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CONFERENCE REPORT

Social Market Economy: An Alternative Approach for Asia?

International Conference for Political Party Representatives
Siem Reap, Cambodia, 09- 12 December 2009

Organized by
Asia Pacific Region International Democratic Centre (IDC)
Cambodian Peoples Party
Konrad Adenauer Foundation

The Asia Pacific Region **International Democratic Centre, Cambodian Peoples Party** and the **Konrad Adenauer Foundation**, Regional Programme Political Dialogue Asia, jointly organized the **International Conference for Political Party Representatives to discuss Social Market Economy: An alternative Approach for Asia** in Siem Reap , Cambodia from the 9-12th December,2009.

The programme was designed to provide a platform where participants could understand the key concepts of Social Market Economy and see if the tenants of social market economy can be implemented in their respective countries. Distinguished scholars and economists were invited to address the subject of Social Market Economy as a concept and evaluate as to how it can be adopted in Asia. Sixty one participants from Cambodia, Malaysia, Philippines, Singapore, Kazakhstan, Pakistan, Korea, and Bangladesh participated to learn more about the concepts and see how the key features can be tailored to suit their needs.

Mr. Yos Son, chairman of the commission for International Affairs Cambodian People's party started the opening ceremony by welcoming all the party representatives to the conference. Mr. Son said in view of the recent financial crisis and its consequences, this conference provided an opportunity to discuss an alternative concept in order to seek an action plan which will be the first initiation of establishing a mechanism of all political parties in Asia towards an Asian Community. He commented that technology alone is not adequate to provide productivity and more tools are required to meet the need of the people.

Mr. Son then elaborated on the concept of Social Market Economy and the Cambodian People Party adherence to it. He briefly discussed how the Cambodian People party has given high values to the social market economy system by ensuring the viability of the balance between free market economy and social safety net. Mr. Son mentioned that this system not only responds to the needs of the people but also

ensures sustainable development. Mr. Son thanked all the party representatives for their presence. He concluded his address by saying that this conference can be used as “Lantern to Light” up the way for discussion for those who seek to come up with a road map for all political parties that favor centralism.

Mr. Francis Manglapus, Secretary General of CDI Asia Pacific delivered the opening remarks by noting the importance between freedom and responsibility and the importance of interfaith dialogue in the region. He stated that economic turnover is going to fuel in Asia. He highlighted how Asia will be the engine of growth but the problem of poverty will remain. Therefore in order to have development with justice it is critical for democratic parties of the region to come up with a solution to improve the economic systems of the countries in the region.

Mr. Mushahid Hussain, Secretary General of the Pakistan Muslim League and Vice President of CDI Asia – Pacific as the Co chairman stated in his opening remarks the importance of the issue for the prosperity and progress of humankind. He noted that with the balance of power shifting from the West to the East and the growing linkages between economy and politics, the time has come to look forward to new approaches of a pro-people model that serves the greater good of the overwhelming majority of society. Mr. Hussain then discussed the causes of the global economic crisis and its consequences. He commented on the linkage between issues of militarization and

the prevailing economic crisis. He further explained the cost of the Iraq war and the American economy. Mr Hussain highlighted the urge to find a middle path between free market economy and the centralized government controlled economy. He elaborated on the principals of Social Market Economy and summarised it as an economic order which will be beneficial for all sections of the society. Mr Hussain then briefly talked about regionalism and the issue of climate change. The adverse affect of climate change in South Asia was noted. Mr. Hussain concluded his remarks by highlighting the Asian spirit of resilience and resurgence that has shown the ability to overcome crisis and bounce back to move forward. He hoped that this will continue in the future.

Dr Wilhelm Hofmeister, Regional Representative of Konrad Adenauer Foundation Singapore concluded the opening ceremony. He said that there was a need for the development of political democracy and the opening up of the society towards broader participation and widening of the process of election. Dr Hofmeister noted the need for new social and economic ideas for Asia. He commented that political parties should not only understand the concept of social market economy but also prepare itself to use it in the future. Dr Hofmeister went on to say that the concept of Social Market economy was not a blueprint or model to be copied but rather a good base which can be modified according to ones need and limitation. Dr Hofmeister concluded his opening remarks by stating that there is a need to promote political parties for they represent part of the societies which are important elements of the state.

