

Background note

Process of Regulatory Reforms to Achieve National Competitiveness
(Being organized by FISME in association with RGCIS)

9th March 2006 at 10.00 AM, Jacaranda – I, India Habitat Center, New Delhi

The current times define a palpable optimism in India towards continued higher economic growth. At the same time it is widely acknowledged that vast productive assets and entrepreneurial spirit in India are locked up in regulatory rigidities. The plan documents also admit the need of “improvement in efficiency based on unlocking of hidden capacities in the economy, unleashing repressed productive forces and entrepreneurial energies..[by] dismantling of policy constraints, procedural rigidities..”¹

The current regulatory environment impedes not just fresh investments but also casts a heavy burden of compliance costs and, due to gap between regulations and implementation, seriously affect the competitiveness of millions of businesses who are exposed to stiff international competition, and endanger their survival. ‘Different stages of economic development call for different governance structures for both governments and businesses. If there is a mismatch, the consequences could be quite costly, as we observed in the economic crisis of East Asia in the late 1990s.’²

Yet the country seems to have got stuck with the status quo.

It is time therefore that we took cognizance of the urgency the matter demands:

- **Why do our laws instead of ensuring economic efficiency, impede and disrupt it?**
- **Why do they force a large proportion of our population to work informally and impose extremely high cost and absurdly complicated requirements on economic activities³?**
- **While everybody knows the problem, why have we been, as a nation, so far not succeeded in making structural changes to solve the problem?**
- **How other countries have gone about reforming their regulatory environment? What are the best practices? What can we learn from the South Korean model of regulatory reforms?**

FISME – as a chief representative body of SMEs, has huge stake in the issue and with Rajiv Gandhi Institute for Contemporary Studies, intend to take a small step of taking the debate from ‘what to do’ to ‘how to do’.

To deliberate on the questions mentioned above, we are inviting Prof. Jong Seok Kim who has been a key figure in the path breaking regulatory reforms process in South Korea. The **South Korean model** -developed with assistance of OECD, is widely regarded as a hugely successful model for reforms. Many countries have borrowed from Korean experience since, most notably Mexico.

¹ 10th Five Year Plan (Planning Commission)

² Jong Seok Kim, Jacobs and Associates, ‘Regulatory Reform: Visions and Strategies for Better Governance’,

³ Hernando De Soto, ‘The Other Path’