

EFN Asia Conference 2012 - Minutes

Date: Nov 6, 2012

Agenda	Speaker	Discussion Notes
Welcoming remarks	MC	Welcome and introduction of guests: Andrew Work, Wolf-Dieter Zumpfort, Rainer Adam, Abhisit Vejjajiva
	Bill Stacey, Chairman, the Lion Rock Institute (LRI):	<p>Introduction of the history of Hong Kong. It is a wonderful place to have people here gathering to discuss issue on freedom.</p> <p>With something like a populist mandate, we'd probably have a deterioration of policy making, which is a little bit away from the traditions of Hong Kong.</p> <p>Populism is an increasing issue across the world. The issue of how do you create good policies that promote liberty under populism is an important issue to look at. Looking at populism and it's impact on policy, government has resorted to mass appeal, at the expense of freedom.</p> <p>LRI is very pleased to work with FNF to have this conference. The future of Asia in driving policy in the world is becoming more and more important.</p> <p>It's particularly important to have a sponsor from Europe which can help us promote freedom in Asia.</p>
	Wolf-Dieter Zumpfort, Deputy Chairman of the Friedrich Naumann Foundation Board of Directors:	<p>Thank the organisers of this conference of inviting me to this event.</p> <p>Introduction of Hong Kong.</p> <p>Many Asian countries has progressed enormously.</p> <p>China has the 2nd largest economy in the world. Prosperity has allowed us to present German: one of the first country to introduce Welfare Politics. Basis of the welfare states.</p> <p>Dangers of the welfare state:</p> <p>Citizens are not the masters of their own welfare anymore, the state is.</p> <p>Germans like to believe that they have learnt from their mistakes.</p> <p>Welfare policies tend to win the support of the electorate. Welfare programs are always popular. It's hard to get elected by proposing to cutting welfare because it is seen as heartless.</p> <p>Welfare expenditure in Germany takes up 1/3 of the GDP. Consequences are devastating, prosperity is hindered by short term political gains. It is clear the welfare of the nation comes with economic success.</p>
	Rainer Adam, Regional Director FNF Southeast and East Asia:	<p>Addresses Abhisit Vejjajiva, and the conferees.</p> <p>Proud to be here in Hong Kong. Hong Kong has always topped the ranking of the economic freedom of Hong Kong.</p> <p>The topic of populism is very relevant to many Asian countries and Europe.</p> <p>Populist policies are destroying the foundation of our economies and our liberties.</p> <p>Abhisit's government is the opposite to a populist one. He has led to the greatest increase in economic growth and competitiveness of the Thai economy. Unfortunately his government is succeeded by a populist government and the excesses of populist policies are now visible to all when time goes by</p> <p>Populist policies are popular by the politicians by the recipients of transfers.</p> <p>Tax payers do not share these welfares.</p> <p>Alexsis De Tocqueville selection: "the love of material gratification will inevitably ...compromise the future itself." He describes the collapse of aristocratic government. The taste of material gratification does not lead them to democratization. Democracy exhibits the same taste as aristocracy. In democratic societies, the sensualities of the public in style to which all souls will conform.</p> <p>Rule of Law and meritocracy has been the foundation of Hong Kong, let's hope that it will remain that way.</p>

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	Andrew Work, LRI	Introduction of guests
	Wolf-Dieter Zumpfort, Deputy Chairman of the Friedrich Naumann Foundation Board of Directors:	Introducing the 2012 Economic Freedom Report 2012.
The Economic Freedom of the World Report (EFW) 2012 Introductory remarks	Fred McMahon, Vice President International Policy Research and Director of the Center for Trade and Globalisation Studies Fraser Institute, Canada	<p>Objective: find a way to measure economic freedom and explore the connection between it and other variables</p> <ul style="list-style-type: none"> •25 year project •Led by the late Milton Friedman and Rose Friedman <p>Components of the Economic Freedom of the World Index:</p> <ul style="list-style-type: none"> •Size of government and taxation •Private property and the rule of law •Soundness of money •Trade regulation and tariffs •Regulation of business, labour and capital markets <p>Many different institutes of economic freedom from around the world</p> <p>Translations and sub-national and regional indices</p> <p>Introducing the World Index Results:</p> <ol style="list-style-type: none"> 1. Hong Kong 2. Singapore 3. New Zealand 4. Switzerland <p>Economic freedom has improved over time.</p> <p>Hk's economic freedom has slightly dipped over the years.</p> <p>Why is economic freedom important: Economic rights are fundamental rights in the sense that without them there can be no political freedom or civil freedoms They are a prerequisite for growth and development</p> <p>Increase in economic freedom leads to an increase in GDP per capita</p> <p>Developing nations grow more quickly with economic freedom.</p> <ul style="list-style-type: none"> • Income share of economic freedom: the poor receive more income than less free countries. • The freer economy is, the more political freedom • Economic freedom leads to less corruption. • Economic freedom leads to more life satisfaction <p>More information are available on Available on www.freetheworld.com or www.fraserinstitute.org</p>

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<p>Presentation of EFW Report 2012 to John Tsang, The financial secretary of Hong Kong</p>	<p>Introduction made by Bill Stacey, The Lion Rock Institute (LRI)</p>	<p>John Tsang has long been a friend to the LRI. HK government dealt with the financial crisis very well by not implementing regulations to the economy, allowed liquidity. The principles of non-intervention of big markets and small government should be a guiding principle to the economic policies. Minimum wage, buyer's stamp duty - these recent populist policies of Hong Kong worry us. There are threats of populism to government policy. The consequences: we must continue to be vigilant. Welcome John Tsang</p>
<p>Special Address</p>	<p>John Tsang, The financial secretary of Hong Kong</p>	<p>Thank you Bill. We are still true believers in the market. Only when the market begins to fail in selected areas, we need to intervene to restore the balance. When it is balanced, we will restore the status quo. The topic of welfare populism and economic freedom is timely and relevant to HK. In just 4 months ago, we have a new government, and we have also elected a new and large legislative government. Amid these huge changes in the past 4 months... New old age allowance has become the subject to huge debate. In enhancing HK's economy, I thank the Fraser institute for rating Hong Kong as number one of economic freedom again this year. Small government and market oriented: These are the attributes that we value deeply, and these are the attributes that we do regard highly Sovereign debts are nothing new, to many countries, sovereign debts are just another part of the debts. But these debts will hinder the economy. It was just over a decade ago when Argentina was in crisis because of this. A decade on, the pain is still being felt. Just a century ago the GDP of Argentina ranked 6 in the world. How is the prosperity of Argentina destroyed? By the populist policies by the government to win elections. By comparison, Japan grew at about 4.9%. For many years, the Greece - national debt is huge. Street riots are becoming routine. Tourists loose confidence in the policies. Irresponsible public spending has been the roots of the Greek's financial crisis. Unrestricted escalation of debts are caused by the populist policies and welfare spending. What is clear to me though, the painful situation in which our western friends are now stuck in, is a good example for us to learn the lesson from. We must look at the long term burden which will be bear by our future generation. Please don't get me wrong, I'm not against those in need. Members of community should help each other, like those in a family. Welfare should provide incentives to encourage and enable the recipients to help themselves. Old age allowance is meant to help people in poverty. What should be apparent to everyone, is that the allowance should only help those to meet their basic living conditions. However, members of our legislative council has insisted that all old people should receive the allowance regardless their income. We should review from time to time, whether current welfare states are responsible. A person with the right incentives and right support, he can contribute to society productively. We need to encourage and enable these people to work. "Allow individuals and groups to make things happen, rather than have things happen to them" Those who are better off have tended to keep their income, rather than spending it off. We need to make a balance between in rich and the poor. As for our budget which will be released soon, I shall continue to keep our budget in balance. In the 3 fiscal years, we were able to implement a package of job stimulation, fiscal prudence... Why fiscal prudence is important: 1. Fiscal prudence is required in our basic law 2. It has been required for EU to save them from the financial crisis. 3. Financial resources, is in our value system.</p>

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		<p>Simple down-to-earth policy: 1. Not spend more than we can 2. Not to borrow more than we can't pay</p>
<p>EFW Report 2012 Briefing, Q&A</p>	<p>Fred McMahon</p>	<p>I showed you very quickly before the pattern of economic freedom in Hong Kong, the world, and Asia. Asia's economic freedom has been increasing. Populism is misnamed, because it should represent popular policies demanded by people. It should economic freedom that should be named populism because that is what the people really need.</p> <p>Andrew Work: who is at risk of economic freedom?</p> <p>McMahon: 1. United States - neither presidential candidates has offered fiscal prudence. Pakistan is another region - security in property and person are 2 fundamental properties of economic freedom. France at a point is which ranked very high on economic freedom, but this is not true anymore today.</p> <p>Ali (EFN Paskistan): one of the critical argument, it may not be the case of HK's economic policies, but it's rather the substantial financial spending which allowed HK to achieve prosperity today. How does the economic index is able to capture the radical policy shifts? Is populism reflected on the economic freedom data?</p> <p>McMahon: HK at a per capita basis was once lower than many African countries. It's the economic freedom that lead to the boom in HK's economy. In Canada, we used to rank at the top 10 in economic freedom. But after that we elected a Left wing president, who ran great government spending and debt. After that we had a</p> <p>Andrew Work: During the British rule, we had John Cowperwaithe, a bureaucrat. When the british government was about have big government control in Hong Kong. Cowperwaithe refused to collect government statistics because the british government will use it against Hong Kong, he also refused to collect import taxes because it will destroy Rewarded bureaucrats if they spend less than their budget. The British was destroying Britain at the time when Hong Kong became Hong Kong. The british did lay down some fantastic infrastructure like the port, the MTR. But Hong Kong's soft infrastructure of the rule of law recognized that the judiciary will continue to source people from around the world, which enforces the rule of law.</p> <p>McMachon: infrastructure itself does nothing. Great infrastructure doesn't mean a economic boom.</p> <p>Public participant: It's the welfare states are ranking high, which makes many states go 'we need the welfare policies'. It's the security of rules which leads to good economy, not necessarily the amount of rules.</p> <p>Mcmahon: regulations can be very friendly to trade.... We have tried to measure regulation, but nothing comes really close to capturing economic outcomes. It is the certainty of regulations is valuable to the businesses more than anything else. You can't measure regulations by the old standards, and we don't do that now - we use world bank data etc.</p> <p>HK and singapore definitely have large elements of welfare states in place. But they are less generous</p> <p>Wolf-Dieter Zumpfort: HK is the entrance to China - which is one of reasons that HK has boomed.</p> <p>McMahon: HK and Singapore has caused the infection of global trade...</p>