Dr Ralph Wrobel, Professor of the Department of Economics of the West Saxon University of Zwickau who was the key note speaker took the stage to explain the “**Concept and Perspectives of Social Market Economy**”. He began by stating that it is not possible to copy the German model of Social Market Economy but in order to understand and implement it according to your needs one needs to understand the evolution and implementation of the “prototype” of social market economy in

Germany. He elaborated on the main goals of Social Market Economy which consist of structural reformation of society, prosperity and personal incentives. He highlighted the need for a social order which combines laissez faire competition, low inflation and social welfare. He stated that in the centre of social market economy lies the market economy for which monetary stability is very important. He further discussed the constitutive principals of Walter Eucken Market economic order. Dr Wrobel advised the Asian countries to copy the basic ideas and not the entire model from Germany. He further listed the changes to be made in terms of democracy, open markets free trade in order to implement the basic principals in Asia. Dr Wrobel concluded his presentation by stating “New Realities demand New Approaches” so in order for Social Market economy to succeed in Asia the basic principals have to be tailored according to the respective countries needs.

Co- Chairman Mr. Mussahid Hussain started the discussion following the presentation with the question on whether social market economy can succeed without democracy. Other question like price fixing by the government and about state controlled companies in a social market economy was raised.

Dr Aekapol Chongvilaivan, Fellow of the Institute of the South East Asian Studies presented the “**Asian economic and Social perspective- Challenges for Political Decision Makers**”. Dr Chongvilaivan began discussing the financial crisis and its impact in the region. He highlighted problems of underemployment and the plunge in the commodity exports. He went further to discuss Asians growth prospects and stated that the recent development reveals that the recovery forecast of Asia were exceedingly optimistic. He illustrated how the regional policy makers were encountering hard policy choices for the lack of any uniform policies which Asian policies can take on. He stated there was a need for a carefully tailored macroeconomic policy response to this crisis. The need for an early warning system was emphasized. The rethinking of the East Asian Model and the importance of protectionism was noted. Dr Chongvilaivan concluded his presentation by emphasizing the importance of the Chiang Mai Initiative for regional monetary cooperation for the region.

The presentation was followed by an interesting round of comments and question. One of the participants raised questions regarding the lessons learned by the Asian countries from the Asian Financial Crisis in 1997 which was efficient in blocking the economic tsunami in Asia. On the same note another participant questioned the reason which made India and China escape from the economic downturn. There were other participants who voiced their skepticism regarding an early warning system. In the same vein others remarked that there is a need for perfect knowledge in order for the early warning system to be successful which is difficult to achieve. The discussion was concluded with the fact that the world is going through a change and all participants in the economy should be more forward looking for its not necessary that if today is bad then tomorrow will also be bad.

The second session started with the presentation on “**The Global Financial and Economic Crisis: Consequences for the Concept of Social Market Economy**” by **Dr Ralph Wrobel, Professor** of the Department of Economics of the West Saxon University of Zwickau. Dr Wrobel began by giving a brief background of the economic crisis followed by the Social economic perspective on the reasons behind the crisis. Dr Wrobel then presented the response or the solution to the crisis from a social economic perspective. He stressed on the principal of liability to be included in

all organization and concluded his presentation by highlighting the need for financial institution to be more transparent and to be supervised.

The presentation was followed by another round of discussion where the first question from the participant was “If you were an economic advisor to Obama, what would you have advised him on Jan 2009? Secondly what do you feel that he should have done that he has not done? Dr Wrobel in response stated that he would have presented him the principals of Social market economy as they should have implemented it before. He remarked that there is a need to improve the market economic system and the central banks of America should be given more independence. In the same note another participant questioned that, if he were the economic advisor to Anwar Ibrahim, what would he have suggested regarding the automobile industries in Malaysia. The answer derived was that Mr. Anwar Ibrahim will be advised to privatize the automobile industry. Other question and remarks followed and it was concluded that global crisis need global solution and the social market economy principals might be the first step towards reaching that solution.

