumes that Mossad, the Israeli foreign intelligence service, carried out the murder of Mahmud al-Mabhouh, a senior Hamas commander, in Dubai last month.

The Israeli Government will neither confirm nor deny it, but the average Israeli citizen is sure of it, and quite pleased by it. After all, who else was going to go after him?

Well, theoretically it could have been the rival Palestinian political organisation, Fatah, which has been more or less at war with Hamas for almost three years now. (Fatah runs the West Bank and Hamas controls the Gaza Strip.)

Proponents of this theory argue that the Dubai hit was too clumsy and sloppy to have been a Mossad operation.

Would any serious spy agency put 26 people on a hit team?

Why would seven of them be travelling on British passports borrowed or stolen from British-Israeli dual citizens resident in Israel? Why were there passports in the names of three Australians, Joshua Daniel Bruce, Nicole Sandra McCabe



GWYNNE DYER

and Adam Marcus Korman? Would they let themselves be caught repeatedly on video surveillance cameras as they set up the killing? This was just not a professional operation.

It certainly was amateur night in Dubai, but that doesn't necessarily mean that Mossad was not behind it. The Institute for Espionage and Special Operations, to give its proper name, may be "legendary", but some of its past operations have been anything but professional. Take the case of the Norwegian waiter.

In the 20 years after Palestinian terrorists massacred 11 Israeli athletes at the Munich Olympics in 1972, Mossad killed more than a dozen people it suspected of involvement in the operation. Most

of them had some link to it, but Ahmed Bouchiki had none at all.

Bouchiki was a Moroccan immigrant to Norway who worked in a restaurant in Lillehammer. Mossad mistakenly thought he was Ali Hassan Salameh, the planner of the Munich atrocity, so an Israeli hit team murdered him as he walked home with his pregnant wife. But the two killers committed the elementary error of driving to the airport 24 hours later in the same car they had used for the getaway (which had been spotted by the police).

They were arrested, and the woman of the pair broke down and confessed that they were working for Israel. The man had a telephone number on him which led the police to the safe house where the other three members of the team were staying. One of them had a list of instructions from Mossad on him, and they all ended up in Norwegian jails. Amateur night again.

Or take the Mossad attempt in 1997 to kill Hamas's political chief, Khaled Meshaal. It happened in Jordan, which has a peace treaty with Israel, but the Mossad assassins

travelled there on Canadian passports borrowed from Canadian-Israeli residents with dual citizenship.

They broke into the building where Meshaal was sleeping and injected poison into his ear, but two were captured by Jordanian police and the other four took refuge in the Israeli embassy.

Jordan's outraged King Hussein demanded the antidote to the poison, and the Israeli government reluctantly handed it over. In response to Canada's furious protests about the use of its passports, Israel promised never to do that again. Just as it promised Britain in 1987 and New Zealand in 2004.

This time the hit team, though ridiculously large, was less incompetent: the victim died, and they all got out of Dubai safely. The fact that they left enough evidence behind for the Dubai police to figure out what happened does not exclude Mossad from consideration: it has bungled operations before.

The Dubai police say they are knowledgeable. It has now "99 per cent if not 100 per cent sure"

that Mossad was behind the murder, and most Western governments assume the same.

Five Western governments are especially angry: Britain, France, Germany, Ireland and Australia, whose passports were used in the operation. Israel will doubtless promise once more never to do it again, and the fuss will eventually die down.

The Dubai police chief, Lieutenant-General Dahi Khalaf Tamim, has asked Interpol for a "red notice" on Mossad head Meir Dagan, the usual preliminary to an arrest warrant, but Dagan need not stay awake worrying about it. What should be causing him sleepless nights is the fact that all these killings are counterproductive.

Killing off the leaders of Hamas – and of Hezbollah, the Lebanese Shi'ite resistance movement – does not improve Israel's security.

For example, it assassinated Hezbollah's leader, Abbas al-Musawi, in 1992, and got the far more formidable Hassan Nasrallah as his successor. It also got the revenge bombing of the Israeli embassy in

Argentina, in which 29 died and 242 were wounded.

The leaders who get killed are replaced by others of equal competence, the cycle of revenge gets another push, and Israel's reputation as a responsible state takes another beating. True, Israel does nothing that the United States, Russia and several other great powers have not done when fighting insurgencies, but they are shielded by their great-power status. Like it or not, there is one law for the great powers and another for the others.

Smaller countries are expected to obey the rules. Many Israelis think they don't need to worry about this because everyone hates them anyway, but the wiser ones realise that the country's security and prosperity still depend heavily on the goodwill of Western countries. Actions such as the Dubai operation, when they become public, erode that goodwill. But the wiser Israelis are not in the majority now.

Gwynne Dyer is a London-based independent journalist whose articles are published in 45 countries.