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A New Birth of Economic Freedom for Asia	Razeen Sally, Director, European Centre for International Political Economy	<p>Asian and economic freedom, which follows logically of McMahon's presentation. I had a piece on the Wall Street Journal a while ago, they are based on the course taught in the Lee Kuan Yew School in Singapore.</p> <p>Let me set the scene, it's the Asian renaissance or comeback.</p> <p>Asia in the world economy: Shift to the east, accelerated by the Global Financial Crisis Expansion of economic freedom the essential Asian political economic story, but still repressed.</p> <p>Since 2007, the West has grown by roughly 2%. China has grown by 56%, India by about 48%, developing Asia by 40%. What has enabled this expansion? Technological advancements certainly, but the key to it is the liberation of economic policies. One certainly doesn't see in Europe today.</p> <p>Bad news: it's reflected in the economic freedom in the world. Economic freedom remains substantially repressed, and there is still a lot to be done to give people the chances to prosperity.</p> <p>History backdrop: Lessons for today and tomorrow</p> <ol style="list-style-type: none"> 1. History of predatory states 2. Asia should emulate West's historical ascent - why the West took off in the industrial revolution, it is the trade and commerce that led it to boom. 3. Reconnect with past golden ages of commerce, not in the West but actually here in Asia - like China or India. Indian Ocean and South East Asia commerce in the ancient history, with low tariffs. Trade flourished as in governance, which led to the development of economics and politics. 4. Get basics right and avoid industrial-policy intervention: these countries got the basics right (prudent fiscal and monetary policy, relatively low price controls, openness in international trade, education and training). We should learn from the success stories of early Japan. E-Asia should get the basic right. 5. Enormous benefit from post 1945 globalization. Multi and unilateral trade is important. <p>3 policy challenges:</p> <ol style="list-style-type: none"> 1. Financial markets and unbalanced growth <ul style="list-style-type: none"> • Backward financial markets and repressed financial freedom • China: a command-economy banking system at the heart of a market economy. Macroeconomic issue: there is over saving, over investment, and underconsumption. It is important to boost spending by increasing the people's income. This is not going to happen by manipulating the economy. It can only be achieved by supply side policies. It is important to liberalize the production, • Financial liberalization crucial for transition to productivity-based economy - but politically more difficult than other policy areas • Government-directed financial systems at core of "unbalanced growth" • "rebalancing required"; it needs supply-side market reforms, especially in factor markets, rather than macroeconomic "fine-tuning" 2. Trade and FDI <ul style="list-style-type: none"> • Big liberalization in 80's and 90's, but slowdown and stalling since creeping protectionism since GFC • Still large pockets of protection, with huge variation across Asia • NTBs and regulatory barriers a bigger problem than tariffs; lack of structural reforms • Proliferation of FTAs and regional-integration initiatives, but they are "trade light" • While government has made progress in simple stuff like cutting the tariffs, they have not made progress in liberating trade. • Unilateral liberalization is key - more important than trade negotiations, though they can be complementary, they attract investment.

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		<p>3. The nexus between energy and the environment</p> <ul style="list-style-type: none"> • Over half world's "energy poor" live in Asia, most of them in India • Asian energy consumption expected to double by 2030; Asia will drive additional demand for fossil fuels and be more dependent on extra-Asian imports • Energy markets throttled by government intervention and SOEs, including trade/FDI protectionism; Chinese and Indian mercantilism to ensure long-term energy supplies • Domestic and external liberalization needed for rising energy consumption, ensure stable, cost-effective supplies, and to preserve peaceful international relations. • Environmental reports should be read in great skepticism. Climate mitigation is something to be regarded very skeptically. Because if we are to cut carbon emissions are to be cut in half, then there will be strong <p>Conclusions:</p> <ul style="list-style-type: none"> • Unfinished business: "getting basics right" and structural reforms; big variation across Asia • Poorer countries/regions should focus on 1st generation reforms (getting basics right) for input-led growth ('perspiration'); middle and high income countries/regions have to focus more on 2nd generation (structural) reforms for output-led growth ("inspiration") • Catch up growth does not need institutional reforms, but output-led growth demands more institutional reforms. • Can middle income countries rise to challenge? Or will political sclerosis keep them in a middle-income trap? • Are structural and institutional reforms compatible with largely unreformed political systems? Or do they require liberal and democratic political reforms? • Envoi: A classical-liberal message; port-polities of old and Hong Kong, singapore and coastal cities today. <p>Basic message: what we have seen of this expansion of Asian economies is the Adam Smithian ideals of big market, small government. Many Asian countries think that societies,</p> <p>Role models of Asia remain Hong Kong and Singapore whose economic freedom should be learnt.</p>

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Case Studies: The Culture of Dependency	Simon Lee, LRI	<p>Today I'm going to share with you something smaller, as a father of 2 kids, I want to talk about education because I think, at the end of the day, we are talking about welfare and populism. Populism is part of culture, we have these people being reliant on other people. Education was meant to be something that helps kids to be independent. However I find that it is very ironic that education isn't really about helping kids to be independent, instead it gives kids an illusion that they can rely on something.</p> <p>Quote: "Jeder nach seinen Fähigkeiten, jedem nach seinen Bedürfnissen"</p> <p>Schooling as socialization: our classrooms is many against a few. We have a hierarchy of power as a kid. If you do what you're told, you'll be rewarded by the central authority. You're conditioned to believe in that you respond to a central authority. I think schooling was designed in a way to train people for factories, and for training kids to adopt some kind of identity. This is the beginning of our kid's perception of the world.</p> <p>This is what socialists think about capitalism - a hierarchy. For a moment, we might think that this is true, but really, as an exchange of buyer and seller, you don't really have a hierarchy. Of course in a big organization, you might think that this is true. Everyone of us live in this miniature socialist organized world, but then we call it capitalism. When we have kids who have no entrepreneur spirit, we should perhaps ask why? Why we structure the classroom in a few versus many.</p> <p>Of course they think that capitalism is bad: Goldman Sachs, greed, big money. These propaganda against capitalism -> they have been promoting these ideas, that these big guys out there against the smaller people.</p> <p>When we look at our kids, when we tell them, that 'hey you got to do something'. They think that if you follow a certain pathway</p> <p>They think of education as an entitlement, because they work hard and they deserve something. But then all we get is a bubble of education.</p> <p>Quantitative easing in university diploma. You don't make people richer by printing more money. You don't make people richer by printing more university certificates. If you do it the other way round, by providing a quota university places, probably you'll end up quite disappointed. Because you cannot just provide more university space, and expect a more productive workforce.</p> <p>When I talk about dependency, I'm talking about the psychological dependence:</p> <ol style="list-style-type: none"> 1. Established hierarchy 2. Given roles and pathways 3. Conformity, non-egoistic 4. Repetitive <p>They end up into either a bureaucrat, that is to work for the government administration, who are not really creative; or they become the</p> <p>Education should be socializing kids. Morality should never be legislated. You understand morality by your socializing process, not by the classroom. But in the classroom you are conditioned to follow a pattern, rather than to internalize and understand it yourself.</p> <p>Adam Smith: "domestic education is the institution of nature; public education, the contrivance of man"</p> <p>Society is not really about hierarchy, it's about human individuals making your own network bigger and bigger. I do see hope in our children these days, in that facebook has allowed us to expand our network as another kind of perspective that they can look at and understand our society. To allow them to be less dependency on this established order of society. What they really want to do in their life, what they really want to create? If we're training our kids to be more dependent, not only in society, but also in government, we'll always have a problem.</p>

