

BUSINESS

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“NEPAL TODAY IS AT A CRUCIAL MOMENT AND THE WRITING OF THE CONSTITUTION WILL SET THE STAGE FOR COMMITMENT TO PLURALISM BOTH IN POLITICS AND IN THE ECONOMY”

Dr Tom Palmer is the executive vice president for international programmes at the Atlas Economic Research Foundation. Previously he served as vice president at the Cato Institute and was director of the Centre for Promotion of Human Rights. He is the author of 'Realising Freedom: The Theory, History, and Practice of Liberty' and has been active in the promotion of libertarian and classical liberal ideas and policies since the early 1970s. He has been editor of several publications, including Dollars & Sense the newspaper and the Humane Studies Review. He spoke with **Terence Lee of THT Perspectives** about his visit and why he advocates an open market economy for Nepal. Excerpts:

What was the purpose of this trip to Nepal?

The purpose of my trip is really in two folds. One, is to work with the Samridhi Foundation team which is emerging as a very serious player — certainly in Nepal and also regionally — as a powerhouse of new thinking for the new century. The second is to listen and learn about the realities of Nepal's constitutional moment and to understand better the complexities of this nation and the challenges that people in Nepal face.

How was your interaction with the business community and Nepal entrepreneurs?

I was really impressed by the energy and authentic entrepreneurship that I was exposed to here. One thing that is unfortunately common in many countries around the world is people who say they are involved in business but what they really are involved in



By Krishna Thapa / THT

is harvesting benefits from the state and cronyism.

But here in Nepal, I met many people involved in real business and creating value, innovating and providing better quality products and at lower prices that benefit the mass of consumers. That's the cutting edge of market entrepreneurship. The people I met here are focused on providing value and benefiting consumers and it has been really refreshing experience.

Do you feel the private sector has a bigger role to play in pressuring for liberalisation and a more open market?

Certainly since the introduction of multiparty democracy, Nepal embarked on the road to opening its market and a competitive economy. Pluralism in democracy often entails pluralism in the economy, which is to say competition. Both these complement each other and are very healthy. Nepal today is at a crucial moment and the writing of the constitution will set the stage for commitment to pluralism both in politics and in the economy. That means a protected role for the right to private property, free exchange and a market economy rather than having it monopolised by the state. Nepal today is at a fork in the road and can either continue on the road to a competitive democratic system and a competitive economic system or take the other road to monopoly and state control, which ultimately means decline and stagnation.

Nepal faces this choice of competition and freedom, market economy competition and progress or state collectivism and monopoly which will

lead to stagnation and poverty.

What are the challenges to wealth creation?

Between 1820 and now, per capita income around the world has gone up at least 16 to 17 times. The reason for that was a change in the attitude towards business. The world began to experience an enterprise that respected civilisation. People who create wealth are now respected and people who create a new product are rewarded in the market place and also socially respected. Where right to property is respected and not confiscated, you will see businesses create more wealth. The biggest challenge is in the minds of the people to be able to move into the mode where wealth creation and entrepreneurship is seen as honourable, noble and patriotic.

When instead of profit, enterprise and innovation is weakened, that brings in its wake obstacles to wealth creation. Nepal cannot afford that as the bulk of the people in this country are among the poorest in the world. They deserve better, they deserve a market economy that produces wealth. The obstacles are not so much legal or institutional as much as they are intellectual, spiritual and moral.

How do liberalisation, open market economies and removing trade barriers help countries fight poverty?

The empirical data is overwhelming that an open economy leads to rise in living standards. That is very important to keep in mind. Trade raises the living standards of the poorest of the poor. The very availability of

medicine that can save lives and the life of a child is an example. There are enormous benefits brought by trade. If you look at the Economic Freedom of the World Index prepared by the Fraser Institute Canada in association with over a hundred other think tanks, it ranks countries by economic freedom. The difference in lifespan between the least free and most free economies is at least 20 years. That's the gift of economic freedom. That's the gift of an open market economy. There are parts of Nepal where the lifespan is in the 40s. Economic freedom won't just deliver cell phones to these people (which are good thing by the way) but it will also deliver decades of additional life.

What will be your involvement with Nepal in the days ahead?

I would like to see myself more involved in Nepal as a catalyst. My job really is to do what I can to allow other people to do what they do best. To bring people together in a worldwide network of serious economic, legal and political research.

The liveable Nepal campaign that Samridhi is running is an excellent example for countries around the world to translate open economy to the daily life of citizens. It is not a matter of economic theory.

It is about commonsense that can improve the lives of people and improving the role of government to do its job properly to provide security and a functioning legal system and allowing people in that framework of liberty, justice and security to advance their own economic agenda and make their lives better.

responsible business

Investing in human resources — do we need a more holistic approach?

