

## The Path of Transformation to Social and Economic Stability – The role of Private Sector

The last decade of 20<sup>th</sup> century and the first decade of 21<sup>st</sup> century have witnessed some dramatic impact and changes in the global economy. From the macro perspective, the trend of a global scaled redistribution of wealth is quietly taking place; the rising of emerging market economy such as China, India, Brazil, Russia and the Arab bloc is becoming evident; the boundary between socialism and capitalism is blurring; and the relationship between government and the governed is constantly under test. From the micro perspective, new business model development equals the importance, if not more, of technology development; some long neglected traditional business sector is given increasing attentions; and the change of life style generates new business opportunities. It is then evident that we are all facing a brand new brave world, regardless whether we like it or not.

Managing changes takes great courage and wisdom. It often becomes a difficult test for policy makers in the government, CEOs of corporations, big or small, as well as individuals. If one manages changes well, he becomes the master; if one manages changes poorly, he can easily be overwhelmed and eventually vanished. When we address the issue of “Asia’s Economic Transformations and International Order”, we have to bear in mind that there must be a common objective, and I would like to stress our common objective is to achieve social and economic stability to enhance economic growth.

History tells us transformations required to achieve social and economic stability is not only a rocky road but also full of risks. The crucial task to ensure a smooth transformation is to search and identify the source of energy and dynamism to move a society towards stability. A reasonably good government to deal with important policy issues is only a part of the answer. A more important resolution is to recognize and utilize the strengths of the private sector in any given economy. In short, we need both a system to ensure a reasonably good government and a strong private sector to shape the path of transformation.

The type of private sector that will become the source of energy and dynamic power must possess the element of entrepreneurship to be innovative in technology and dynamic in business model. The regulatory and social environment must provide incentives for innovations and economic gain; facilitate easy entry and exit mechanism; encourage start-up and small-medium size companies to grow into bigger

enterprises; allow a capital and financial market with equal entrepreneurial spirit for innovations and creativity.

Building an environment to steer the private sector to the right direction to enhance sustainable economic growth requires close cooperation between and among the government sector, private sector, and educational institutions. Such cooperation should also be expanded into international level in order to cater to the trend of globalization of economy and cross-boarder ventures of companies. To highlight the area in which such cooperation needs to be focused, the following are some of my thoughts and suggestions:

1. To promote the development of start-up companies and venture capital to ensure private sector keeps pumping fresh resources into the engine of economic growth.
2. To introduce a healthy culture of managing business in terms of the relationship between shareholders and the board directors, between board directors and the management team, between the management team and employees, as well as between a company and its customers.
3. To enhance high quality education with innovative ideas and resources from the private sectors, as well as enhancing cross-cultural learning to reduce cultural barrier.
4. To provide incentives to private sector for generating innovative ideas, developing new technologies and business models that constantly bring in new products and services into the market place.
5. To enhance international cooperation in the area of human resource mobility.
6. To structure an efficient and dynamic capital as well as financial market to provide needed equity and debt financing.

Sustainable economic growth relies on a dynamic private sector supported by generation after generation of highly motivated individuals with strong entrepreneurial spirit. Academic and government officials must realize that any economic or business activity will not be a success without the active participation of the private sector. A strong private sector emerged from an environment of equal opportunity will enhance an affluent middle class in any given community. We have indeed also witnessed from a global perspective that any economy requires an affluent middle class to enhance its social and economic stabilities.

We all need to depend on a new generation of talent to be the backbone of such an affluent middle class. The characteristics of such a generation is certainly knowledge-based, full of self-confidence to deal with global challenges, highly motivated with strong entrepreneurial spirit, and possession of the knowledge and

understanding of the history, culture, economy, as well as the different ways of conducting business. The new generation of talent will be well-qualified to establish excellent personal and business connection all over the world without any narrow-minded nationalistic sentiment.