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<p>Case Studies: Economic freedom of India Index 2012</p>	<p>Bibek Debroy, Centre for Policy Research, India</p>	<p>There are many countries which are large and or federal countries. The basics often happen to be the purview because it is a federal countries of states. India is the country I know of that some indices are constructed, which does not really show the whole picture.</p> <p>Sub-regional:</p> <ul style="list-style-type: none"> • Large country, heterogeneity across States • Federal country, several issues State subjects • Attempts in other countries too • Not the first attempt in India either • Size of government: expenditures, taxes and enterprises • Legal structure and security of property rights • Regulation of labour and business • Major states, no subjective responses <p>Data and graphs: Development Map of India verses the economic freedom map, Per capita gross state domestic product and economic freedom, Outmigration and economic freedom: negative parabola.</p> <p>The big picture:</p> <ul style="list-style-type: none"> • The median value of economic freedom index is up from 0.38 in 2005 to 0.41 in 2011 • Gujarat has shown a remarkable increase from 0.46 to 0.63, and has moved up from 5th position <p>Story of Punjab's declines, myth versus reality</p> <p>The stifling of agriculture: Output side, input side Sugar, rice, fruits and vegetable, land, water, electricity, seeds</p> <p>Where does this leave us? -> Yeti research The researchers found many similarities between a modern day buraucrat and the legendary Yeti, Both of the visited hilly and remotes areas populated by underprivileged sections of society, but ocean a blue moon. Both were deemed powerful by the locals...</p>
<p>Case Studies: Fuel Oil Subsidy as a Delusion Policy in Indonesia</p>	<p>Akbar Dachlan, The Indonesian Institute</p>	<p>Outline: Constitution of 1945, Chapter XIV of Social Welfare Article 33 paragraph 3, which says that the earth and the water and the natural resources contained there are dominated by the state.</p> <p>Indonesia has an excess supply of oil production in Soeharto's Era (1980). Through subsidies, Indonesia can boost their trade balance as Indonesia became net exported of oil production (at that time). Government needs Populist policy as the distrust of people to the government in Seokarno's regime (previous regime). Factual condition: not precisely a the beneficiaries of fuel oil subsidy. The beneficiaries of Fuel Oil subsidy in 2007: 48% is enjoyed by the 20% highest income.</p> <ul style="list-style-type: none"> • Allocation for subsidy is much larger than for the capital expenditure in Central Government Expenditure - only 15.77% is on capital expenditure. Subsidy expenditure takes up 22.92%. More than 50% uses of fuel oil subsidy is for transportation - incentives to excessive use of automobiles -> traffic jam. <p>How it may distort our economy: burden fiscal capacity and trade deficit.</p> <p>Recommendation: alternative subsidies compensation, infrastructure as priority, developing the energy alternative.</p>

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<p>Case Studies: Welfare Populism in China</p>	<p>Mao Shoulong, Academy of Public Policy, Renmin University of China</p>	<p>Populism without democracy:</p> <ul style="list-style-type: none"> • Populism usually related to democracy but except in China • Many kinds of populism now, the recent cases are anti-chemical environmental left populism against p-xylene • Populism for school free lunch program, free school bus campaign • Work through internet and then accepted by government • Populism challenges the dictatorship but limits the freedom of choice <p>Different level of welfare populism in China:</p> <ul style="list-style-type: none"> • Official ideology: changing ideology from marxism, leninism, Mao Zedong thought to Deng Theory, Three representatives, scientific view development, from someone rich first to common wealth. <p>Harmonious society means harmonious development for all persons. Market is the first distribution mechanism, government is the second.</p> <p>Scientific view of development</p> <ul style="list-style-type: none"> • Shift in economic development policies: GDP first to People first • Establish a basic welfare system for the whole society rather than only within system but without system • Within system means planned welfare system for public service and party government • Without system means mass, or common people, for workers and farmers. <p>Institutions:</p> <ul style="list-style-type: none"> • Mao: totalitarian regime • Deng, Jiang, and Hu - it is now an authoritarian regime, still not democratic regime • Populism means one superman in Mao time but no superman for authoritarian time • Bo xilai is a counterexample. For he is a superman in ChongQing populism, singing red songs and provision of universal welfare to the people of Chong Qing. <p>Issues and policies:</p> <ul style="list-style-type: none"> • Issues in Mao's time are political: to continue the revolution for the world and liberate the people of the whole world. But China is degrading to poverty • Deng and Jiang: the basic issue is to cope with poverty by economic development through the market economy policy. • Hu: the basic issue shift from poverty to inequality <p>Left or Right:</p> <ul style="list-style-type: none"> • Mao: left (inequality) and Right (poverty) • Policy: Left (continue revolution) • Institution: totalitarian regime (left) • Ideology: left • Populism at all levels: issues, policy, institution and ideology, and a great leader. <p>Deng and Jiang:</p> <ul style="list-style-type: none"> • Policy: Right (practical, market driven) • Institution: limited government, good governance, rule of law, reform for market economy. Right oriented reforms but Left core • Ideology: shift left to left middle. Economic ideology: right • No populism actually, low tone, no movement, no campaign. <p>Hu:</p> <ul style="list-style-type: none"> • Policy: Right to left (inequality) • Policy: basic public service, basic welfare. • Institution: authoritarian, rule by man from rule of law. All powerful government, development of SOEs. • Ideology: the revival of cultural revolution

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Case Studies: Welfare Populism in China	Mao Shoulong, Academy of Public Policy, Renmin University of China	<p>Future:</p> <ul style="list-style-type: none"> • Ideology: very practical. Left stronger than Right. • Institutions: difficult reforms for rule of law, democracy, and constitutionalism. Party state. Authoritarianism • Issues: complicated because we still have poverty issues. We have a growing gap between the rich and poor. • Policies: development first and welfare second <p>Limits of welfare populism:</p> <ul style="list-style-type: none"> • Populism needs a superman but no system to support Bo Xi Lai • Welfare needs money. Fiscal deficit, financial debt and slowing down development set the limits of welfare populism • The welfare will be lower though it will be universal in China
Presentation of the group results from the previous day	<p>Group 1:</p> <p>Sigdfrido Tinga and Barun Mitra</p> <p>Facilitator: Subodh Kumar</p>	<p>“What can advocates of free markets do counter-attack populism?”</p> <ol style="list-style-type: none"> 1. Solutions have to come together between civil society, intellectuals and politicians “synergy”. Stakeholders should define their roles based on the target group (segment / affiliation) and to work together on this. 2. Politicians must work harder to take on the joint efforts and ideas/policy recommendations from intellectuals/policy advisors. <p>Challenges: limitation to make innovation when working in the government or at the parliament (no risk taking environment; must negotiate with many parties with conflicting interests; forces to win elections)</p> <ol style="list-style-type: none"> 3. Importance of intellectual entrepreneurship, where intellectuals can come with extreme ideas, which provide ingredients for politicians to take the ideas forward to open discourse. <p>Needs external forces such as civil society, intellectuals, media to promote and push for innovation. Ideas should consider political context of the country and various spectrum as well as different stakeholders involved in the policy process.</p> <ol style="list-style-type: none"> 4. Presenting new ideas/innovation (power of idea), which is commercially sustainable, i.e. Education over the Internet (saleble course) 5. Providing demonstration effects (lessons learned from various public policies that show success and failure stories of the government) and what to do (policy recommendations with reasonable argument). Such as by providing ‘model’ in education and health policies. It will be helpful for politicians to convey the message/ideas easier by setting the examples 6. Creating enabling environment for empowered and enlighten people - constituency power and let the system play out. Have faith that the people can make their own choice. Market empowers consumers. Once the people are empowered, the solutions will come 7. Recalling 3 elements of democracy: identity (political parties), performance and ideology. Important for policy makers, especially the government and elected representatives to show their performance by applying good governance principles in policy processes
Presentation of the group results from the previous day	Group 2	<p>Ng Lip Yong: most important role of the politician is to educate and to provide more transparent</p> <p>Agreed : not politician’s role to regulate and compromise on behalf of individuals</p> <p>Consensus: Education is key 0 role of politicians is not to educate people about free market ideas, but to promote critical thinking and challenge mob mentality. On free market ideas, we need to make it more emotional, it has to have resonance to people’s hearts.</p>

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Presentation of the group results from the previous day	Group 3	<p>The discussion was framed within three main questions:</p> <ol style="list-style-type: none"> 1. What is welfare populism? <ul style="list-style-type: none"> - are not well thought out or planned - Lead to increased dependance on government - Distort markets - Misallocate public funds, and - Create inefficiencies (where the private sector could have done a better job) 2. Why is welfare populism a threat? <ul style="list-style-type: none"> - tends to destroy the moral fabric of the people and society. It leads to people expecting and getting used to hand-outs from their government. - Populist policies tend to often provide wrong or misleading information to the people - It stifles the competition of views in public discourse - Populist policies are made to favour special interest groups who are able to influence voters 3. How can we counter populism? <ul style="list-style-type: none"> - promote more education and awareness - More political campaign - Free press - Greater respect for voter intelligence - Active civil society - Transparency and consultation
	Group 4: Nonoy Oplas	<ul style="list-style-type: none"> • Free market creates diversity • What to do to attack populism? • For politicians to win elections, they need to resort to populist policies. • Teaching the word social market. People should know that free market does not mean zero regulations. Free market means all big businesses, small businesses can also flourish. • Welfare like free education, are not free. • Big inequality in society. • Populism is a short term concern, whereas free market is a long term oxygen.
	Group 5:	<p>Major stakeholders: people comes first, politicians, media, society. Liberals, are rare species. Identify the like-minded groups and try to integrate long term relationships. On critical issues about losses and benefits, to counter populist measure, you have to tackle populism on an issue on issue basis. Counter populist issue:</p> <ol style="list-style-type: none"> 1. Develop a very strong message Have to develop a message. By creating your own message, and use their words but on our point of view. <p>Liberate the moral high ground by showing the short term and long term benefits</p> <ol style="list-style-type: none"> 2. Employ the media and have a communication strategy. Go after the most influential politicians, and attack on their policies. Make people fear that politician. 3. How to govern the relationship between politicians? You need concrete examples and empirical findings, the politicians will eventually listen to you.

