

AID chief proposes 'privatization' to recolonize the Third World

Peter McPherson, administrator of the U.S. Agency for International Development, gave a press briefing at the United States Information Agency's Foreign Press Center in Washington on Feb. 14, on the subject, "Privatization and Development." McPherson outlines how AID, a State Department agency, intends to use depression conditions to reintroduce colonization to Third World nations, under the policy term, "privatization." McPherson links state-sector sell-offs to debt rollover and reschedulings, for example. Whether under the term "debt-for-equity," "privatization," or any other, the policy is: You can't pay your debt, so give creditors your country instead. This, McPherson emphasizes, includes the United States. The following was edited from a Federal News Service transcription.

Privatization is the transfer of government ownership or activity from the government to the private sector. . . .

After World War II, with the independence of many countries, and with the further developments in countries who had been independent for some time, there was a marked philosophy in many developing countries of statism, of controlling the economy from the heights. . . .

. . . In the five, going on six years that I've been head of AID, I can see around the world really a marked move away from such government control of economies and government ownership. . . .

The United States, of course, has had some experience here with our recent sale of Conrail as an example of a privatization activity; Great Britain with the sale of their phone company, was a huge, big, big sale, as you remember. . . . What we have in place in AID is technical assistance to help countries with this. . . .

Q: . . . How do you wean away countries that have been so reliant on statism from that system . . . particularly since . . . major operations that have gone into privatization in developed countries have not always succeeded?

McPherson: Well, the reason that privatization has begun to really catch on is . . . because the old option of government ownership hasn't been working because they didn't have the money to maintain it. . . . The countries begin to recognize that they can't do the job. . . .

And all over the world, governments, of course, have been broke these last few years. Governments being broke throw a whole new weight on matters with—people have begun to be forced to do things that they otherwise just wouldn't have considered. . . .

The other thing that is important to realize here is if a public enterprise is losing a substantial amount of money and a country is very poor, how do you reconcile maintaining that substantial loss. . . .

Q: I'm from Brazil. Could you please tell us, how much money is AID ready to apply in this venture in order to entice governments to get rid of their public corporations? . . . You have concentrated your focus on public corporations that are losing money, but how about the ones that are supposedly efficient, but are seen as an instrument of concentration of power in the hands of the state?

McPherson: We definitely encourage the sale of such entities. In fact, it's usually quite a lot easier to sell moneymakers than it is moneylosers. There are a lot more buyers for that type. And countries too often have started off with the losers, when in fact it was easier to start off with the winners. Over a period of time, usually such companies will become more efficient, there'll be more competition, and for other reasons it makes sense to transfer them. . . . In general we think the transfer of production activity out of the hands of the government makes sense.

Q: . . . Is private just always better than public? If you would show up in Switzerland and say "Well, we've got to privatize the Swiss Railways" which have a somewhat good reputation, you would be laughed at, because this is a government system. It functions perfectly, and it assures that we have decent public transportation in the whole country, and not just between Berne and Zurich. . . .

McPherson: Well, let me ask you a question about the railroad in Switzerland. Does the President's brother-in-law have a senior job on that railroad?

Q: I doubt it.

McPherson: I doubt it. You often find such in the Third World countries. Is there, over the years, the service has not

only been maintained but in your opinion apparently improved? Well, that again is a serious problem. Almost consistently in Third World countries, major government-owned activities, the service, particularly in hard times, deteriorates. . . . Those are the kinds of things that happen in public enterprises in the Third World. . . .

Take this agricultural price issue we've had. All this ties into policy issues, economic policy issues. One of the big things we've argued a lot in the last few years . . . is how much farmers should be paid. . . . The urbanites that could riot and all that, could get cheap food. For years, when you talked about that, people said, "You're going to take that cheap food away from those urban people?" In fact, those urban people were better off than the farmers. And we've argued this issue now in terms of, stop discriminating against the poor farmers.

. . . Well, in some senses, what we're saying about privatization now is that it is not really fair to discriminate against the masses of people in a country by subsidizing these public enterprises that have only a few thousand employees. Stop discriminating against the mass of people.

Q: . . . What can you offer apart from the \$9 billion the World Bank would give under the Baker Plan?

McPherson: Well, the reason that this is an issue that is in the thoughts of everyone is because countries are broke; systems have fallen apart. Things just aren't functioning. And so leadership in countries are beginning to look at matters that 10 or 15 years ago would never have been considered. . . .

I've talked about this in the context of the Third World, that's where it is pinching the most in my opinion. . . . But I don't mean to say I believe this is only a Third World issue. . . . It's clear as to the United States that we feel this is very important. Our sale of Conrail is a good example. . . .

Q: But looking at a country like India, for instance, where the investment is really extraordinarily huge, and there are no private sector agencies that could conceivably buy out the government.

McPherson: Well, one of the things I think can be done and often is done is what are called ESOPS, where employees, in effect, buy the enterprise. Where usually, if the employees buy it, they have to borrow some money for working capital from someplace, or even money to rejuvenate the enterprise. . . .

Q: . . . Monies are attracted into enterprises because of the return on investment. Investment on public enterprises like the infrastructure of railways or telecommunications and steel mills are simply not that great. That's the reason why these are losing enterprises.

McPherson: I don't really want to try to argue what—indi-

vidual enterprises here or in individual countries because there's not time enough to go into the details and besides, of course, I'm not going to know all the situations in depth. . . .

Q: Are you suggesting . . . that the government could reasonably be expected to sell a steel mill—there are six or seven of these giant complexes—to its workers who, in turn, will borrow from the government, which in turn, borrows from the public? So you end up. . . .

McPherson: I don't think it's appropriate for me, in Washington, D.C., to recommend to Mr. Gandhi that he sell his steel mills. I think that's something that Mr. Gandhi has to sort through. If they are major losers, then he will have to look at that and wonder if those losses is the best place to put government revenues.

What I am saying is that around the world, countries are being forced to ask, what's the best thing to do? To lose millions of dollars on my government-owned enterprises?

. . . But I would strongly say that countries all over the world are broke. Countries all over the world need to decide where to put scarce revenues. . . .

Q: Mr. McPherson, Ed Bauman from Caracas, *El Nacional*. . . : The United States is being asked to help out debtor countries—Mexico, Brazil, Venezuela, and so forth. And these countries are ones which are leaders in having national enterprises, state enterprises. Is there any thought being given by your government to linking up the idea of giving the aid, bailout, and doing away with some of these costly state enterprises?

McPherson: You remember the Baker Plan proposals set forth in Seoul, Korea in connection with the IMF-World Bank meeting talked about such an effort; they suggested that countries, debtor countries had the obligation to help themselves . . . and helping themselves generally meant looking at state enterprises, especially state enterprises that were losing substantial amounts of money. . . . But it is clear to me that privatization is part of the whole picture. . . .

Q: Well, you're being asked to bail out Mexico now on an emergency basis. Are you prepared to get tough?

McPherson: I think that question needs to be addressed to Secretary Baker. But I will only say again that Baker's comments in Seoul talked about . . . overall economic policy as well as looking at the extent of the public sector that was there.

. . . I'm talking not just about privatization; I'm talking about the whole range of sort of opening up the economies. . . . Countries that have been most successful in general have been countries that have been in the most difficult financial straits, countries that really had to examine options which they just wouldn't politically be able to consider except for the fact that they didn't have a lot of others. . . .