



Economic Freedom **in South Asia**

A catalyst for socio-economic development

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Goa, India



In collaboration with:

FICCI

In partnership with :

Friedrich Naumann
STIFTUNG **FÜR DIE FREIHEIT**

Free market advocates argue that the Economic Freedom is a pre-requisite for social-economic development of any country. It dwells upon the beneficial effect of freedom to produce, consume and to trade any goods and services acquired without use of force. It stresses on the rules of law, property rights and freedom of economic initiatives which in turn promotes economic growth, poverty reduction and free market economy.

Perceiving enormous benefits of Economic Freedom, the SAARC Chamber of Commerce & Industry (SAARC CCI) organized a seminar under the theme of "Economic Freedom in South Asia: A catalyst for socio-economic development" in collaboration with the Federation of Indian Chambers of Commerce & Industry (FICCI) on 3rd August, 2010 at Goa, India in partnership with Friedrich-Naumann-Stiftung für die Freiheit. The core objective of the seminar was to identify such constraints, which have been impeding the socio-economic growth of the South Asian region in absence of compatible economic policies.

The conference was inaugurated by **Mr. Madhukar SJB Rana, Former Finance Minister of Nepal** and was graced with the presence of the guest of honour Mr. Tariq Sayeed, the immediate Past President SAARC CCI. Mr. Annisul Huq, President SAARC CCI delivered keynote address.



Mr. S J B Madhukar Rana, Former Finance Minister, Government of Nepal addressing at the Inaugural session.



Mr. Iqbal Tabish, Secretary General SAARC CCI while delivering introductory remarks.

The seminar commenced with the introductory remarks of **Mr. Iqbal Tabish, Secretary General, SAARC CCI**, wherein he urged upon the Governments of South Asian countries to promote economic freedom through opening up their markets, which was much needed for transformation of South Asia into a vibrant, progressive, peaceful and prosperous region. He was of the opinion that Economic Freedom had become imperative for the region as it was strongly correlated with higher average income per person, higher income of the poorest, higher life expectancy, higher literacy, lower infant mortality, higher access to water sources and less corruption.

Mr. Subodh Kumar, Executive Programs, Friedrich-Naumann-Stiftung für die Freiheit while highlighting the liberal perspectives, said that the Economic Freedom leads to economic growth and human development. It should not be considered as unbridled freedom; rather it should be regulated with proper legal framework to achieve optimal results. While quoting the example of India he said that by undertaking market friendly measures, the country had been successful in maintaining 8% growth rate for several and achieved 6% economic growth in the current financial year despite global downturn, which was the outcome of the country's commitments to carry forward the process of economic freedom in right direction.

Mr. Tariq Sayeed, Immediate Past President SAARC CCI said that Economic Freedom is incomplete without political freedom and a politically sound state is a pre-requisite for economic liberalization in the country. He emphasized for removal of un-necessary barriers to trade and investment and urged upon the remodeling of economic policies in line with the free-market economy. He was of the opinion that free functioning of markets facilitates economic growth and reduced corruption, improved good governance, promotes rule of law and subsequently foster the pace of development.



Mr. Tariq Sayeed, Immediate Past President, SAARC CCI, while addressing at the inaugural session.



Mr. Annisul Huq, President, SAARC CCI while addressing at the inaugural session.

Mr. Annisul Huq, President, SAARC CCI in his keynote address stressed on the respective Governments of South Asia for change in political mindset and urged for liberalization of trade through elimination of Non-tariff Barriers. He was of the opinion that SAARC with 22% of the World population formed the biggest economic grouping of the world; the success of economic freedom movement in the region will help unleash its true potential. He also urged upon SAARC governments to take measures for the removal of other irritants, impeding growth of commercial activities in the region and to facilitate the private sector of SAARC region for enhancing intra-regional cooperation to reap the optimal benefits of economic freedom. He appreciated the endeavours of the Friedrich-Naumann-Stiftung für die Freiheit, for promoting the concept of Economic Freedom in South Asia at the platform of SAARC Chamber of Commerce & Industry. He was very much optimistic that the Business Community of the SAARC will play its due role to tap the existing and indicative potential as all the SAARC member states are committed to achieve the goals perceived under SAFTA.



Mr. Iftikhar Ali Malik, Vice President, SAARC CCI (Pakistan) while addressing at the inaugural session.

Mr. Iftikhar Ali Malik, Vice President, SAARC CCI (Pakistan) said that the liberalization without economic freedom is incomplete. The region of South Asia is far behind as far as the Economic Freedom Index is concerned. He suggested to the Governments in South Asia to provide business friendly environment to promote Economic Freedom in the respective countries, which will help promote the process of economic integration of South Asia. He also urged upon the need for involvement of youth in the process of Economic Freedom in South Asia stating that youth could play pivotal role in socio-economic liberalization in the region.