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<p>Drafting of EFN Statement on Liberal Views on Populism</p>	<p>Facilitator: Dan Ryan, LRI</p> <p>Head of drafting committee: Barun Mitra, Director, Liberty Institute</p>	<p>EFN 2012 Statement on Liberal Views on Populism:</p> <p>We the liberals, believe that, populism is the promise of state-mandated, unsustainable benefits to the broader population without consideration of the long term costs and benefits. It relies on highly emotive statements. In fact, populism is counterproductive to general welfare and progress, as illustrated by the economic decline of the many countries that have pursued populist agendas.</p> <p>We are concerned that governments in Asia are turning away from the policies which have been demonstrated to promote prosperity in many parts of the world.</p> <p>We are confident that people will reject populist policies once they understand the true costs associated with them. Those costs include an increasing dependency on the state, weakening the rule of law, property rights and individual freedom. Populism also reduces the ability of individuals and local communities to make their own decisions, and undermines the competitiveness of businesses.</p> <p>Recent moves in Asia to subsidize food and fuel, and to transfer cash are all examples of populist policies that have done more harm than good.</p> <p>We are confident that if Asia commits itself to liberal values, such as property rights and the rule of law, the region will prosper.</p> <p>We, the assemble think-tanks of Asia, commit to:</p> <ul style="list-style-type: none"> • Provide alternative liberal solutions to the real problems that give rise to malignant populism, and educate the benefits of liberal policies. • Provide public support to politicians, political parties, businesses groups and other stakeholders in society that oppose populist measures • Expose the high costs in terms of money and disastrous end results • Educate politicians and students • Engage with the media to educate the public more widely • Meeting on a regular basis to strengthen our network
<p>Synopsis of EFN 2012 and Closing Ceremony</p>	<p>Tom Palmer, Vice President for International Programs, the Atlas Economic Research Foundation, USA</p> <p>Facilitator: Bill Stacey, LRI Rainer Adam, FNF</p>	<p>Tom Palmer: Welfare statism has gone by various names, an it's growing because it creates advantages for rulers and political constituencies for its continuance.</p> <p>Remember Marshmallows and Spinach:</p> <ul style="list-style-type: none"> • How do we encourage delayed gratification? • Emotional Appeals and Impulsive Action Vs Rational deliberation <p>Focus on policy implementation over the long run:</p> <ul style="list-style-type: none"> • Welfare populism is a dynamic process • One intervention leads to another: We need to make people to think rationally. Keep the focus on policy implementation in the long run. One government intervention leads to another. The global financial crisis has lead to more populism movements. 'Creating financing' - offering everyone the chance to own a home, which lead to the financial crisis. • Policy makers cannot bind themselves or their successors. <p>Food subsidies and fuel subsidies</p> <ul style="list-style-type: none"> • Create dependency on the state • Distort markets • Lead to fiscal collapse

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Synopsis of EFN 2012 and Closing Ceremony	Tom Palmer, Vice President for International Programs, the Atlas Economic Research Foundation, USA	<p>Accordingly, we must:</p> <ul style="list-style-type: none"> • Explain clearly the real costs of such policies • Explain clearly the impact on our children and the future generation. <p>Wealth creation and prosperity depends on economic freedom</p> <ul style="list-style-type: none"> • Wealth is created in the private sector • Law is mainly created in the public sector • The rule of law is crucially important and is undermined when government mixes into business <p>The Elephant in the room: inequality</p> <ul style="list-style-type: none"> • Do markets cause inequality, or is inequality caused by unequal access to markets? <p>We should learn from past examples of crises caused by welfare populism</p> <ul style="list-style-type: none"> • Argentina • Greece <p>Long term sustainability Issue: "Pay as you go" funding systems are equivalent to "pyramid schemes" - Such schemes generate large burden for the taxpayers</p> <p>Slow estimates of the extent of the fiscal imbalance in Europe. Percentage of current GDP on welfare is</p> <p>Results:</p> <ul style="list-style-type: none"> • Dependence, instead of independence • Incoherent systems that mix "insurance" and "redistribution," resulting in massive Unfunded Liabilities • Social burden • The welfare systems were created for political support. The Weimar republic was the 'most advanced' welfare state of its day. "Germany will be at its greatest when its poorest citizens are also its most loyal" by Adolf Hitler. <p>More countries face a 'Greek Future' than seem to realise it. European "conservatives" are not the best equipped to deal with the problems. This leads to the rise of street riots.</p> <p>Better way:</p> <ul style="list-style-type: none"> • Promote public awareness of the costs of welfare populism • Abandon "pay as you go" welfare policies • Encourage a culture of responsibility • But back dramatically on state expenditures to avoid fiscal collapse and inter-generational warfare.
Closing remarks	Bill Stacey, LRI	<p>The conference has made me hopeful of our war to combat populism. Thank you all for holding this conference: FNF. It has made an enormous contribution to allow people to talk and exchange views on our society. Thank you very much for your participation... Thank you people LRI....</p>
Closing remarks	Siegfried Herzog, Regional Director South Asia, FNF	<p>Obama has been reelected... Populism is relevant of people in South Asia. We have taken on board of a lot of new ideas. Grateful to the LRI, who invited us to the Hong Kong. Because HK shows how economic freedom can be like. Socialist intellectualism is dead. We need to think of how do we explain our policies. This is a challenge of political communication. Thank you very much to our partners.</p>

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Closing remarks	Rainer Adam	<p>Thank Tom Palmer for participating. Thank the speakers. The brief encounters are fruitful. Thank the Lion Rock Institute. Thank Barun and Dan. Thank FNF team. I have an advantage in a country where populism is so successful... That a We have to reach out and preach our ideals. We need alliance. We need to be better communicators, and employ better tools. We have to be cleverer in phrasing our message in a positive way, and in a way that people will understand it.</p>

Agenda	Speaker	Discussion Notes
Opening Keynote Address	Abhisit Vejjajiva, Leader of Democrat Party	<p>“How Welfare Populism Destroys Prosperity: the Populist Challenge to Economic Freedom”</p> <p>Great pleasure and honor to be in Hong Kong. Especially pleased that the theme of the conference is very timely and relevant.</p> <p>Timely because as we look around the world, there are more conditions that are giving rise to more populism in a number of systems; relevant because we begin to see the effects of the damages of populism on the economic system itself.</p> <p>The individual’s freedom provides the best and strongest foundations for prosperity and peace. For economists here, the history of the world, individual choice and good management of the economy is the strongest part of the future of the economy.</p> <p>As politicians, especially those who are liberal democrats, individual’s choice and freedom is best to determine an individual’s and an society’s future.</p> <p>Challenge to liberal democracy is very real, we need to identify the conditions that give rise to populism, the effects of populism, and how best we may try to combat it.</p> <p>I thank Dr Adam of his very kind words of my government, but they are also the very reason of us NO longer in government.</p> <p>Why populism is becoming a dominant force around the world.</p> <p>More in the 20th century, the word of populism is widely noted in the latin American context. The golden age of populism often coincides with economic problems or crisis and also an economic structure that leads to inequality and poverty. Countries become in trouble with economic problems as they were unable to control the damaging effects of populism.</p> <p>These conditions will become more and more common. Partly because the global economy is becoming a more and more volatile nature.</p> <p>The volatility of the leaks to prices, financial, economic and social crisis for the world.</p> <p>When people are suffering from economic downturns, they look for quick fixes quick fixes and simple solutions. We also have to recognize that the current economic structure, particularly the way the market system works, is going to reward winners, is going to lead to a number of losers at a particular time. This leads to inequality, this leads to discontent, and this leads to people who are opportunistic at a political leadership level to exploit such discontent. And it is always easy whip up sentiments that people are not doing well because people are not doing well because others are adapt well to their prospects. This is why we begin to see the rise of populism.</p> <p>Populism has come across ideologies. It can be Left wing, Right wing; or happen in developed countries, developing countries; a rise in democracies, as well as authoritarian regimes. Usually because we have political leaders who are opportunistic and plays on discontent arising from economic hardship and economic downturns.</p> <p>The ICT revolution has changed the way people live, we have far less time for liberation, people are bombarded with information every day. So it is extremely difficult to start a meaningful political dialogue in terms of policy formulation. Political messages are shortened by simple slogans, with quick fixes appealing to voter’s aspirations. The modern political campaigns are also dominated by people who are experts in marketing and also professional strategists or consultants that would recommend policies that would win elections, rather than policies that help the longer term economy.</p> <p>97 crisis: affected Asia changed the political game, certainly in Thailand. A populist leader took advantage and began to offer excessive populist policies, which allowed him to be popular and be in power for a considerable period of time. The political dialogues that used to take place changed in nature, as we mentioned in the last election, the campaign basically deteriorated to simple slogan, and parties instead of trying to help the country, introduce populist policies. It does take some time before the populist policies to work through and lead to the kind of damages that many of us here recognize.</p>

