

Remarks by Myron Brilliant, Senior Vice President, International Affairs, US Chamber of Commerce, at the conference “Twenty Years After the Fall of the Berlin Wall: Lessons Learned and the Future of Reform”

Let me first of all just thank John Sullivan, Andrew Wilson and all the CIPE team for organizing this forum with CIPE partners here on the ground. I think it's a tribute to all of you that we're coming together to talk about such important themes.

I have actually just come back from Berlin where I spent a week in Germany. Of course, a lot of talk was around the meaning of the Berlin Wall coming down, and what has happened in Germany in the past 20 years, and that topic is going to be pervasive throughout this conference in the next two days. I was asked to talk about a lot of things; I'm not going to be able to cover everything. I'm reminded of a bad joke, one I think is appropriate. Two fellows are watching a western movie on TV. As the hero rides his horse towards the edge of the cliff, the other man says, "I'll bet you the hero rides his horse right off the edge of the cliff." The second fellow says, "Sure, I'll take that bet." So, they make a bet of 50 dollars, and, sure enough, the hero rides right over the edge of the cliff. The second fellow hands over the 50 dollars. The first fellow says, "I feel a bit guilty about taking your money, I've seen this film before." The second fellow says, "So did I, I just didn't think he'd make the same mistake twice."

I know it's a bad joke, but it's pertinent to a couple of topics today. We are talking about transformation and transitions that are going on still in the region. We need to not only learn from the mistakes of the past in the region, but also learn from the mistakes that have been taking place around the world and in the United States as we debate the meaning of globalization, as we look at the financial crisis and try to come out of it, we'll have to learn from the mistakes of the past.

After the Great Depression, we instituted a barrier around us, a tariff barrier, which I think led, frankly, to an even worse recession in our country. One of the things that we did right in the late 1930s is that we had a Secretary of State, Cordell Hull, who got up and talked about the meaning of economic integration, talked about the meaning of developing new trade relations, and expanded our trade around the world. That helped us come out of our Great Depression. I was thinking about the last panel, and revised some of the thoughts I had for discussion here, and I was reminded of when I was in the APEC several years ago, and Putin was asked by a journalist what the great lessons were about Chinese economic reform and reform taking place in Russia. He said, "Look, here I am in Shanghai, and I can see what's happening in this great country of China and I can tell you that we have not followed the same path, and we'll have to make some adjustments." I believe that with economic and political reform, there's a nexus there. I know that is a centerpiece of some of the things all of you are contributing to, and I wish I had time to get into that nexus more deeply. I can tell you that, as we talk about economic reform, political reform is clearly a component of that. The two are not separate items.

As I get into the issue of globalization, I would just note very briefly that many people have talked about lessons learned from the Berlin Wall coming down and that it's unleashed this rising tide of globalization that continues to shape our world today. I particularly think about two parts of that. One is what's happened as a result of the financial crisis that started on Wall Street and spread to Main Street then

around the world very rapidly. This clearly demonstrated the economic integration that is going on around the world. Certainly, Central and Eastern Europe is a part of that economic integration. There is no question there are many lessons to be learned from that.

We know that we are coming out of that financial crisis, but we need to continue to look at the institutions that we have in our system. We need to look at the regulatory frameworks. We are continuing to debate in our country about how far to go in terms of creating new institutions. Some of those institutions, we believe, would create new bureaucracies which might undermine the market forces which have created great wealth in our country. Those debates are important, and those debates include the private sector, include the think tanks, include the media, include the government actors, include many other NGO participants. Because our system allows that debate, we won't always get it right, but we will have a healthy discussion in a very public way about the kinds of issues we need to address to come out of the financial crisis stronger, more resilient, and more prosperous. I would just add that the consumer has a stake in this. We're all consumers, whether we work for the government, whether we work in the private sector, whether we work in the media. We're all consumers not only of government actions, we're also consumers of private sector development, and that's something we always need to keep in the back of our mind.

Just briefly on Eastern Europe. I've traveled here many times, but not to Ukraine, and I have seen, as many of you have seen, what has transformed over a 20 year period. First of all, it's not even across Eastern and Central Europe. Some parts of Europe have, I think, integrated themselves more effectively and moved more quickly. Part of that is perhaps the EU component, but, and I think Boris [Begovic] made this point, being a member of the EU club is not, in itself, a guarantee of economic and political freedom. However, there are requirements for being associated with that club. The fact that some countries, Poland and others, have moved forward was a testament to their political and economic commitment to contribute not only externally but internally to meaningful reforms that would invigorate their populations and create new opportunities for economic growth. I think we need to continue to see that movement of free and improving legal governing structures throughout Eastern and Central Europe. I think there are great differences throughout the region, I think progress is being made, but it's not consistent, and the pace is certainly an important component. How the private sector plays into that component is very important.

