

# THE DAILY CALLER

## Global advisory board shows Honduras is committed to ZEDEs

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Last week Honduras published the list of members of the [Committee for Adoption of Best Practices](#) for ZEDE (*Zonas de Empleo y Desarrollo Economico*) areas. Classical liberals should be ecstatic to learn the list contains many prominent free market advocates, including Grover Norquist, the founder and president of Americas for Tax Reform, Mark Klugmann, a former Reagan Speechwriter, Mark Skousen, an economist and former president of the Foundation for Economic Education, and Richard Rahn, a senior fellow at the Cato Institute.

ZEDE zones are the best idea you never heard of. They allow the importation of a new civil legal code to replace Honduran law in municipalities that vote for such a change. This has the potential to create a Hong Kong, Singapore, or Dubai in a country which has until now been defined by its history as a banana republic. By simplifying the legal code and eliminating or reducing harmful regulations Honduras has an opportunity attract foreign investment and achieve substantial economic growth.

The [primary duties](#) of the committee are approving the internal regulations of the ZEDE zones, appointing and removing the Technical Secretary for each ZEDE zone, establishing general guidelines for domestic policy and transparency, and proposing to the Judicial Council a list of ten persons for the post of judge or magistrate.

Poor countries are poor because their governments are predatory. Honduras ranks 127 on the [Doing Business](#) index for the World Bank. This means that starting a business takes thirteen procedures and costs 45 percent of the income per capita of an average Honduran. It takes an average of 33 days to get electricity to a new property. Because of these barriers trade is impeded, the division of labor is stifled, and economic growth is stunted.

ZEDE zones offer Honduras a path out of poverty. They could import British Common Law to rural areas, thereby attracting capital and trade. Eliminating the regulations which prevent the dynamism necessary for a market economy would spur economic growth. These would not be merely free trade zones, but rather a fundamental reconsideration of the relationship between government and law.

Mark Klugmann [points out](#) four aspects of ZEDE zones, legal, economic, administrative, and political. By ensuring reform in each of those areas, ZEDE zones are better able to attract capital and less likely to be subject to political machinations.

While there is a broad consensus about the requirements for economic growth; rule of law, the protection of property rights, relatively free trade, getting them is problematic. As the recent revolutions in Egypt and Turkey have shown, it is not enough to simply oust a dictator. Achieving the rule of law faces a collective action problem. First, there are interest groups which benefit from the current arrangement and will fight reform. Second, while the majority of the population will benefit from the reform, it is impossible to identify who will benefit most beforehand. This means that the average citizen will have an incentive to free ride on the reform, greatly lowering the possibility of achieving rule of law.

By creating smaller zones with a different legal system, rather than enacting countrywide reform, the logic of collective action is reversed. The major industries that oppose reform no longer have a direct stake in opposing it. Furthermore, companies interested in investing in the economic zones can lobby the government, in effect subsidizing the economic freedom of the average Honduran.

Of course, there is always the possibility that a future Honduran government reneges on their promise and attempts to expropriate the successful ZEDE zones. This is why the establishment of the Committee for the Adoption of Best Practices and including many prominent classical liberals is so important. Honduras is credibly signaling they are committed to this project. The reputation of the members of the board is now partially linked to the success of ZEDE zones. This means they will advocate for free market policies as well as oppose any attempt by the Honduran government to enact growth-inhibiting regulations.

In examining the list of members one final thing is important to note. It is not only filled with classical liberals, but a very diverse set of classic liberals. Surse Pierpont is the General Manager of Colon Import and Export in Panama. Salem Ben Nasser Al Ismaily is a Special Envoy of the Omani government. Kahka Bendukidze is a former Minister of Economy for Georgia, and Gabriela von Habsburg is, well, a Habsburg. What brings these people together is a belief in economic freedom to raise the standard of living and recognition that local concentrated reforms are the best way to achieve such economic freedom. While Honduras has a head start, it is most likely only the first.