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Opening Keynote Address	Abhisit Vejjajiva, Leader of Democrat Party	<p>People don't see the damages of the policies. But if we look at history, we see clearly how big a damage that populist damage can do.</p> <p>Moreover, populist policies have proven not to have provide actual solutions. Rather the poor have become more dependent on the state, which finds itself unable to deliver their promises. Populism and populist policies also gives more opportunities for corruption because of more state intervention. And the culture of dependency it creates, also destroys, the very concept of individual choice and freedom. Worst of all, populist policies are also associated with increasing social conflicts. It can lead to political violence. In thailand, we are especially concerned with the populist policies. Eg: rice scheme, minimum wage, scheme for a number of funds for consumption. We are beginning to see damages clearer and clearer, but perhaps not fully clear to the people who are receiving these welfare. A policy that is buying rice from farmers 30% or 40% higher than the market price - leading to the government as the sole trader of Thai rice. Already Thailand is expected to loose their status of the number one exporter of rice. Anybody who opposes to these policies are trying to keep farmers poor, which lead to more rampant conflicts between groups of people.</p> <p>As we look at these trends and we look at the past, we see how problematic populist policies can get:</p> <ol style="list-style-type: none"> 1. For many countries, this leads to a democracy, or liberal democracy. Populist government become more and more authoritarian because they control the resources 1. Requires some kind of foreign intervention when the populist government fails. Eg: IMF aid. Examples around the world: EU crisis. 2. Collapse of the economy itself - loss of competitiveness. The loss of hope within the people. <p>We need to ask if we can avoid these unhappy endings, this is the real challenge for us. I don't have the answers, but I do think there are certain ingredients needed:</p> <ol style="list-style-type: none"> 1. We need to recognize that the free market itself, does not have the answer of distribution. With and increase in volatile in economy. We need to provide safety nets for the poor and help them to become productive people in the future 2. We have to make sure that the process of liberation is and important part of the future of our economies. If we allow quick fixes, there is no way we can beat populist regimes. Some how we need to campaign for education on the need to promote liberation. We need to have people thinking of the realistic choices, that the populist promises somehow has to be financed. We need perhaps a movement, perhaps a coalition of taxpayers, who makes noises of these policies. People who are damaged from these policies - the taxpayers, are often silent from these policies. They need to voice their ideas. In the election we often get asked 'do you want to be responsible or do you want to win?' We need to have politicians to feel that they can win by being responsible. That is the challenge for us - we need responsible policy making. To make sure that democracy can deliver freedom, peace and prosperity. <p>Important task - for economic freedom, and for the many emerging economies will not lead down the path of populism.</p>

Agenda	Speaker	Discussion Notes
Setting the Tone of the discussion: Identifying today's debates of populism in economic and political perspectives	Moderator: Jules Maaten, Project Director of the Philippines, FNF	We like complicated solutions, the people don't understand that, and the people go to the populist. We need people to change to understand us better. Is there something that we can do without losing our soul, in which we can defeat the populist who distort and lie. US Tea Party has their successes in their Welfare Populist policies. Is there another way which we can fight the populist?
	Neric Acosta, Presidential Advisor on Environmental Protection /Secretary General, council of Asian Liberals and Democrats, the Philippines	Taking points of Abhisit Vejjajiva, we are really, faced with dichotomies of democracy and populism... It should not be a "either or" issue. We need to understand populism within political concepts. I think it is important for us to see from where we stand, to see ourselves in those nuances, and how we must navigate those so called dichotomies, and also try not to label populism or liberals. It is hard to tell the electorates, to choose the useful and meaningful policies. Populist policies are too seductive.
Setting the Tone of the discussion: Identifying today's debates of populism in economic and political perspectives	Bibek Debroy, Professor of the Indian Center of Research	Moderator: Jules Maaten, Project Director of the Philippines, FNF Addresses to Neric Acosta. The way I understand the issue is not so much about populism, but we need to address the following issues: 1. Why is it so difficult to resist the seduction and temptation of populism? 2. Why has this become increasingly difficult in the recent years? To list out 6 very important points to address in our discussion: 1. Need to pin down what is populism a. Distortion populism has caused in markets. From the politically economic point of view, interventions seem to be more acceptable. b. Public expenditure. Can either be in physical or social infrastructure, perception there are market failures and we need public goods. In the nature of subsidies: there is a perception that politicians have their own objective function which may be different from us. We need to figure out how the short run can be traded off against the longer run. Because populism leads to short run perceived gains. 2. The context of a slow down in growth in general, and hikes in food and agricultural products. 3. Very big difference between poverty, and inequality. Inequality in income and physical and social infrastructure. 4. In many kind of electoral system, the participation the citizen is very important. The citizen has no sense over the effects on the other users and taxpayers. Unless we have the dissemination and the allocation of resources becomes obvious to everyone, then the prosperity gains, will never be a salem proposition.

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	Discussion	<p>Acosta: I'd like to take on some points of Bibek. We cannot talk about the big elephant of our room - inequality. We are now infact facing Gini coefficients that tell a very different narrative.</p> <p>You also see there is still a widening divide not only in income, but also technologically haves and have nots. Kuznets curve: inequality rises first and tapers off to prosperity. It is not happening in our economies. The world itself is moving into greater inequalities. Face populism as a challenge to address squarely inequality. Ask how can we still make our economies efficient, and address inequalities. In countries with high poverty incidences, we will have to ask the difficult the question of: how government policies can look at distribution safety safety nets in the context of economic efficiency?</p> <p>Debroy: the spinach is efficiency, unless we address the broader issue, I don't think there will be a good conclusion to it.</p> <p>The core issue: the issue of poverty and inequality.</p> <p>On poverty: no able person in the working force is poor. The old and disabled are poor because they cannot access the resources. The inequality in outcomes and incomes, is a desirable thing, providing that we can have access to opportunity.</p> <p>In terms of access to opportunity and efficiency, we need to</p> <p>Convincing argument: inequality is a dynamic concept.</p> <p>Public response: Very uneasy to the title: populist challenge to people's welfare. How can we justify that we're against the poor? We must be very careful in how we phrase our response to the people, so that we don't look as hostile to the people and the poor.</p> <p>Acosta: If for a vast majority living under the populism, if you can lift them out of it because of education etc, it's again the investments in education and training... In the immediate term, the dismantling of chronism has to be seen in that wider understanding.</p> <p>Maaten: We need to be clear, our argument is not that Welfare is against economic freedom.</p> <p>Bill Stacey: Why would we presume the provision of components of welfare education and opportunity is actually helped by the populist policies? There are so many policies that make it difficult for education to be established in many Asian countries.</p> <p>Debroy: There are certain things you can do in urban India. In the social sectors like health and education, there are all sorts of entry barriers. But in rural and urban India, the difference is in that in rural areas of India, it is the roads and electricity that hinders the entry of education and health. There is a market failure issue, in roads and infrastructure.</p> <p>Public: We have to remember that the special interest groups provides a whole sweep of populists taking that opportunity.</p> <p>Acosta: in the age of ICT and social media, the challenge is really how do we still get to power and win a campaign against the populists? How do we use new media and deliver charm?</p>

Agenda	Speaker	Discussion Notes
<p>Panel 1: Populist Challenges</p> <p>Perspective from Politicians: Can reasonable Economic Policies Survive in Populist - dominant culture?</p>	<p>Moderator: Neric Acosta</p> <p>Kiat Sitteeamorn, Democrat Party, Thailand</p> <p>Ng Lip Yong, Parti Gerakan Rakyat Malaysia</p> <p>Bi Khim Hsiao, Democratic Progressive Party, Taiwan</p> <p>Sigfrido Tinga, Liberal Party, the Phillipines</p> <p>Harsha De Silva, United National Party, Sri Lanka</p>	<p>Self introduction of the speakers.</p> <p>Acosta: What is reasonable? What does that mean? What do you see as populism and how dominant or influential it is in your work?</p> <p>Hsiao: It's useful to put it into the context in which we are operating. We are facing different economic situation, in our particular context we are have the one of the worse economic slow down: consumer confidence is extremely low, record high unemployment... this is the context that we're working on. 2 main issue on the debate today: 1. Pension system - retirement funds 2. Subsidies: for oil, power etc. Or in agriculture and land. This has been an issue for us since we joining the World Trade Organization. Now I represent a rural city - it is not just a production of commodities or a market produce, it is a lifestyle. Production is not seen as economical or global in the rural areas.</p> <p>But when we are revising, eg: our pension system, instead of giving more vested interest groups, we have to cut it down because it is becoming a burden for the government. It's also because we have a immature welfare system. Just last week we passed a law, that we members of the parliament have to cut our own pensions by 30 thousand USD, to make it more legitimate to cut down the pensions system in Taiwan.</p> <p>Tinga: It's a very different world, policy making, and local governance. Politicians will always follow what is popular. If they want to win, they ALWAYS have to follow what is popular. Going make to Acosta's point, can we make spinach more attractive than marshmallows? My answer is yes. The question is which spinach should we choose? And I think it's education that matters the most. Education makes the people easy to lead, but easy to drive.... There is no way for education to work when there is 90 + students in a classroom. There are things that we can bring into the household. Looking at education in a different perspective, you can actually bring in something popular, that happens to be spinach.</p> <p>Sitteeamorn: Can reasonable economic policy survive? Reasonable policy? Everybody thinks those populist policies are reasonable. When we fight against them, the people say the you are against the poor, you're not trying to help. What we're confronting everyday, is the type of people who don't see the long term damages of populism. We need sustainable policies. G20 declared no more protectionist measures, but the countries went back to their hometown and implement protectionist measures. That is also populism. I think what you're talking here is the type of populism that is economically not sustainable, and the type of populism that make the people dependent on the government. I'd like to highlight a few issues: 1. Inequality. When you start meeting the people in the north east, you think they're jealous of the people in Bangkok? What's important to the people? It's the level of income that does not match the standard of basic living. Free market and free trade, when anything is free, there is a connotation there that there are no rules. Free trade is not fair, and that creates discontent. Let's put more effort in making the trade fair and free. 2. People's understanding of the dangers with populism is very important. The control of media should also be considered.</p> <p>Harsha De Silva: turbulent times. Our situation is very delicate. It has special significance. We could have social conflicts. We need to understand the historical context of welfare politics. Allusion to the British welfare system. What happened was these entitlements was given to the singular persons, which created social conflict between group.</p>