Dr. Alexander Magno, Director, Development Bank of the Philippines then took the stage and presented the role of state as promoter of Development in Asia. Mr Magno discussed about state lead growth economies to its transformation to export driven economies in Asia. He elaborated on the changed conditions and the reliance on cheaper manufactured exports along with the quest for more knowledge driven wealth creation. Dr Magno highlighted the rise of democratization and along with the international challenges to be faced. Mr. Magno concluded his presentation by stating that in the future there will emerge a “governance continuum” wherein the various government structures will adopt common standards of policies, rules and regulation.

The first day concluded with a round of discussion wherein questions were raised regarding migration of people from their countries which is resulting in the brain drain of certain countries in Asia. This was followed by questions on universal property rights and should the implementation be ceased in the expense of millions of people. The session ended with the remarks from the participants that there cannot be two standard of governance that is one for the people and another for the private sector. It was acknowledged that to achieve a one form of governance might be long but it can be achieved in Asia.

In the second day, Dr. **Peter Koppinger**, Country Representative KAS Manila, delivered the opening presentation on the “conditions for the success of social market economy in Asia. He said that the social market economy has a set of principals based on one specific philosophy. They do not look the same in every country if implemented. In order to implement social market economy in Asia, Dr Koppinger elaborated on the structural principals to be followed mainly solidarity and subsidiarity. The presentation concluded with Dr Koppinger remarking that Asia is a diverse continent and it will be difficult to implement social market economy due to various reasons such as religion, tax structure, and corruption. He therefore suggested that the concept of social market economy should be used as a guiding principal and the basic tenants of social market economy which is freedom and society should be given to all individuals. Social Market Economy can only be achieved if certain preconditions are met. These preconditions can be only met when there is a political will which is still missing in Asia.

Dr Ralph Wrobel followed the presentation with his remarks that he is more optimistic about the success of social market economy in Asia than the previous presenter. He said that if the basic principles are followed then social market economy will evolve. However the results which will follow are still unknown. He further spoke about social justice and the success of social market in Estonia. Other participants followed with questions like what is the time frame needed for a country like Cambodia to build itself into a social market economy. This was followed by questions on the relation between social market economy and role of women in a society.

This session ended with the declaration of the “**Ankor Initiative**” to be signed in the later part of the day. The Angkor Initiative promotes the universal centrist and Asian values based on the following principals: Democracy, Social security and Equality of opportunity, Strict anti monopoly & conflict of interest laws, Conflict resolution through dialogue and resolution and the supremacy of the UN charter and its five principals of coexistence.

A working group was agreed upon under the leadership of Mr. Yos Son to prepare an Agenda and plan of action within 100 days via online consultation.

Dr Wilhelm Hofmeister, Regional Representative of Konrad Adenauer Foundation Singapore stated the second session of the second day by elaborating on the **Experiences of integration among political parties in Europe**. He spoke of the need of a common objective or a common project in order to integrate the political parties in Asia. He described the case of common objective of European Union which integrated the various parties in Europe.

Dr Peter Koppinger, Country Representative KAS Manila, followed by stating the eight essential principals which brought about integration in Europe and which if followed can bring about the same results in Asia. These principals ranged from joint philosophy, joint concrete objective to the need to focus on quality rather than quantity.

Dr Sok An, Vice President of CDI Asia Pacific began the concluding remarks by highlighting the importance of this international seminar which gave an opportunity to build closer cooperation between Asian political parties which can ultimately lead to a creation of a common platform based on the principals of the centrist ideology with social market economy and democracy as its pillars. He further described the experiences of the Cambodian People Party and its embracement of the principals of social market economy. Dr An, concluded the closing remark by launching the “**Ankor Initiative**” as a roadmap towards a stronger Asian political community.

At the end of the conference, the “ **Angkor Initiative for stability, peace and prosperity: A centrist model for Asia**” was signed by the chairpersons Mr. Mussahid Hussain and Mr. Yos Son, Secretary General of CDI Mr. Francis Manglapus at the presence of Dr Sok An, vice president of CDI Asia Pacific.

The conference demonstrated that there is a rising interest in Asia to explore the concepts of Social Market Economy further. More in-depth studies, conferences and seminars should be organized in order for people to understand the concepts and implement it in their respective countries.