



Making TN50 Happen

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The Jeffrey Cheah Institute on Southeast Asia (JCI), the Jeffrey Sachs Center on Sustainable Development (JSC), and the TN50 Special Unit-CSDU Economic Planning Unit (EPU) co-organised a public forum themed 'TN50: The Road Ahead' on 12 January 2018 at Sunway University. The session was a public discussion on Transformasi Nasional 2050 (TN50), Malaysia's latest national development vision following on the heels of the New Economic Policy (1971-1990) and Wawasan 2020 (Vision 2020, 1991-2020).

Change and Continuity

Professor Woo Wing Thye, President of JCI and Director of JSC, opened the event with the reminder that TN50 is not the first ground-breaking programme of the Najib administration to reform the Malaysian economy. Earlier efforts at reform included policy strategies such as the New Economic Model, and the Bumiputera Economic Empowerment Program; and the establishment of new state agencies such as the Performance Management and Delivery Unit (PEMANDU) to supplement the efforts of the Implementation Coordination Unit (ICU) in the Prime Minister's Department.

"TN50 is another new bold, ambitious, and comprehensive revamping of

policies. The goal of TN50 is to make Malaysia one of the top 20 countries in the world," said Professor Woo.

Johan Mahmood Merican, Deputy Director General (Human Capital) and Head of the TN50 Special Unit at EPU, started off his presentation by putting forward the notion that Malaysia had been very successful over the years despite having faced some major challenges. Malaysia had done well in reaching the goals of past development plans such as the New Economic Policy's vision of eliminating poverty and diminishing the correlation between race and economic function, and the Vision 2020 goal of achieving developed nation status.

Notable achievements include the elimination of absolute poverty, reduced income inequality, reduced interracial differences, and an increase in Malaysia's global competitiveness. Several challenges, however, still remain – relative poverty still persists, wealth inequality remains high, and social well-being is lagging. In order to address these challenges and propel the country towards becoming a top 20 nation by 2050, Johan emphasized the importance of continuing Malaysia's tradition of long-term economic and national planning.

What the People Want

While TN50 is a continuation of the government's long-term planning, it is novel in that it employs a 'bottom-up approach'. As Johan put it, 'TN50 is by the people, for the people'. The TN50 vision needs to be fleshed out and given meaning by Malaysians themselves as "no longer does government know best", said Johan. As such, more than 2 million Malaysians were engaged in the formulation of TN50, through public dialogues, town halls, surveys, and social media.



"No longer does government know best."

Johan Merican Mahmood

Johan pointed out three key themes emerged from the 100,000 collated aspirations: (i) Malaysians aspire for Malaysia to be a global leader; (ii) Malaysians want a sustainable and inclusive society; and (iii) Malaysians aspire for unity in diversity. According to Johan, the youth especially wanted the country to be carbon neutral by



2050 and to be a global exemplar in its quality of public education.

Johan also stressed that the TN50 plan will need to respond to megatrends such as urbanisation, digitalisation, resource scarcity, geopolitical shifts, and an ageing society. To this end, Malaysia will need to formulate and implement policies that will increase investment in urban infrastructure, embrace the 'digital revolution', implement environmentally sustainable practices, and strengthen the social safety net.

Fundamental Reforms

Professor Tan Sri Dr. Lin See-Yan, research professor at Sunway University and former deputy government of Bank Negara Malaysia, responded to Johan's speech by stating that the time has come to change the way of measuring the wealth of a nation. GDP does not equate with well-being and well-being

may not be sustainable. The correct measure is to relate GDP (flow) with wealth (stock), as wealth produces future income flows.

Tan Sri Dr. Lin thinks that Malaysia's real economy has lost its edge. The current high growth is reflective of an economy on a "sugar high"; and it masks growing signs of fatigue. There is a growing disconnect between what government statistics say and the experience on the streets. Current growth is too narrowly focused on consumption growth, which is not a reliable driver. "If as many say, the economy is structurally strong, why is the ringgit so weak? Why is there no rush-in of FDI? Why is youth unemployment so high?" questioned Tan Sri Dr. Lin.

Tan Sri Dr. Lin warned that there were several things that did not happen in 2017 but might return to haunt the economy. For example, global bull

markets are at record levels despite bad politics, and so sentiments can reverse quite rapidly; easy money cannot last because central banks will soon take away the punch-bowl; and Malaysia's upcoming general election can be a wild card.

Tan Sri Dr. Lin expressed the urgent need for real change: "there is no way we can get out from where we are without serious fundamental reforms." These reforms should include shifting the drivers of growth to digital manufacturing and higher value-added construction; injecting more market-based competition into the economy; reducing the expansion in the economic role of state-owned enterprises to avoid further crowding out of private initiative; raising total factor productivity through AI and robotics; adopting a strong exchange rate policy; adopting structural reforms to raise potential GDP e.g. by upgrading education and retaining

talent; rebalancing income and wealth between wages and profits to reduce inequality; and reducing the tax and debt burdens on the middle-class.



“There is no way we can get out from where we are without serious fundamental reforms.”

Prof. Tan Sri Dr. Lin See-Yan

To meet the objectives of TN50, the economy needs to radically focus on achieving rising material living standards (MLS). This means associating income and consumption with wealth creation and its distribution; and broadening the concept of income to include non-market activities, e.g. leisure. There is also the urgent need to focus on the quality of life – here, the compilation of a set of quality of life indicators is critical, covering all dimensions and domains.

Tan Sri Dr. Lin concluded his presentation by emphasizing the importance of ensuring sustainability. Economic sustainability requires that we do not overconsume economic wealth, and environmentally sustainability requires that we meet the targets in the Paris Pact on Climate Change.

Hardware and Software

In his closing remarks, Professor Woo said he looked forward to the delivery of the vision promised in TN50. As there has not yet been announcements of the policy mechanisms to translate the TN50 vision into reality, Professor Woo

volunteered the expert services of the Jeffrey Cheah Institute and the Jeffrey Sachs Center to the EPU to assist in the design of the policy mechanisms to produce the outcomes enunciated in TN50.

Drawing on his experience on advising centrally-planned economies to transition to dynamic market economies, Professor Woo outlined the crux of the problem as being, first, getting the Big Picture right, and, second, getting the details right. Getting the Big Picture right is akin to the understanding that one cannot get to the moon in a sailboat but only in a space vehicle. Getting the details right means using the best hardware and software available in constructing the space ship.

In the cases of Russia and China, getting the right Big Picture meant not having leaders who – for ideological reasons or out of ignorance – are against the employment of the right hardware and the right software. For example, the goal of economic prosperity cannot be achieved by Stalinist leaders who are opposed to the use of market mechanisms in resource allocation, and to private ownership of capital.



“The way to achieve TN50 is to have a dynamic private sector working in partnership with a competent government.”

Prof. Woo Wing Thye

Professor Woo agreed that the TN50 vision is a good objective. He is

concerned however that the existing hardware and software may not be effective. He elaborated that the key ‘hardware’ component is a dynamic private sector that is not hobbled by government-linked companies. The key ‘software’ component is a good governance system, and the maintenance of a good governance system requires public oversight through free and fair elections, an independent and competent judiciary body, and a competitive free press.

According to Professor Woo, the way to achieve TN50 is a dynamic private sector working in partnership with a competent government that is committed to producing socially-inclusive and economically-innovative outcomes that are environmentally-friendly.