

Economic Freedom Network Summary

Day 1: Tuesday, October 11, 2011

Welcoming Remarks: Dr Rainer Adam, Regional Director FNF Southeast and East Asia

Dr Adam welcomed all delegates and speakers to the conference and briefly explained the content of the programme. In his welcoming remarks, Dr Adam highlighted that world's most economies, regardless of political background and ideologies have incorporated competition policies in their economic systems. Open markets are essential for a successful economic system. He added the economic system has been hijacked by mechanisms to avoid competition and this has resulted in the creation of cartels. He emphasized that the role of the government is to ensure that cartels are not allowed to thrive.

Opening Remarks: Dato' Micheal Yeoh

The welcome remarks were followed by the Opening Remarks by Dato' Micheal Yeoh. In his opening remarks, he reminded the audience of the volatile economic times that we are facing while making reference to Greece. With the current economic climate, it is easy for everyone to look inwards and take a protectionist and nationalistic perspective on the economy. He stressed this is no time to back paddle and we need to move forward and pursue bonds with other nations and focus to create greater competition in the global economy.

Dato' Micheal shared developments of the competition law and commissions in the ASEAN region and Malaysia.

Keynote Address: Hon. Florencio "Butch" Abad, Secretary of the Department of Budget and Management, Philippines.

Hon. Florencio "Butch" Abad commenced his speech by thanking the organizers. He later elucidated the benefits of competition to the consumers and courageously explained that the existence of monopolies is not necessarily a threat to the consumers. He further elaborated a single firm might suffice for the needs of the market and multiple firms with the same service or goods may be a waste. A single firm may deliver better because of economies of scale and superior technologies. Similar to Dr Adam, he believes governments should only intervene to ensure that the prices remain fair and ensure that no certain elites dominate the market. However, he acknowledges that the government to is a public player which exercises influence on market behavior.

He cautioned the audience to ensure that the marginalised are not further marginalized and excluded from the market due to competition.

He reminded everyone that democracy is not only about elections. Substantive fundamentals such as right to economic livelihood must be allowed to be practiced.

Panel 1: What should be the role of government?

The conference swiftly moved into its first panel discussion aptly entitled, "What should be the role of government?" moderated by Tan Sri Ramon Navaratnam.

Regulating Competition: Prof Dr Jurgen Morlok, Chairman of the Board of Trustees, FNF

While Prof Morlok recognized the role of the state to regulate competition in order to ensure the downturn of monopolies and cartels, he debated the degree of regulation by the state. In his

Resolution
Economic Freedom Network Conference 2011
Competition: Engine for Prosperity

Kuala Lumpur, 11-12 October 2011

Preamble

Competition is an essential engine for prosperity.

To prosper all nations should encourage and nurture competition. Competition encourages innovation and creativity.

It motivates producers to make the best offers to consumers, therefore creating lower prices, higher quality products and better services.

The Role of Government

The primary role of the government is to enforce the rule of law, provide impartial judiciary, protect property rights and individual freedom.

Competition is the best regulator, therefore the government should foster competition rather than restrict it.

Competition in Public Service Delivery

The people will benefit more if the government does not monopolise the delivery of public services.

Competition can be introduced and fostered in the major public services such as education, healthcare, transport, communications, and utilities by diversifying the providers through various forms of private participation.

Competition, Economic Freedom and Prosperity

Free market economy is necessary for progress. Empirical evidence shows that open economies are more prosperous.

Competition is a key element in a free market economy.

opinion, the state should set the rules and act as a referee. No more, no less. He also argued that the state should not take an active role and run companies as this will create conflicts. Going back to his referee analogy, one cannot be a player and the referee at the same time.

He added that it is easier to formulate national competition framework as opposed to international ones. Political alliances between countries will make competition laws in regional levels easier to be established.

Lastly, he said, good players with good values are crucial to ensure competition - corruption and nepotism are not good values.

Transforming Government: Battsetseg Shagdar, Elbegdorg Institute, Mongolia

Developments with regard to competition in Mongolia were central to Ms Battsetseg presentation. She jogged the audience through achievements attained by Mongolia, democracy in Mongolia, and efforts against corruption.

Public Service Delivery: Dr Arianto Patunru, Head of LPEIM, Indonesia

Dr Arianto raised a few points during his presentation:

- 1) ways and challenges to have efficient bureaucracy
- 2) role of government in regulating competition
 - he was of the opinion that the market will regulate itself and the government's role should be limited to ensuring the free market continues
- 3) definition of competition
 - competition is a means, not an act. He stressed that government should not privatize public services for the sake of competition as in the case of Jakarta, which has caused much dissatisfaction amongst the people. He added that the competition regulations must be clear, and competition is a means to organize economic activity and discipline economic players.
- 4) does competition create efficiency?
 - while competition should be in place to create efficiency, this may not be the case in all situations.