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		<p>We've gone through a terrible war, one of the reasons of making a singular language, and giving in Sri Lanka, education is free throughout primary to university education. But the government cannot produce enough graduates. We must learn lessons from where we went wrong. We need to give people welfare, but it has to be done the right way. Last year the government nationalized 37 private enterprises. The scary point is the survey, 954 people, and we asked them what they thought about it. 43% of the people had no idea that these had been done. After they knew, only 9% thought that this is not ok! If this is what the people think, how do we move forward?</p> <p>Ng Lip Yong: Populism is not a positive and negative concept. I think it's just like populism and free market, you cannot really define it. Populism is something which all of us condemn, but all of us do it. Every government practice a certain level of populism. The key is balance. The Government need to have room for prosperity and growth, but also equality and opportunity. But if you don't give people the skills, opportunity is not there for them and equality will never happen.</p> <p>The EU has always accused us of our motor industry, but I ask them, what about your agricultural industry? It's equally bad! A lot of countries realize that you can give goodies to the people, but eventually you have to pay for that. I don't quite agree with the title either. You cannot say that welfare is populism. I think it's the government's responsibility to provide education etc. Over the years, we are beginning to reduce the subsidies. In our case we are trying to create a big middle class, which will bring more stability to the society. In Malaysia, with the different religion, the issue gets very complex. Because we are a small country and we are a trading nation, we need to promote our international trade and economy. I think the danger is, especially after the new generation, the government is always competing with the political parties. In higher education, the party thinks higher education should be free, then the government says that if you pay the loans early, you get a discount. It's like a competition.</p> <p>Public response: Response 1: I'd like to hear more from Mr Tinga about his education policies.</p> <p>Tinga: the aspirations of the city was can we get the benefits of. Then we realised that we don't really need to build a classroom, with the technology now. It's good that we can experiment. Our high school is the best school in the country, despite the fact that it had the worst facilities. The lesson we learnt, is that the physical facility are not that important. We all focus on the nice buildings, which politicians can put their name on. What we do is to let the graduates teach the community and be private tutors of the students. If we combine technology with education reform with social enterprise.</p> <p>The old institution is not going to last. We are having an excellent tool now that we can empower the small to take over the big, only if they are skilled. We think that this is going to be an immense change to the systems in our society.</p> <p>Response 2: Financial and economic literacy. The more we talk about populism and politics, or how to make our ideas of economic freedom more popular. Can we have an idea of how politics works. The media is not helping in this case.</p> <p>Sitteeamorn: Thai rice issue. The government is the sole trader of the rice. The loss per year is about 150 billion baht per year. That export of has dropped by 36%. Less money, not as flashy to the people. The biggest problem is, after 900 billion shared, I asked the farmers if they get the agreed price, they said no. The money went to someone else's pocket.</p> <p>De Silva: I think its a combination of many things rather than just economics. Freedom of choice, you want to make your own decision and be responsible of it, and not being dependent on the government. How do we spark up some entrepreneur desire within the people? What are your aspirations? We need to address it in not only an economic context.</p>

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		<p>Response 3: Lip Yong, you need to create a balance, please apply his automobile policy to the agriculture policy. Are you saying that 2 wrongs can make one right? Our theme today is how Welfare Populism destroy prosperity? Can you make it more applicable?</p> <p>Yong: 2 wrongs definitely doesn't make 1 right. My point is that we need to look at the context and the situation of a country. We have put in place an automobile policy that gradually reduces the government's help to them. Initially we will give some protection, but gradually we will reduce the protection. The automobile industry is not economic freedom, neither it is populism because it makes the people pay more for foreign cars. Being a liberal, precisely because I don't agree with this title, I came to exchange my ideas. Instead of saying that this is something that I don't believe in, I boycott it. Many politicians don't go to those events with</p> <p>Hsiao: What we're trying to do is to find a balance between welfare and prosperity. I don't think setting welfare against prosperity is the right way to put it. We represent countries who are still developing or newly developed. Here it's about spending and how to spend. The dilemma for education here, is that do you do spend on the science people who are smart, or do you spend on people who are deprived. To us it's how to spend effectively and in the right way. I think for most of us, we have sectors in our society who don't have the basic structure to support them. Welfare is only a new thing in our countries.</p> <p>Sitteeamorn: I want to leave you with a couple of things, the type of not so sustainable welfare policies will centralise the economy. We have a story of a successful We need to think what about the role of other independent organizations. Eg: in our case when the government takes full control of the economy, and we cannot file a case against them. What about the election commissions, what do they allow the government be so irresponsible about their campaigns?</p> <p>Response 4: How do you handle this dilemma between policy and political stability?</p> <p>Response 5: If the opposition forces are strong enough, then the chances are that populism will not rule. Once you decide to take up a populist measure, do you think that it is a reversible action?</p> <p>Reponse 6: What is the definition populism? What is the criteria of balance and sustainability? We must define some criteria for welfare populism.</p> <p>Yong: Criterias for balance in populism? I think long term plans, and sustainability is very important. Because we need to see where our public is more rich. We are very careful, that's why we have been introducing measures to cut subsidies. But if the prices go up, it is very difficult for us to implement the plan. Sustainability is very important, or else the country will go bankrupt. The government has to be very determined to take the risk to loose some votes, and some elections - which is difficult to do.</p> <p>Hsiao: the dilemma here, I raised an issue of accountability and responsibility, as long as there are people deprived the basic opportunities to education, the society will not be secure enough to exercise economic prosperity. Welfare verses populism. Sometimes, welfare is a populist product. Sometimes welfare is a populist product, but sometimes, welfare is essential to lift the society from poverty.</p> <p>Tinga: the issue really is whether we are ready to change business models. We can put them together, but with very different methods. Google has reconfigured the way of business. What we're doing with education, is reworking it. We need to provide incentives the right activity.</p> <p>De Silva: Responsible means not being extreme. If you know how to balance, you're responsible. We need to engage with that as politicians. What is happening, is in china, the government is spending as much as they want to fund the things they want to happen. Countries like ours have to be very careful in deciding our policies.</p>

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<p>Panel Luncheon: Energy, environment and sustainability : case studies</p>	<p>Moderator: Bill Stacey</p> <p>Barun Mitra, Director, Liberty Institute, India</p>	<p>Bill Stacey: Market solutions: Well developed economies have environments that allow growth and prosperity.</p> <p>It seems to be quite critical that sustainability seems to be the seed of long run prosperity. Our stock of capital is precisely what we put in to sustain our future. Building capital goes hand in hand in with sustainability.</p> <p>Introduction of speakers.</p> <p>Barun Mitra: In India, electricity is power, and it strongly tied with politics.</p> <p>Title of presentation: Power of Politics and politics power. 'Politics have a clear</p> <p>Questions to ponder: If you are a politician, would you like to subsidize electricity, or make it free for the consumers? If you are a consumer, would you like your political leader to subsidize electricity or make it free? We need to look at these questions seriously because we need to know how politics affect power. We of course would like to use electricity as lowest cost as possible.</p> <p>There is indeed no free lunch.</p> <p>Politics of power - the sequence that India went through on electricity:</p> <ol style="list-style-type: none"> 1. Energy as a necessity or a right 2. Blaming private companies for profiteering and lack of access. 3. Nationalize energy sector 4. Setting electricity tariff at lower than cost 5. Making electricity free for many 6. Inefficiency and corruption 7. Burgeoning subsidy bill 8. Bankruptcy of electricity sector 9. Lack of investment in the electricity sector <p>Price of politics:</p> <ol style="list-style-type: none"> 1. Political benefit of making electricity free 2. Political leaders want to be seen to be in control 3. Populism tested on performance 4. Growing political price for claiming control 5. Controlling the economy distorts the price signal, and disrupts the market 6. Political cost of failing to provide electricity. <p>Voters are never idiots. They make as much rational calculation as possible, given their circumstances. If they get electricity for free, but they don't get electricity at all. This means that the price of energy is much higher because you end your own generators to produce electricity. Voters begin to learn, and they become willing to pay for higher electricity prices in exchange of stable electricity. The farmers had a choice to have free electricity with unreliable electricity, or higher price electricity with 8 hours stable electricity. The farmers chose the latter. Because the benefits of stable electricity outweighs the cost of it.</p> <p>Popularity doesn't depend on what you promise, but how you perform. Voters are able to make their decisions on the government's performance. You cannot go out marketing a product believing that product is not going to work. You must believe in the product and your consumers that they will identify the benefits of the product and choose it amongst others.</p> <p>Key: We need to realise that the more you consume, the better the environment. The more you consume, the more incentive you have to improve the environment. The more we consume energy, the cleaner the energy.</p>