In the interests of time, I wanted to look at maybe five or six factors. Some of them have been discussed, I wanted to give you my perspective on them. These are some of the factors that I think will drive successful transformation of society, whether it's in Russia or Ukraine or elsewhere in this region of the world. We have talked about, first, institutions, the need for strong and supporting institutions for market and political reform. A component of that is the need to have flexibility to adjust to circumstances. Not just to have the institutions, and not just to have a set of rules, but to have those institutions have the ability to be flexible to the circumstances. That has proven to be very important in Western Europe as well as the United States and elsewhere. Second, we've talked about the need for legal underpinnings, the need for rule of law. An independent judiciary is a component of that, there are many components of rule of law. Understanding that and communicating that out to the public is very important. The third factor, which has been discussed, but not directly, is trust and public engagement

and responsibility. Without that factor you will not be successful. You can build all the institutions in the world, but if the public is not engaged, if it doesn't have trust, if it doesn't have a sense of responsibility, there's a social compact to that, but there's also an economic compact. That's a very critical factor that I hope is discussed in future sessions here. Fourth is the notion of innovation and entrepreneurship. Innovation will drive activity and prosperity and opportunity, and I want to emphasize that we continue to need to do that in the United States, perhaps the most innovative society. We need to think about the way we educate our people, how we develop research. But we also need to create the right environment for innovation to thrive. As we go through debates now and reaction to our financial crisis, that's very important, and that's being put to the test. So, innovation and entrepreneurship is the fourth factor. The fifth is risk. There are two components of risk. One is to reward and to incentivize risk, which I think is very important. The second is to embrace failure. To allow failure to exist in society is very important, not to punish failure. This can translate into how you develop bankruptcy laws, it can translate into many different areas of society. You have to have both. You will not find risk in society unless you also embrace failure and allow that to succeed. Those are the five factors, I don't have time to go into great length on all of them.

Let me turn quickly to talking about business organizations and their role. It's absolutely critical that business associations - and since I run the international program at the largest business association in the world with many partnerships throughout the world, and many affiliated relationships as well, I think I can speak with some experience here - that we have a role to play. We have an opportunity to shape policy on our country, to see that our government actors are held accountable, and to try to make sure that we follow the progress of the policy recommendations that we provide to the government. We don't do that alone. We work with the think tanks. We use the media as part of our communication tool. We certainly work with the government very closely, and we work with other institutional actors. But what we have is *access* to those policy makers in the United States. We are not turned away. Regardless of whether it's a Democrat or a Republican in the White House, regardless of who's in the Congress, we have the ability to have access to our policy makers. Second, we are not worried about the pressure of having corrupt officials. We're going to point them out. We're going to talk about corruption in our system. By the way, we have corruption in our system, maybe not as pervasive as elsewhere, and certainly not as pervasive as some parts of Europe, but we are not going to allow corrupt officials to influence our agenda. We are going to move forward. The third is that we don't lack resources. That's a very important component of our ability to be effective to communicate, to speak to these issues. We are able to draw resources from the private sector. We are private sector-funded, and we are able to effectively use those resources, channel them to be effective advocates in the system. Not only is it important for institutions like the Chamber, which is really a private sector-funded institution, funded by the companies and other organizations, but we are also willing to work with think tanks as well, who also need those resources, and have the capability to be effective, and we do that in many different ways.

The final area that is important, and I see this, since I have traveled to China perhaps 75, 80 times, I will draw on the Chinese experience, one of the things we can do that is perhaps not as welcomed yet in China, is we can build coalitions around ideas, and around thoughts, and around policy issues. So the

Chamber becomes a multiplier. We'll work with other business groups. We'll work with think tanks promoting intellectual property, whether it's promoting the rule of law, whether it's promoting market access. That allows us to bring in lots of stakeholders, and we've done that very effectively in the United States. There are many examples of how we've been able to promote and pursue and win in the court of public opinion. That's part of what we need to do, we need to have the ability to win in the court of public opinion. When we say the court of public opinion, we mean the consumers again. I define consumers very broadly.

President Eisenhower said, "Accomplishment must be proven by the journey, not the final destination." It really is an interesting statement. As we break it down, "accomplishment must be proven by the journey, not the final destination." I'd argue, it should have been a conjunction. Accomplishment is proven by the journey and the destination. What do I mean by that? CIPE has developed over many years – John [Sullivan]'s been with CIPE 26 years – has developed tools and relationships and other vehicles to work on some of the challenges all around the world and Central and Eastern Europe has been a cornerstone of the work of CIPE. Whether that's dealing with anticorruption issues, whether that's dealing with corporate governance issues, whether that's dealing with the creation of business associations, all of which is a component of the work of CIPE and all of which has been part of the work that all of you in this room have contributed to. The fact is that you have to have continuous efforts in that regard.

Ultimately, what we're looking towards is to create that civil society that rewards risk, embraces failure, creates that opportunity that I talked about. There are so many examples in Ukraine where the chambers have adopted the US Chamber's Institute for Organization Management to run association programs. I know that we've done that in Romania, in Russia, in Moldova. In Ukraine I know CIPE has worked together closely looking at business issues and trends - the WTO process and issues like that. What you don't know is that I was actually involved in the WTO accession for Ukraine, because we don't ever look at issues in isolation, we look at them in the broader context.

I know that the national business agenda is a theme of the conference, so I know that we are always looking at how, at the US Chamber, we define our agenda. How you frame an agenda is very critical. How you pull together the resources to look at policy priorities, assess the necessity for business growth and economic growth, the various actors that need to contribute to that, how you then promote that with government actors and others, how you continue that advocacy, how you continue to monitor it, and how you assure accountability in the system, is all a part of creating the right framework. If you don't have the right framework, you're going to get lost along the way. Creating a national business agenda is more than just creating a pamphlet with ideas. It's creating a process by which we can all move ahead those ideas.

With that in mind, I will end with one thought. Success has many champions. Failure has very few. If we are successful, we are all champions in the process, and I would urge us to continue the good work that we're all doing in this room and I would hope that after two days, you would have created some new opportunities, thought through new challenges, tried to deal with unresolved problems, and that we think about the road ahead. Thank you.