State Owned Enterprises: Prof Sheng Hong, Unirule Institute, China

Prof Sheng's presentation was based on Unirule Institute of Economics' research entitled "The Nature, the Performance, and the Reform of State-owned Enterprises in China" published in April 12, 2012. From his observations, in recent years, the state owned enterprises have been expanding while the private sectors have been withdrawing. Some are of the opinion that the rise of state owned enterprises is good example of the so-called "China's Model". Those of this opinion too believe that state owned enterprises should continue to be stronger. On the other hand, the good-looking performance of the state owned enterprises is a result of monopolistic powers, preferential policies which allows them to utilize the resources at a low price or even for free. On top of that they also receive subsidies from the government. Hence, the rise of state owned enterprises is not a result of fair play and so it should be reformed. In conclusion, he emphasized that state owned enterprises are not only inefficient but also unfair.

Privatisation: Barun Mitra, Director, Liberty Institute, India

Mr. Mitra explained that his presentation will be on how the Indian public sector has moved over the past years. He gave three case studies in India that he considered interesting. In certain sectors the government still plays a role, but much less now (15-16 % today); their dominance has declined, improving the choice and bringing down the prices. He informed the audience that the liberalization of various sectors has seen the decline of the government's dominance. He provided statistics to support his arguments.

Panel 2: Competition in Public Service Delivery

This panel was moderated by Wan Saiful of IDEAS.

Healthcare: Dr Steven Chow

Dr Chow posed this question to the audience in the beginning of his presentation, “when you fall sick, do you think you are a patient or a client?” he later, distinguished the two different aspects in the healthcare line: the business aspect and the social aspect. As a business, the healthcare is a commodity and diseases are opportunities. From a social angle, on the other hand, the philosophy is, “to heal sometimes, to comfort always, but never to harm.” He stressed that healthcare should not be a business model and that government cannot be the operator and the regulator at the same time as that will create conflicts. He ended his presentation by noting that competition should act as a tool, not an end.

Transportation: Saumura Toulong

Ms Saumura took a different spin to her presentation. She decided to share her story as a frequent traveler working as a CEO of a company in France when she was residing there as a refugee. Prior to privatization of airlines, the flights were usually delayed and she did not have many options. She said she witnessed stark improvements with the airlines following the privatization. While she is not a supporter of government intervention, she feels the government should regulate competition a bit to ensure safety of all. She said, free doesn't mean wild and it has to be accompanied by the rule of law. She pointed out that in Cambodia private monopolies are replacing state owned enterprises; thus creating a dilemma.

Telecommunication: Mr. Shaifubahrin Mohd Saleh

Mr. Saifubahrin commenced his speech by providing the audience with a little background to PIKOM and their 5 year plan. Focused on Malaysia, he said today technology is a key part of transformation as observed in the Government Transformation Plan. He welcomes the proposal by the Malaysian government to liberalize the telecommunication sector and sees opportunities for industry players – mergers, opportunities to exports applications and others. He projects a 70% growth in this sector with the liberalization of the industry. He is confident that Malaysia has the ecosystem to create applications for the Asian market. However, he pointed out that the cost of broadband in Malaysia is 20 times higher than other countries and it should be reduced by building the infrastructure. The reduction of price too he said, will attract different players. Later in his presentation, he said the creative industry is stagnating and this is evidenced by the statistics. He proposed the GLCs to take the lead in outsourcing.

Education: Parth Shah

Mr. Parth's presentation was on whether education should be centralized or decentralized and whether it should promote uniformity or diversity. He cited examples from India. He said India just passed the right to education act which stipulates teachers' qualifications and salaries and infrastructure norms – building specifications, mid-day meals, kitchens and others. The education in India is standardized and detailed to the point that the Education Minister in Delhi is able to tell the activities and lesson plans for each class in Delhi. In his opinion, education should be customized and individualized for each child as each child is unique. He also has three proposals to increase competition in education: school vouchers, public charter schools, and budget private schools, which are all premised upon the philosophy – fund students, not schools. At the end of the presentation, he said, it is inadequate to say that education is a right; the notion should be expanded to right to education of choice.

Breakout sessions: World Café Session

Day 2: Wednesday, October 11, 2011

Highlights of the key findings by Fred McMahon, Vice President Research and Director, Centre for Globalization Studies, Fraser Institute, Canada

The morning kicked off with the highlights of the key findings by Fred McMahon. At the onset, Mr. McMahon defined economic freedom and elucidated that the level of economic freedom corresponds to the quality of life. He later explained that rule of law, which is usually taken advantage by rich people, is not stressed by advocates of free market. He believes civil and political freedom cannot exist without economic freedom. One's freedom of speech may be restricted by the state if the state provides basic necessities. Lack or restriction of economic freedom may spark dissatisfaction which may even lead to uprising; case in point, the Arab Uprising. Besides that, he also added that greater unity can be achieved with economic freedom. Economic freedom will encourage intra ethnic interaction in order to advance business. He illustrated the lack of government freedom is the raw material to corruption.

Typically, countries with high economic freedom all have higher literacy, life expectancy and gender gaps have virtually disappeared. Malaysia appears half way through behind the leaders, securing itself at number 78. Mr. McMahon pointed of areas of concern, which Malaysia scored terribly (zero) – legal system, rent seeking, and others. However, there are areas which Malaysia scored extremely well – credit market regulation and in other areas.