Agenda	Speaker	Discussion Notes
	<p>Feng Xinyuan, Vice-President, Cathay Institute for Public Affairs, China</p>	<p>Background: Wen Jia Bao never mentioned economic principles but principles of 'social justice' during last 10 years National interest or national energy security as an excuse for the state owned oligopolies in the petroleum industry Orthodox ideology plays a role and constitutes a hindrance to the reform of the petroleum industry What's the result of populism in oil industry? Do the state-owned oligopolies represent national interest or self interest?</p> <p>Crude oil exploration: High risks Big investment Mainly SOEs, especially national level SOEs Foreign enterprises are not allowed Private enterprises are almost not involved If one upper stream sector of the industrial chain is not opened to private enterprises, the whole industry is not really open to them.</p> <p>Oil Field exploitation: •Domestically fully monopolized by •CNPC (China National Petroleum Company) •Sinopec (China Petrochemical Corporation) •The right of exploitation of some small oil fields was transferred to 'private enterprises' (which have special connections with both companies), sometimes at very low price. •Exploitation in the ocean is monopolized by China National Offshore Oil Corporation (CNOOC)</p> <p>Oil import: •Before WTO accession: Controlled by Sinopec and CNPC •After WTO accession: •Crude oil import by private enterprises is allowed, while the refining right is restrict by a quota system controlled by the Sinopec and CNPC. •Imports of refined oil products are monopolized by Sinopec and CNPC •Development in 2010: Zhenhua Petroleum Controlling Co. (with mil. background) was the right of crude oil import.</p> <p>Oil refining: •Mainly controlled by CNPC and Sinopec. •However, the refining, transport and sale are not allowed unless they are allocated with the quota according to the refining quota plan of CNPC and Sinopec. •Purchase and refining by private enterprises of inferior wasted crude oil are allowed. •Russian companies designed and sell special kind of inferior heavy oil to private enterprises, which is allowed to be refined, but at much higher cost.</p> <p>Oil Price: •24-31 May, 2012: •92# gasoline, Singapore Market : •114.246 Dollar per barel, equivalent to 6125 RMB/t; •less than 7000 RMB/t if including transport cost and taxes and other fees. •93# gasoline, Chinese domestic market: •9550 RMB/t</p>

Agenda	Speaker	Discussion Notes
		<p>NDRC price policy for refined oil products</p> <ul style="list-style-type: none"> •The price calculation formula is a secret to “avoid speculation and hoard for speculation.” •NDRC price fixing mechanism: <ul style="list-style-type: none"> •22 working days after the world market price change; •Price fluctuation more than $\pm 4\%$ •If the world market price went up, the NDRC price follows; if the it went down, the NDRC price will not follow. <p>Storage/Wholesale</p> <ul style="list-style-type: none"> •Mainly Sinopec and CNPC •Price formally set by NDRC, but in reality by Sinopec and CNPC •6 private enterprises gained the right to participate in the operation of the state crude oil reserve system in 2010: <ul style="list-style-type: none"> •Total storage capacity: 1.5 million m³, equivalent to half of the state crude oil reserve in Dalian. <p>Oil retailing: renationalisation</p> <ul style="list-style-type: none"> •Until 2008: up to 80% turnover attained by private enterprises •Now: less than 50% •Private enterprises are forced to leave or surrender with the price discrimination and quantity restrictions by the Sinopec and CNPC <p>Lessons Learned:</p> <ul style="list-style-type: none"> •State Owned Enterprises can't provide real energy security. •State owned oligopolies are not able to represent national interest, leading to net loss in oil import. •Price fixing led to an overall high level of petroleum price. •A competition order, Ordo, is needed. •Disenchantment (de-ideologization) is needed. •No 'Chinese Model' in petroleum industry

Agenda	Speaker	Discussion Notes
	Richard Lancaster, Managing Director, CLP Power Hong Kong	<p>The increasing assertiveness in the society in Hong Kong. What we see as a net result, is that business find itself in the pressure of public opinion in a way that it has never been before. The government is becoming increasingly difficult or challenging. From CLP's point of view, we fully recognise this reality, and we do admit that we need to be more engaging with the stake holder.</p> <p>Energy is a very politicized issue.</p> <p>Energy is essential to economic growth. We think about time horizons of 40 or 50 years, we need to have clear policy, we need to have certainty on the regularity of our arrangement. But we also need to have the support of our consumers.</p> <p>HK has a extremely reliable, affordable, and very clean power system. Looking ahead, we have seen that the expectations from the community, and we need to connect to that.</p> <p>The role of CLP and Hong Kong. CLP supplies electricity for 80% of the population, about 5.8 million people. We need to look at the way we have producing electricity in the last 40 years. HK has all the energy imported, we are the only place in the planet that is dependent on imported energy.</p> <p>We moved from oil to coal electricity production, after the oil price hikes. Later on we saw the environmental implications of energy production, so we set off to look at other ways of energy production, such as nuclear production, and in 1996 we are able to secure natural gas from mainland china. The diversified fuel based of energy production has allowed us to enjoy an abundant and reliable power supply. We have improved and continue to improve our production. The basic cost of providing electricity is in fact lower than it was in 1988. We also have to consider sustainability, that we are moving in line with this increasing public demand. We do see the need to constantly improving our business in response to social demands. We are planning 20, 30 years ahead, so the decisions we make today have to be the right ones. If you look a long enough period, the impact of sustainability is both stark and very relevant.</p> <p>Demand for electricity has grown for more than 20%, during these years, we have been able to provide stable electricity.</p> <p>The share of power generation is less than 50%. Main sources of pollution has shifted from electricity production to marine transport etc. If we look at the choices and the balances to energy, there is no single solution that will address pollution, price etc...</p>
	Discussion	<p>Stacey: What is the difference between running electricity in a city and a country:</p> <p>Lancaster: As you start to tackle that issue and see that electricity becomes a way of life, it starts to be considered as a fundamental right. And we expect it do be there. Once you move beyond that, you start to recognize the social and environmental impact. Hk has moved beyond the issues of accessibility etc. Now we are questioning the cost of energy, but also the cost of energy.</p> <p>Barun: consumers are asked to pay more to pay for the subsidies. We call this cross subsidies. We need to keep in mind that we should remember that there is nothing to suggest that this is a natural monopoly.</p> <p>Feng: the major source of electricity manufacturing, is water and coal. The government has to arrange new contracts between coal supplies and coal mines which are controlled by government. This is actually a good example to show how government intervention leads to more government intervention. Actually, what happened was that some negotiators failed, the electricity suppliers that are state owned companies. The market is actually separated in China...</p> <p>Dan Ryan: I'm just wondering of the businesses responses to different social expectations, how you actually assess those and give weighting to those. How you do that in a non-democratic city? It's very seductive the language of trying to get the balance right, but how can we draw the line?</p>

Agenda	Speaker	Discussion Notes
		<p>Barun: If we allow this marketisation to become part of the evolution, then there won't be an issue... As efficiency improve, the environment improves as well. We must recognise this because there will be a new system, businesses will work in a different way.. The problem is on the subsidy and not the ecology. No one predicted the US will have...</p> <p>Feng: preserving economic freedom will allow environment improvements. China is working on greater eco-friendly energy.</p>
<p>Panel 2: Populist challenges</p> <p>Perspectives from Economists: How welfare populism destroys prosperity?</p>	<p>Moderator: Tricia Yeoh, Pakatan Rakyat, Malaysia</p> <p>Francisco Exposito, Professor in the Graduate Institute of the Americas of Tamkang University, Tamsui, Taiwan</p> <p>Choi Byung-il, President, Korea Economic Research Institute, Korea</p> <p>Deunden Nikomborirak, Thailand Development Research Institute Foundation</p> <p>Peter Wong, Executive Director, the Lion Rock Institute</p> <p>Barun Mitra, Director, Liberty Institute, India</p>	<p>What really are we talking about when we say 'welfare populism', where is this welfare populism taking place and what stage of development are we at in welfare populism. What measures are we looking at? The issue of distribution, what happens to the vulnerable society.</p> <p>Barun: We need to look beyond the economic freedom index because it only provides a snapshot. What interests me more is where we are headed and where we are coming from. The political competition in India increased, growth rate also increased. I would rather say that you look at the word populism in the context of 2 words: popular and populist. The difference between being popular and populism, is that populism is where the political leader takes the responsibility in providing things tot eh public. In order to sustain that image of a populist leader, he or she becomes very authoritarian and later totalitarian. A popular leader becoming populist and later to be the only one who can save the country. Some politicians in the world think but for them, the country will fail. Democracy, generally have 3 phases:</p> <ol style="list-style-type: none"> 1. Identity politics - people from different regions and cultures 2. Performance - population demand performance 3. Performance is judged and designed as per political ideology <p>The progression from identity to performance to ideology should be understood and considered.</p> <p>Tricia Yeoh: If we can go back how welfare populism destroys prosperity?</p> <p>Nikomborirak: giving a concrete example: In thailand the gov has come out with an array of populist policies. We asked the economists in thailand to vote for the worst policies:</p> <ol style="list-style-type: none"> 1. Rice pledging scheme: because it is unsustainable, estimated to be 1% of GDP. The major concern is the destruction to the system. The farmers will no longer care about the quality of their product. 2. First-care policy: whoever buys a car for the 1st time, you get subsidy. Policy has led to an increase in new cars each month. Each year, an addition of 1 million cars will be added to the market <p>Better policies:</p> <ol style="list-style-type: none"> 1. Universal health care 2. Free internet for public <p>Good intentions but badly implemented:</p> <ol style="list-style-type: none"> 1. Minimum wages increase of 100% in 1 year <p>Whether people know. Freedom ranking includes the transparency, the newspaper of Thai is read by 50% of the population (Pro government papers get government). 10% use internet. 100% watch television (state owned, there is only 1 channel that is independent) We need the media to be more free</p>

