



**Business and Public Policy Round Table
June 4, 2014
University Club of St. Paul**

“The State of Private Enterprise around the World”

Special guest speaker: John Sullivan, Executive Director, Center for International Private Enterprise

Chair, facilitator and rapporteur: Steve Young, Global Executive Director, Caux Round Table

Participants: Ron Baukol; Brad Brown; Benjamin Brown; John Buettner; Nicholas Conant; Dave Durenberger; Laura Gideon; John Harrington; John Kinkead; Kurt Lieberman; Michael Macaluso; Adrienne Maxim; Mike Maxim; Nancy Maxim; Jim O’Neill; Kathy Runchey; Roger Salway; Peter Sammond; Rob Scarlett; Paul Stone; John Stout; Deborah Yungner; Al Zdrazil

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Summary Comments

A nation cannot have both extremism and a democratic system with effective checks and balances. Extremism is related to the concentration of power and ideology, whereas with checks and balances, a system has more debate and less extremism. Checks and balances are not possible without a strong middle class, which in turn, requires a strong private sector. If you build the private sector, you build middle classes and therefore, you build less extremism into the system. In theory, this is a strong strategy, but how do you make this work on the ground? There are often reasons of history, etc. for the lack of a strong private sector. How do you deal with the effects of history while trying to build a strong private sector?

The Center for International Private Enterprise (“CIPE”) works on the infrastructure of democracy. The organization now has offices in eight countries and is active in 58 countries with roughly 100 projects. The Center maintains offices in Baghdad, Cairo, and Moscow, underscoring the importance of dealing with the international economy in the face of internal or international turmoil — a nation cannot cut itself off. The primary strategy is to form partnerships with existing organizations and to only establish offices where CIPE could not function without them.

Interconnected crony capitalist systems become obstacles once they are in place, but complexities begin with language and the need to translate fundamental concepts, such as governance, when word-for-word translations may not exist. Entrepreneurship education is one key strategy for students in Afghanistan. The goal is to get the concepts embedded into the educational system. This was accomplished in Lebanon. Work in particular focuses on the rule of law, property rights and the role of women in business. For example, CIPE was able to get a law changed in Pakistan so that women can now have their own business associations. In each case, CIPE attempts to find and identify local champions.

The CIPE model is to try to support local leaders and partners in other countries, rather than sending in representatives from the U.S. You cannot export democracy. Through American leadership, you can exemplify, support and recognize, but you can't create.

Round Table Discussion

Progress has been made in Poland in particular, but outside of Eastern Europe, Peru, Chile and the Philippines are on the edge of doing very well.

There is a debate as to whether it is possible to improve governance without democracy. In China, there are a lot of protests, which are rarely news cycles. What would be key for China would be to develop a thriving middle class. In the Middle East, the middle class was dependent, working in state-owned or state-controlled enterprises. In China, there has been a sophisticated sense of how to control markets for centuries. Could they develop a different model of licensed markets under state control? Drawing from Marx, is it necessary to have strife, struggle and violence for this system to emerge? This is likely, but not necessary. Eastern Europe is a prime example.

One challenge faced by many countries is that wealthy families often send their children abroad. This benefits individual families, but does not grow the middle class within a country. A major project is to teach a value set to a large group of children. The program in Afghanistan serves 44,000 children. This will not result in 44,000 entrepreneurs, but it will lead to a large population with exposure to and belief in an important value set.

Other organizations are exploring similar strategies within the U.S. – offering job training programs to provide alternative pathways to crime for youth in the criminal justice system. Such work is being explored for small groups and the project remains to be seen if it could be scaled up. Within the U.S., one realization is that we have not just lost jobs overseas, but we have lost jobs to productivity. As technology replaces skilled labor, we are left with the question of what to do when we have lost middle class productivity?

If the rule of law is a necessary precursor to democracy, what are others? Rule of law may be simply what is on the books, not what is done on the ground. Taking Moscow as an example, we can consider business indicators, which are important, but we also need to see how well things are implemented on a day-to-day basis. There is not a great source for this and priorities differ from country to country. One key across the board is to involve people, to mobilize them to take action and ownership of change.

There is not a logical sequentialism that we can program out from entrepreneurship to a middle class to protests that instigate political change. History isn't linear and this process is happening in different ways in different places.