Only if Nepali companies invest in education can we achieve economic growth

Catrin Froehlich
Kathmandu

When talking with employers about the need of an adequately skilled workforce, we are often confronted by the argument that after receiving training, employees take the first opportunity to move on to another employer. This apparently common behaviour causes many employers to invest less into developing the skills and knowledge of their people.

At the first glance, this seems to be a logical reaction when looking at immediate returns to an individual business. However, the medium to long-term consequences for Nepal, its private sector and even the individual business owners are devastating.

First of all, it will result in even more severe scarcities of skilled workforce. According to known market theories, scarcity leads to higher prices, which will make qualified personnel even more expensive in the future.

Secondly, people with fewer skills and therefore less (satisfying) employment and economic opportunities might be more likely to explore other (and probably less productive) ways to earn a living.

The results of that can be witnessed every time when business people try to avoid phone calls or negotiate around the one or the other 'donation'. The effects on individual businesses, economic development and on security and stability of Nepal are costly and visible to everyone.

What could be the way out of this seemingly vicious circle? Maybe a

change of perspective is a first step towards the solution. Yes, maybe a recently trained employee might join another company, but you also profit from employees trained by other companies. Yes, maybe a recently trained employee might migrate for a job abroad, but he or she will send remittances which keep the Nepali economy afloat. Yes, the investment might be lost for your company in the short run, but is there a better investment in Nepal's future than education?

The impact of appropriate HR interventions (such as succession planning and performance based incentives) combined with human resource development, usually exceeds the expectations.

For instance, Motorola calculates that every dol-



lar spent on training delivers USD 30 in productivity gains within three years.

Maybe we should ask ourselves: Can education ever be a lost investment? And from a CSR perspective: Can there be a better way of 'giving back to society' than enabling fellow Nepalis to make the best out of their talents?

Only if Nepali companies invest in education (be it by supporting schools, engaging into developing better vocational trainings or training their own employees) will Nepal be able to achieve the economic growth needed for individual businesses as well as for the country to flourish.

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Serving Nepalis worldwide

Himalayan News Service
Kathmandu

While studying in the US, Amrit Man Tuladhar, CEO of muncha.com, did various odd jobs within and outside the college. He recalls working at McDonald's during summer vacation to be the most memorable work experience. He said, "I did every kind of work from waiting tables to cooking. This experience provided me exposure to the entire management system of the fast food café."

On his homecoming from USA in 1995, he was clueless about his future plans. All he was looking forward to was spending quality time with his family. As he was free, he joined Muncha House, a

family business, to help his father. He was not satisfied with his work so he started applying for other jobs. Soon he was offered a position in the credit department of the Himalayan Bank. He said, "The New Road branch was just established so I got an opportunity to explore several departments like marketing, loan processing, and Letter of Credit (LoC) operation." He said that the banking experience made him more responsible as a person.

After gathering experience he left the banking career to start his own business. As the internet was booming in Nepal during 2000, he decided to open muncha.com, an online shopping non-service targeting non-resident Nepalis. It was a step



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taken to enhance internet marketing to take existing business to the next level.

Lack of proper infrastructure and resources was a major challenge. He said that slow internet service created

several hindrances delaying their work. At the same time it was difficult to find competent staffs as there were very few IT institutions or colleges. Elaborating on the initial challenges, he said,

"During those days people didn't have the proper notion about online shopping or businesses so it was very hard to draw customers. In fact, we merely had one order in two to three days."

In time he realised that survival was almost impossible on the basis of only one business unit so to diversify the business, e-shopping mall and online money transfer were also introduced.

Tuladhar does not believe in imposing his ideas on others rather he believes in creating an interactive environment at his office. So they have regular meetings where they share their knowledge and ideas on different topics. Complaining about staffs he said that his staffs are mostly youngsters of 20 to 25 years,

whose focus gets diverted easily, deteriorating their performance. "The main problem we face with staff is that they leave the job very soon and we have to keep hiring new employees time and again."

According to Tuladhar though e-commerce is heating up with various new online companies there has not been any significant development because there are more imitators than initiator in the market. "To bring noteworthy change in this field, people should dare to explore innovative ideas," he said.

Shedding light on the company's growth, he said, "With its ups and downs muncha.com has successfully attracted both international and domestic customers." He said that the company has

15 orders a day on their e-shopping mall while for online money transfer they receive more than 20 orders a day. "Recently the company has also started media sites through which users can download Nepali songs and buy Nepali novels," he informed.

Long load shedding hours in the country, has tremendously affected every business regardless of its type and size. He said that online businesses like muncha.com have no other alternative than to depend on generators for electricity which eventually increases cost of operation. "So to reduce costs the company has been IT friendly, various means like hiring limited human resources," he said.