
THE TRANS-PACIFIC PARTNERSHIP: SEIZING THE OPPORTUNITIES, LOSING THE MYTHS.

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Summary

This paper is an edited version of a keynote speech delivered by the author at the Conference on U.S-Malaysia Commercial Relations in Kuala Lumpur on 26 August 2015, organised by the American Malaysian Chamber of Commerce (AMCHAM) and the US Chamber of Commerce. The conference was held in conjunction with the ASEAN Economic Minister's meeting, which brought together key Malaysian government leaders and prominent private sector personalities from both countries to promote and strengthen economic integration, particularly through the ASEAN framework and the Trans-Pacific Partnership Agreement (TPP). In the speech, the author explains several myths surrounding trade-related issues in Malaysia today, and he goes on to call the private sector to be more active in engaging the public.

Introduction

Thank you to the organisers for giving me the opportunity to speak here today. When I first received the invitation, I thought they made a mistake. Compared to the many luminaries in this room, I am a nobody in the world of big corporations. But I thought I should give it a go nonetheless. Let's see if the organisers would live to regret their invitation.

Let me start by making a few points to introduce what we do at IDEAS, especially through our ASEAN project, the Southeast Asia Network for Development (SEANET).

We are a pro-market think tank. Not pro-business. But pro-market. It is important to make that distinction because businesses are not necessarily pro-market. Just look at the many monopolies that exist in Malaysia today, mostly creatures created or supported by the government, and you will realise why I distinguish between being pro-market and pro-business. Not all businesses like free markets because in a free market they are forced to compete and prove themselves to consumers, who have the freedom to choose between them and their competitors.

In terms of the work that we do, we run activities similar to many think tanks around the world. We conduct in-house research, publish policy briefing papers, hold events, conduct media campaigns, and we talk to policymakers. Today, we work on issues related to the political economy and governance, education as well as ASEAN integration.

The topic given to me for this keynote speech is "The TPP: Seizing the opportunities, losing the myths." So let me get straight to myth number one.

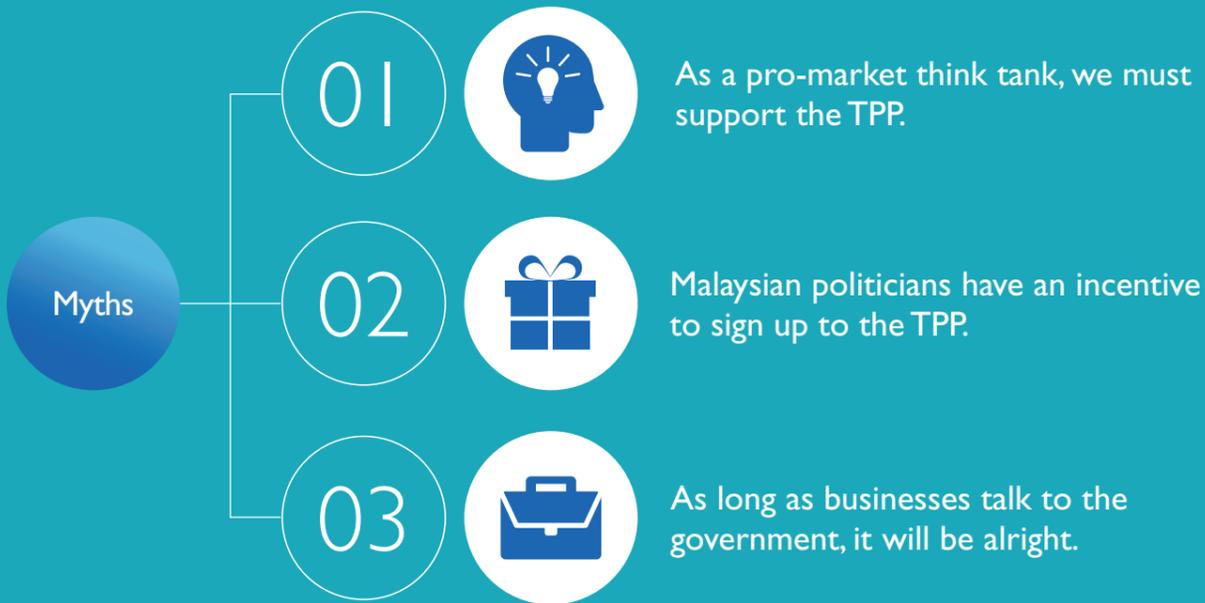


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Wan Saiful is a member of the Advisory Board at Laureate International Malaysia; member of the Advisory Board of the University of Nottingham's School of Politics, History and International Relations; a Governor at Rafflesia Education Group; and Chairman of IDEAS Academy. Previously, Wan Saiful worked for the Commonwealth Policy Studies Unit, the British Conservative Party's Research Department, and Social Enterprise London.