Mr. Pradeep Kumar Shrestha, Vice President, SAARC CCI (Nepal) during the session

Working Session

The working session entitled “Economic Freedom: Socio-economic implications on South Asian Society” was chaired by **Mr. Pradeep Kumar Shrestha, Vice President, SAARC CCI (Nepal)** who applauded the Friedrich-Naumann-Stiftung für die Freiheit for its earnest endeavours to promote economic freedom in South Asia. He pledged for rule of law; individual liberty and social responsibility as basic tools to promote Economic Freedom and free market economy, economic growth, social development and gross national happiness.

Mr. Abdul Haque, Director FBCCI-Bangladesh in his presentation “Economic Freedom: Opportunities for Business Community” highlighted the initiatives taken by the Government of Bangladesh towards Economic Freedom. He said that after nearly two years of military-backed rule, the People’s Republic of Bangladesh returned to democracy in December 2008. Bangladesh’s economic freedom score was 51.1, making its economy the 137th freest in the 2010 Index, which showed gradual improvement of 3.6 points higher than last year mainly reflecting improvements in trade and investment freedom. Bangladesh was ranked 29th out of 41 countries in the Asia Pacific region. During the presentation he also highlighted the Governments’ policy towards Foreign Direct Investment (FDI) stating that certain critical sectors were restricted on account of which investors had been facing host of challenges such as delays in project approvals, burdensome bureaucratic procedures, high levels of corruption, and uncertainty about contract

and regulatory enforcement. On account of restricted policies and un-freedom for businesses, the South Asia has been ranked at the lower ebb in terms of human rights, gender rights, inclusive democracy and economy, good governance, which has resulted in little or no impact on the current state of the 'feudal mindset' contributing continued misery of the 400 million comprising the poorest of the poor, who live on less than a dollar a day. He was of the opinion that the 'feudal mindset' was the collective sub-conscious of South Asians and urged the elites to change their mindset.

Mr. Thinley Palden Dorji, Vice President, SAARC CCI (Bhutan) in his presentation "Efforts for Economic Freedom in Bhutan: Private Sector Perspective" said that despite strong economic growth over the past five years, driven largely by hydropower, Bhutan remains an underdeveloped economy with a poverty rate of around 30 percent. The public sector has been the main source of economic growth since long, but the government now recognizes that the development of the private sector is critical. The government has placed a higher priority on efforts to diversify the economy, particularly in light of demographic shifts that will bring more young people into the labor market. He highlighted the Key constraints on private-sector development include inefficient and arbitrary regulation, limited access to financing, and an underdeveloped investment code. He informed that the foreign investments are approved on a case-by-case basis, and no firm has had majority foreign ownership until recently. The Bhutanese Government does not allow foreign direct investment because of concerns about its effect on culture and traditions and possibly because of the domestic private sector's unwillingness to lose the benefits that restrictions provide. He said government interest in developing private sector will improve current score of Bhutan's economic freedom which is 57.0, making its economy the 103rd freest in the 2010 Index.



Mr. Thinley Palden Dorji, Vice President, SAARC CCI (Bhutan) while making his presentation.

Engr. M.A.Jabbar, Life Member, SAARC CCI and an expert made presentation on "Economic Freedom and Intellectual Property Rights in context of Pakistan" said that the foreign investment receives national treatment in Pakistan and foreign investors may own 100 percent of most businesses, except in certain sectors. Minimum initial investments are required in agriculture, infrastructure, and social services activities. While referring to a study, he said that the countries with stronger property rights tend to have a higher per capita income and attract more Foreign Direct Investment (FDI). In Pakistan property rights continue to be a challenge. He apprised the house that currently, the IPR regime is governed by an integrated piece of legislation, called the Intellectual Property Right organization. Pakistan's score on the scale of IPRI fell to 3.9 from last year's 4.0 (out of 10), and its rank slid down to 104 (out of 125 countries) from last year's 90 (out of 115 countries). In the two components, Legal and Political Environment and Physical Property Rights, Pakistan performed badly, whereas in the third component, Intellectual Property Rights, its position remained unchanged. In the regional ranking (Asia and Oceania region with 19 countries), Pakistan stood at 18 with Bangladesh at 19.

He also appreciated the economic initiatives of the Current Government in Pakistan, which included liberal trade policy towards South Asia, sharp decrease in list of sensitive items in SAFTA, allowing case-to-case base investment in Pakistan from India, transformation of Line of Control into trade border, encouragement of trade through Wagha Border and increase in list of importable items from India from 400 to 1938 within last four years. He added that bold initiatives will not only invite reciprocate measures by other Governments in South Asia but also promote political and socio-economic freedom in the region.