Ministerial Address: Tan Sri Dr Koh Tsu Koon

Tan Sri Dr Koh presented the four pillars of the National Transformation Programme and elucidated the Malaysian government's efforts to foster competition by liberalizing 27 sectors in April 2009 and 17 more sectors in the sector in the recent Budget speech as well as by eliminating 30% bumiputera equity condition in certain sub sectors. He also updated the audience with positive developments to cultivate competition which may have not been captured in the report - identification of 33 companies that are ready to be divested, liberalization of sectors and reduction of government involvement in the economy. He welcomed the Fraser Institute to work closely with the government to help the government raise their bar and also to understand the realities on the ground.

EFW Report 2011 Findings (cont) by Fred McMahon

The part two of the presentation of the key finding was fairly short. He explained the purpose of the index which is to measure economic freedom. He stressed that the index only measures specific items. The report which is available online is objective and independent from political opinion.

The presentation was followed by a vibrant Q&A session where participants directed questions to Mr. McMahon on limited competition, failure of the index to capture data in countries like China and India, disparity between civil freedom and economic freedom, and others.

Panel 3: Competition Policy and Enforcements

ASEAN: H.E High Commissioner Ong Keng Yong

H.E High Commissioner Ong divided his presentation to two sections: ASEAN's efforts and Singapore's efforts to advance competition. He said ASEAN recognizes ASEAN member countries are all at different stages of economic development. Therefore, the economic development has to be equitable. He explained by 2015 ASEAN aims to establish a competition policy. In order to achieve that goal, capacity building, a common set of guidelines needs to be in place to bring all countries to par. He later spoke about the Competition Commission in Singapore which has been taking actions against hair dressers and domestic workers agencies to break monopolies. Lastly, he said business people and the masses should be educated on the benefits and advantages of competition.

EU-Cartel Prosecution: Eberhard Temme, Federal Cartel Office Germany

Mr. Temme the roles, responsibilities and penalties imposed by the Cartel Office. In just the past 9 years, the office has imposed amounting to 2 billion euros. He also explained that the laws are not applicable to individuals, only companies.

Case Study: Indonesia: Prof Dr Nigrum Sirait, University of Sumatra, Indonesia

Prof Dr Sirait explained that the competition law was enacted in 1999 during the era of IMF in Indonesia. The law was enacted to prevent the monopolies of big businesses by family members and cronies of the president. She said Indonesians have enjoyed competition in the airlines and telecommunication sector. However, the state provides welfare for the people.

She also said that the judges have been trained by external parties to deal with cases of corruption and many cases have surfaced and all the cases are related to government personnel.

In Indonesia, she said there a tendency for the government to protect the national interest. As a result, projects are not shared with the public. There is a conflict between national policies and regional policies. People are content with the regional policies.

Case study: Japan: Masuru

Mr. Masuru thanked everyone for their support and solidarity during the disaster in Japan. He then, proceeded to introduce his organization (JTR) which was established in 1997. He presented Japan's revenue and public debt. He also exposed the government's asset, information which is not made public. Post disaster, 12 committees were set up and the outcome was to raise taxes. JTR recently released a press release in protest to the tax increase.

Case study: Malaysia: Dato' Michael Yeoh

The Malaysian competition act was established in June 2010 and will come into effect in January 2012. A competition commission of 10 people has been set up and they have been working closely with the Singaporean Competition Commission. He explained the power, area of work and role of the commission. Contrary to popular beliefs, GLC can also be investigated by the competition commission. However, they don't have power to look into mergers and acquisitions. He also briefly informed the audience of the cases that they investigating and have been asked to investigate – MAS merger and others.

Case study: The Philippines: Tony Abad

Tony Abad agreed that all developing countries need competition law. However, competition law without the competition culture is incomplete. He enlightened the audience with the history of competition law in The Philippines. While the competition law existed in The Philippines since 1932, it has never been enforced. He also explained that there are competition provisions in many laws in the Philippines. For instance, the consumer act, civil code, price act and others. He

said the Philippines lack the culture of competition and that politics should be involved in businesses.

Special Address: YAM Tunku Abidin Mukhriz

YAM Tunku Abidin commenced his speech with the history of IDEAS. He then commented on the recent tabling of budget by the government and the alternative budget by the opposition, which he did not find ground breaking. He thinks decentralization should be considered. He also briefly mentioned the ASEAN Business Club which will be launched in October 2011. He believes if such efforts were to be replicated by small and medium entrepreneurs in the ASEAN region the pressure to the national governments will be enormous.

He said that the pursuit to economic freedom is not something new. Tracing back to his own roots, the Minangkabau people, they have roamed all over the region to seek fortune and fame. The Ibans too share a similar custom. Back in the feudal times, competition was a lot more vibrant. This is evidenced by the prohibition on double taxes, flat taxes, and semi autonomous zones. He believes we can learn a lot by looking back at our histories and we may also find liberations ideas.