At present, Wan Saiful is a columnist for The Star, a national newspaper in Malaysia. He also writes for several other national and regional press. His opinion has been quoted by various media, including the BBC, Reuters, Asian Wall Street Journal, International Herald Tribune, Al-Jazeera and The Economist.

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Myth 1: As a pro-market think tank, we must support the TPP

Many people in Malaysia today come to us when they look for people who support the Trans Pacific Partnership Agreement (TPPA). The assumption is that we support the TPP. I want to make it clear that this is a myth. We do not support the TPP. How can we support something that we do not fully know about and has not been finalised.

The fact is that the TPP negotiations have been taking place behind closed doors for five years. This secrecy makes it impossible for a rational person to decide whether or not to support the TPP, and that is why I do not know whether or not I will support it yet.

Additionally, as chief executive of a pro-market think tank, I am naturally inclined to

call for unilateral liberalisation. I do not see why it is imperative to wait for someone else to liberalise before we liberalise. Unilateral liberalisation, or doing the right thing regardless of what other people are doing, is far superior to the attitude and policies adopted by many countries around the world today.

However, having said that, I know that since we are dealing with actual government policies, we have to be realistic. Whether we like it or not, bilateral or multilateral treaties is the preference today. So even though I prefer unilateral liberalisation, I also accept that the various treaties being negotiated are usually better than nothing. Let's not make the perfect the enemy of the good.

My real position is that I support and insist for Malaysia's participation in the TPP negotiations.

Coming back to the TPP, my real position is that **I support and insist for Malaysia's participation in the TPP negotiations.** I think it is extremely important that we continue to negotiate. It is important that we stay all the way to the end. As a relatively smaller trading country, it is important that we do not lose this once in a lifetime opportunity to shape a landmark global trade agreement. We must not let others shape this agreement, but we must be part and parcel of the whole process.

Only after we have come to the end of the negotiation process can we accurately evaluate if the compromises that have been made by all the countries are good enough for our country. Only once the full

text is known can we decide whether we should support, or oppose the TPP. That is a major decision to make and we certainly cannot make that decision without knowing the full and final text.

“If we really want to seize the opportunity, we must persist in the negotiation process and make the most out of it.”

This is why I think those who oppose the TPP are wrong to demand that Malaysia withdraws from the negotiation now. They make these claims under the assumption that our negotiators are incompetent, stupid and want to sell off our country to America. This is typical paranoia from those who lack confidence in the ability of their own people. They suffer from an inferiority complex and are awed as soon as America is mentioned. They don't think our negotiators can extract the best possible outcome from the negotiating table. I completely disagree with this assumption and I think this is insulting to the intelligence of our negotiators.

If we really want to seize the opportunity, we must persist in the negotiation process and make the most out of it. Yes we have to give, but I am sure we will also take. That is the nature of negotiations. Once everything is known, then we can decide. But until we know the full content of the agreement, I suggest we should not blindly support or oppose it.

“Malaysian politics is built on populism and loyalty, not intellect.”

Myth 2: Malaysian politicians have an incentive to sign up to the TPP

The second myth I want to address is the idea that it is in the full interest of our political leaders to sign the TPP. In reality, if you look at today's political landscape, it is actually not in the interest of people like Minister Mustapa Mohamed or Prime Minister Najib Razak to sign the TPP. It is a myth that the TPP is good for them.

To explain that, we have to understand the current political scenario.

It is a fact that the Prime Minister and his whole government is facing a major crisis at the moment. The value of the ringgit has dropped tremendously. The level of trust in government is probably at its lowest. Many people are talking about how it would be better for the country if Dato Sri Najib resigns today. But at the same time they are also uncertain if they really want that to happen because it is not clear who could be the replacement and if the replacement would actually be better.

In short, we have a political crisis that is slowly and quietly boiling in the background, threatening to bring about an economic crisis. But the underlying problem is a crisis of confidence in government.

If you are a Prime Minister grappling with a major trust deficit, what would you do?

The first option is to fix that trust deficit by admitting the problems, telling the truth, and reconciling any differences you may have with your adversaries in a calm and rational way, so that you do not push the country into further abyss.

But that is not what's happening in Malaysia today. Malaysian politics is built

on populism and loyalty, not intellect. To quote our dear leader Mr Prime Minister, on 1 August in Seremban he was reported to have said "I will evaluate people based on their loyalty. There is a lot of smart people around but to find those who are loyal is rare." So loyalty over intellect is the mantra of the current administration and I wonder if that explains why certain people are in the Cabinet. This is most unfortunate.

Unfortunately in Malaysia today, we are in a situation where if the Prime Minister and his cabinet want to regain some trust from the people and gain a little popularity, one of the things they can do is to reject the TPP. Why? Because that would be a popular thing to do and if you want to stay in power using populism, one just needs to do what is popular without worrying about whether it is right or wrong.