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		<p>Choi Byung-il: Populism makes people Left. We try to measure what is good for the economy. Welfare populism is a political pledge of seemingly beneficial policies. To my calculation, if Korea is going to maintain this amount of welfare policies, government deficit is going to increase 200% in the future. Korea is one of the fastest aging society. Many politicians, should be conscious about not only how to win the elections, but also the long term effects of their policies.</p> <p>Francisco Exposito: The surge of neopopulism in Latin American and Europe in the 21st century. Welfare policy should empower the people and not make the people dependent on the government. Populism has one characteristic, which it gets one enemy, in the case of this groups which is very important for development, even though the welfare policy for the people might be good, if they are ostracized, we will get a big problem. With welfare, we create a new class of privileged people which will reproduce the problems by more populist policies.</p> <p>Economic freedom, like all kinds of freedom, should have responsibility, in this case it is social responsibility. We need real economic freedom. If we have loss and punishment on irresponsible economic behavior. We give priority for people to reach a minimum for survival and work capacity. Economic freedom cannot be an excuse of not to develop these welfare problems.</p> <p>Tricia Yeoh: Replacing the term with free trade and fair trade...</p> <p>Peter Wong: I agree with Barun for his statement that we should not look at the absolute snapshot of the freedom index. Prosperity or the improvement in economic freedom is a function of prosperity. I have to tell a story: in April 2012, we elected a new chief executive CY Leung, who is perceived as a populist chief executive. When asked if he will give populist policies to make people happy, he said "I don't know what populism means, to help HK people to have a better life, I embrace whatever -ism".</p> <p>HK chief executive tries to give out his promise during his election, 22 hundred a month to low income old people, but his opponent in the legislature demanded that he should give it out to all old people even if they're billionaires. The "to counter the tidal wave of populism, the administration cannot give way, no matter how high the price is".</p> <p>Both the manipulator as well as the perceiver, if CY is a manipulator, he needs to give a bigger dosage to achieve the same goal to make the recipient happier. Receiver's reliance on welfare will deepen in the sense that they will lose the ability to go back to the welfare.</p> <p>Story in Middlesbrough in England: the collapse of the steel industry, the economy run by the government, there are private businesses, but the profit by receiving welfare benefits. Welfare recipients at the age of 38, they are very fat to the extent that they need to be on a electrical wheelchairs, and many of them are actually 3rd generation of welfare recipients. All they learn from their parents is how to game the system without working.</p> <p>I would like to address to education. Higher education - populist saying: education is good because it will make poor people wealthier. I see the expense of government's higher education policies is to delay unemployment. The number of diploma being printed, but they don't care about the quality of the undergraduates. The unemployment rates of the uni graduates exceed the high school graduates. So you create a group of people who refuse to work because their expectations has become so high after unemployment. And that creates even more populism - people saying that this is social injustice. Because of welfare populism, we see that in the developed nations, society....</p> <p>In HK there are numerous hard working people from other developed countries, who come to HK because they don't want to pay the high tax which is used to channel the unproductive generation. Also we have emerging markets that try to enter, I see a lot of people from emerging markets who try to make their life better, that mentality also offset the laws from some developed nation.</p>

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		<p>If you have more and more regulation, you will suffocate the entrepreneurs and technological advancement. When you see a lot of developed nations, you see That GDP growth of 2%, if you include stimulus package, if you take that into account you may have GDP below 0. Now we witness individual productivity decline, which is opposite to the progress of civilization. Emerging markets would not be forced to import economic policies from the developed economies. In the past we have various system, whereas after the collapse of the USSR, the world has become more system, if that system is proved not working,</p> <p>Response: Barun, the policy made by the politicians, to be able to make the policy you have to win the elections, we need to be popular to be elected. Is there a program that is popular and liberal? I don't really like compromising free trade and fair trade. Who will decide if the trade is fair or not?</p> <p>Andrew Shuen:The use of the sovereign balance sheet to boost spending and consumption. One of the ways is to there is a temptation of politicians to use it. The loss will not be incurred immediately...</p> <p>Response: what are the examples of how welfare populism destroys populism? If we are able to quantify the destruction cost, then it helps with the dialogue with communities.</p> <p>Francisco Exposito: When welfare and people get things for free, people sometimes do not appreciate these things. Sometimes we need some small barriers to make people appreciate the resources and keep them from taking it for granted. I think there should be a way of controlling the welfare policies.</p> <p>Choi Byung-il: Increase the debt limit to occupy the insurance...</p> <p>Nikomborirak: Free trade and fair trade. There is a lot of market failure with free trade. In many development countries, a lot of them are captured by MNCs... When you ask farmers, they get the freebies, and the rice price rises higher, they don't see the long term effect. Only 2.7 million Thais pay income tax, 62 million don't pay tax. Those farmers don't feel the impact of the tax...</p> <p>Peter Wong: fair trade is not fair to farmers. Because fair trade products are always more expensive than free trade products. If you eliminate the influence of big companies on farmers, then fair trade products should be cheaper, not more expensive. Obviously fair trade has benefited the NGOs.</p> <p>Barun: The media was completely in control in the internet 1970. Populism is allowed to run its course. If we're all concern with the idea of loss of economic freedom, if politics should be a ... Politics in India is extremely competitive, it has been populist in this sense the price is We must allow the system to run its course. Free market is there to make the inefficient companies to fail, and allow the new ones to have the opportunity to replace them. There is no conflict between economic freedom and political freedom. We must allow the political system to pay out just like we want the market to play out. If we allow the political system to play out, populism will be restrained. People will restrain the politics and populism, and we must let them choose what they want.</p> <p>Yeoh: the reason why society is so disillusioned is because of the belief of government and big companies. We also are experiencing a high debt to GDP ratio, and one of the major problems is because government intervenes so much in the market.</p>

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		<p>Barun: I don't want the small and medium enterprise to flourish, we need efficient enterprise to flourish. We need competition to weed out the inefficient.</p> <p>Peter Wong: What can the government do to prevent collusion? But collusion happens between government and the people. The answer is simple if the government officials become nicer... Small and medium enterprise should flourish only if they are efficient. When there is an extra piece of regulation, the ability to adapt to the regulations is always the privilege to the big companies.</p> <p>In Thailand, the big businesses are strongly tied with the government. When the big businesses are in politics, there is a big problem. The contributors to the political parties are all the big businesses. In Thailand if you hear the word concession, the big companies .</p> <p>License: transparent; concession: government controlled. We need to consider concession and digression.</p> <p>Richard Hanson: I'd be concerned about Europe with the Rule of Law. Europe has been talking about global financial crisis which needs a global solution which is provided by the EU. We need to be very careful with who is setting the war. CO2 is not a pollutant.... The whole thing is getting controlled by the EU.</p> <p>Response: If we are on the liberal side, what kind of programs can we give that is popular that will beat the populist? Should we compromise ourself to be no liberals?</p> <p>Response: Special interest groups can be in many forms. What is your take of these special interest groups? What has been the consequence of special interest politics.</p> <p>Nonoy: Everything for the poor....</p> <p>Barun: All politics is local. The bottom line is the difference is the belief that people can be empowered to make the decisions. People will be grateful. People are mad because they think the system is unfair. This issue of media and how democracy works out, we must allow the system to work out. It doesn't really matter if the media is controlled by the government. EU setting the agenda was true 5 years ago, but now because they don't have the money anymore, I don't think we need to consider them anymore.</p> <p>Peter: we need to encourage people to innovate by:</p> <ol style="list-style-type: none"> 1. Cutting tax 2. De-regulate. <p>Nikomborirak: the amount of money spent on buying rice is the same as the spending on RMD. When we talk about empowerment, does the government want to empower the people? People need information to be empowered. Most populist policies don't want to deal with things that are too complicated. Populism comes with corruption. There are many ways to solve the issue, but the populist government doesn't want to do it because it takes too much time.</p> <p>Choi Byung-il: As economy grows, NGOs become very important...</p> <p>Francisco Exposito: Economic freedom is very important. In Populist regimes, there are many things that can be given to the people, to make people feel better with many different things. It's basic that we make them realize that something that makes them lazy is not a solution, we need to give them the incentive to work and become independent.</p>



ECONOMIC FREEDOM NETWORK ASIA

Statement on Liberal Views on Populism

We the liberals believe that populism is the promise of state-mandated, unsustainable benefits to the broader population without consideration of the long-term costs and benefits. It relies on highly emotive statements. In fact, populism is counterproductive to general well-being and progress, as illustrated by the economic decline of the many countries that have pursued populist agendas.

We are concerned that governments in Asia are turning away from the very policies that have promoted prosperity in many parts of the world.

We are confident that people will reject populist policies once they understand the true costs associated with them.

These costs include an increasing dependency on the state, weakening the rule of law, property rights and individual freedom. Populism also reduces the ability of individuals and local communities to make their own decisions, and undermines the competitiveness of businesses.

Recent moves in Asia to subsidise food and fuel, and to transfer cash are all examples of populist policies that have done more harm than good.

We are confident that if Asia commits itself to liberal values - such as property rights and the rule of law - the region will prosper.

We therefore commit to:

- Provide alternative liberal solutions to the real problems that give rise to populism, and educate about the benefits of liberal policies, using positive language and examples.
- Provide public support to politicians, political parties, business groups and other stakeholders that support liberal solutions.
- Expose the high costs in terms of money and disastrous end results of such policies
- Educate politicians and students
- Engage with the media to educate the public more widely
- Engage and create strategic alliances with civil society
- Meet on a regular basis to strengthen our network.

The statement is promulgated by the delegates to the EFN Asia Conference 2012 on this 7th day of November, 2012, in Hong Kong.