(L-R) Engineer M.A. Jabbar, member FICCI-ADB Advisory Board and Life Member, SAARC CCI-Pakistan, Mr. Abdul Haque, Director FBCCI-Bangladesh, Mr. Pradeep Kumar Shreshta, Vice President SAARC CCI from Nepal, Mr. Madhukar SJB Rana, Former Finance Minister, Nepal, Mr. Thinley Palden Dorji, Vice President SAARC CCI- Bhutan, Dr. Athula Ranasinghe, Head of the Department of Economics, University of Colombo, during the working session of seminar.

Dr. Athula Ranasinghe, Head of the Department of Economics at University of Colombo, Sri Lanka while making presentation on “Economic Freedom and Consumers Rights: South Asian perspective” said that right for economic freedom is fundamental for economic growth of society and added that the benefits of consumers were directly linked with the degree of the economic freedom in the country. He informed the participants that the process of economic liberalization in Sri Lanka started in the late seventies, much earlier than the other countries of South Asia, which has been resulted in socio-economic growth of the country.

Mr. Madhukar SJB Rana, Hon’ble Former Finance Minister, Nepal while responding to the presentations made by speakers said he was in agreement that the private sector should take a lead to develop itself by shedding the ‘feudal mindset’ and this can be done by consciously building a new business culture where all are empowered with ethical leadership and entrepreneurship skills and treated as equals, like brothers and sisters of the same family: where all staff, collectively, appreciate that profit is not an ugly thing as it is commonly made out to be. He referred to the business strategy model adopted by great South Asian management guru, C.K.Prahalad, who stated that there is profit at the bottom of the pyramid. Get all staff to truly believe that it is business, which actually creates national wealth and employment and not the state. He added that it is the duty of the captains of industry and commerce to say it loud and clear that funding so-called pro-poor programmes named after the diverse party leaders will garner votes but not create wealth or gainful employment. This is not the way by which the poor can be transformed into the middle class. It simply is a means of promoting dynastic politics, which is a travesty of democracy, and epitomizes the continuation of the ‘feudal mindset’.

He further added that we the private sector representative failed to create an ‘economic bureaucracy’ that is vital to move the growth process forward with sound policies, plans and execution whatever the state of politics. Instead of a neutral, managerial bureaucracy we have landed with a bureaucracy that is not confident of its self due to its lack of technocratic and managerial skills; and even worse is the case where bureaucracies are found to be encroached by party ideologies or dominated by the babu-dom legacy from the British Raj.



(L-R) Mr. Pradeep Kumar Shrestha, Vice President, SAARC CCI (Nepal), Miss. Shenoa Simpson, Economic and Commercial Officer, American Consulate Mumbai, Mr. Abu Alam Chowdhury, EC Member, SAARC CCI, Mr. Kosala Wikramnayake, Vice President, SAARC CCI (Sri Lanka) & Mr. Zakria Usman, Vice President, FPCCI during the seminar.

While sharing his view he said markets empower the consumers when they are firmly and judiciously regulated by the state to protect consumer sovereignty against the encroachment by monopolists and oligarchs; cartels and syndicates; black marketers, who work in collusion with political, bureaucratic and security apparatuses of the state against the national and consumer interests. It is the duty of all democracies to make the consumers kings of the market place. An illiberal economic domain, as described above, does constantly provide frequent electoral democratic rights to citizens. Electoral democracy robs the citizens of the benefits of true multi-party competitive politics as multi-party politics becomes an oligopolistic game played out in the market place for power trading. Indeed, such a power game robs citizens of the much espoused people's sovereignty, which is the true harbinger of any liberal democracy: simply because the principle of 'one man-one vote' is corrupted to 'my money -your vote' or 'my muscle- you vote' evaluated Mr. Rana.

RECOMMENDATIONS:

A set of policy recommendations was worked out at the conclusion of the Conference:

- 1) The private sector must take a lead to transform itself by shedding the 'feudal mindset'
- 2) Consciously build a new business culture in South Asia where all are empowered with ethical leadership and entrepreneurship skills and treated as equals, like brothers and sisters of the same family.
- 3) Get all nations to truly believe that it is business that actually creates national wealth and employment and not the state.
- 4) Economic bureaucracy' needs to be promoted as a tool to promote economic freedom
- 5) Awareness creation campaign should be launched to promote Economic Freedom in respective countries of the region
- 6) In addition to the Private Sector, NGOs and CSOs should also be engaged in process of promoting values relating to Economic Freedom both at national and regional levels
- 7) Misconception about Economic Freedom need to be removed by advising the Governments to remodel economic policies
- 8) Each SAARC country's national consciousness must be awakened by having constant institutionalized dialogues between religious leaders to create a spiritual environment for peace, harmony and justice.
- 9) Finally, as most of SAARC nations have promulgated the Right of Information Act, it would be advisable for the SAARC Chamber Secretariat to be engaged in the development of the South Asia Justice Index to strengthen the SAARC Social Charter.
- 10) Involvement of the Private Sector in policy-making mechanism needs to be ensured.



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