Make no mistake, the opposition to TPP is very strong and they come from many groups with vested interests. Most of their arguments are circumstantial and emotive. One of the arguments is that the TPP is a tool of American imperialism. If a populist politician or activist were to bring that to the grassroots level in rural areas, the argument transforms into the TPP being a tool to remove the special privileges enjoyed by the Malays in the country, engineered by America. It would become even more popular if you can pepper Jewish conspiracy into the argument. Yes, I know that is a silly argument and it pains me even to say it. But to many people that is a red line that must not be crossed and therefore anyone who fights off this "threat" is a hero.

This brings us back to the problem of the trust deficit facing by Prime Minister Najib. If he wants to regain the trust and become popular again, one of things he could do is to go to the people and say "I have listened to you and I will not sign the TPP." Just imagine how many critics can be silenced by that action and how much popularity he can gain. Whether or not this would be good for the economy is secondary. But

it would almost certainly be good for his political survival.

From a political perspective, with the current political scenario, the reality is that it is in the political interest of Prime Minister Najib and his administration to surrender to the critics and withdraw from the TPP or not sign it. He may know that economic liberalisation and further

integration into the global supply chain is better for the country, but it is a myth that politicians always have the interest of the country as their top priority. For any successful politician, the top priority is to survive. And looking at the environment in Malaysia today, survival may mean not signing up to the TPP.

Myth 3: As long as businesses talk to the government, it will be alright

That brings me to third myth, and that is the myth that businesses can get what they want simply by talking to the government.

I returned to Malaysia in 2009, after living in the United Kingdom for 18 years. The last 4 years of my stay in the UK, I was with the British Conservative Party. There I saw how active businesses were in engaging the public.

In the UK, businesses through their trade associations and lobbying organisations actively campaign in the media. They regularly organised events to tell the public their concerns and laid down their suggestions. They work with think tanks to conduct studies on particular issues. They support various civil society organisations campaigning for reform and improvements. They meet with political parties and political leaders of all sides to voice their opinions and more.

In short, businesses in more developed countries know that in order to shape public policy, it is not sufficient to just talk to government. They must actively go out there and challenge the anti-market sentiment, because they know politicians usually respond to public pressure. In more developed countries, businesses know that

politicians very rarely lead, because politicians are really followers of public sentiment.

But when the same businesses come to developing countries, they suddenly change their views on politicians and change their strategies on how best to shape public policy. They don't engage the public and they don't speak up. Instead, they request private meetings with politicians and senior civil servants. Somehow, on the flight from Washington DC or Berlin or London to Kuala Lumpur, Singapore or Hanoi, they transform from believing in the power of public pressure to believing in the benevolence of those in power.

So let me tell you this, it is a myth that politicians here are different from politicians there. They are the same. They respond to public pressure too, and the best way to create sustainable permanent betterment of public policy is by convincing the public first. Or at the very least, convince the public in parallel to convincing the policy makers.

The TPP has suffered from this failure of the business community to engage with the public. It is extremely frustrating that we are almost the only voice calling for liberalisation and the opening up of our economy. I have no idea why I continue

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doing it when the people who would benefit from it, namely many of you in the business community, seem not to care.

What we see is huge public pressure against the TPP, and no one strategically countering these pressures. What we tend to do is to talk among ourselves rather than going out there to persuade and debate with the "other side". We then pretend to be curious about why is there so much misunderstanding about the TPP. The answer is because we have not actively gone out there to provide the people with real information.

So, ladies and gentlemen, if there is one lesson that can be learnt from the TPP saga, it is that the business community must very quickly change its strategy when dealing with public policy and policymakers. It is no longer enough to just talk to those in the seats of power. You need to do what you do in Washington DC, London, Berlin and so on. You need to engage the public and you need to support the growth of pro-market campaigners. This is a great opportunity that must be seized by businesses moving forward.

The Southeast Asia Network for Development (SEANET) is a regional research and advocacy centre that promotes policy ideas to make ASEAN's growth more inclusive and sustainable. SEANET believes in three key principles: inclusive development, property rights and free movement of people and goods.

SEANET conducts research and advocacy to catalyse the adoption of market-friendly principles, particularly by inviting opinion-shapers to analyse evidence of how free trade can speed up national and regional growth. Working with a network like-minded organisations and individuals throughout the region as well as globally, SEANET aims to improve the rankings of ASEAN countries in the International Property Rights Index (IPRI) and Fraser Institute's Economic Freedom of the World Index.

SEANET is a project of the Institute for Democracy and Economic Affairs (IDEAS), headquartered in Kuala Lumpur. IDEAS is Malaysia's first think tank dedicated to promoting market-based solutions to public policy challenges in the country.

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