Faribault 2

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PRIVATE INVESTMENT AND THE ALLIANCE FOR PROGRESS

Among the many criticisms directed against the Alliance for Progress during the past year, none has been heard more often than the charge that private investment has been slighted if not ignored in planning and programming the Alliance. We have heard about the flight of capital from Caracas and Rio de Janeiro to Swiss banks. We have heard about the loss of confidence by U.S. and local investors in the various countries of Latin America as sources for sound investment. The headlines have faithfully and regularly reported on soaring inflation, declining commodity ~~process~~ prices, dwindling foreign exchange revenues and occasional expropriation of foreign properties. The headlines have regularly informed us -- of all the bad news. As always --

~~only~~ bad news merits the headlines. The good news, when it is reported at all, is found on the bottom of page 28.

I can assure you that there is good news to be told about Latin America, about the opportunities for private investment in many countries of the continent. I would like to briefly call ~~draw~~ some of the good news to your attention.

In October of this past year, U.S. and Latin American officials met in Mexico City to discuss the problems of the Alliance. After discussing the problem of private investment with Latin American officials, the U.S. Coordinator of the Alliance, Mr. Teodoro Moscoso, came to the following conclusion:

"It is not too much to say that the facts of development life are beginning to dispel fiction and myth, that Latin American leaders are discovering that the dogmas of yesterday do not fit today's reality. Men responsible for meeting the vast development needs of their countries find that they can ill afford the luxury of intellectual nostalgia, or of agreeing with those who find romance in the empty slogans of an outdated Radical Left."

The conclusion of the U.S. Coordinator one year after the Alliance had begun was that "the Latin Americans had come a long way in learning the true facts -- the fact that the Alliance will succeed only if it accords a large role to a vigorous system of modern private enterprise." They have come to face the fact that of the twenty billion dollars that will be required from abroad for investment under the Alliance program, three billion must come from the United States. Even of the remaining seventeen billion, private investors in other industrialized areas must provide a substantial share. They now recognize, if they did not when the Alliance was launched in 1961, that the larger share of the investment capital needed for the Alliance must come from private sources, both domestic and foreign.

Where is the hard evidence for this increased awareness of the crucial role that private enterprise must play in the Alliance? For several recent examples illustrating this trend, I refer to Brazil. Brazil is not only the largest and most powerful country in Latin America, but a country currently rocked with Xenophobic nationalism.

In a much publicized move a year ago, the Brazilian state of Rio Grande do Sul expropriated the telephone properties of the International Telephone and Telegraph Company. Only this past week, one year after this seizure, the Brazilian government is reported as reaching a settlement with the company compensating it for its properties. The President of ITT, Mr. Harold Geneen, with whom I discussed this problem at a dinner I gave in September for U.S. businessmen involved in Latin America, noted the progress that has been made during the past year in impressing upon Latin American governments the im portance of fair treatment of foreign investors. He stated last week that "this type of equitable solution and continuing government support combined with the contributions of our Latin American friends -- as in this case -- will mark the re-establishment of a favorable new investment and growth climate for all of Latin America." This in my view is hard evidence that in crisis-ridden Brazil, solid progress has been made during the past year in winning recognition of the need for fair treatment of U.S. investors by the local government.

A second example from Brazil reported during the past week is the offer of the Brazilian government to purchase the assets of the American Foreign Power Company at full value. Here is another example of just and fair compensation following the expansion of a foreign government into the utilities field.

The trend toward local ownership of utilities is likely to continue, and U.S. companies can adapt to it as long as the fair compensation cited here is given.

Brazil represents a "hard case," represents a country when the difficulties facing the foreign investor are as formidable as almost any Latin American country. Yet even here progress has been made. In a number of Latin American countries, the investment climate is far more favorable -- such as Colombia, Mexico and Central America generally. And outside such sensitive areas as utilities, the governments welcome continued foreign investment and ownership of industries. Thus new investments have been welcomed in recent years in pharmaceuticals, chemicals, glass, textiles, machine tools and automobiles -- to mention but a few of the industries now flourishing in Mexico, Colombia, Brazil, Venezuela and Panama.

In recent weeks we have been told that some European leaders intend to actively discourage further U.S. investment in Europe, to erect special barriers if necessary to keep out "the American." Whether Europe will remain open to U.S. investors, I cannot say. If Europe should pursue such a short sighted policy, Europe's loss would be the Western Hemisphere's gain. A whole continent remains open to the U.S. investors -- stretching 5000 miles from the Rio Grande to Tierra del Fuego, from the Mexican border to the Antartic. By the year 2000, one half billion people will live in this continental market, eventually to be integrated into a Latin American Common Market. Economic integration has already progressed far in Central America -- with the establishment of the Central American Common Market. It is destined to spread in the near future to South America -- and eventually to produce a unified continental market. Farsighted U.S. investors will recognize that here is a market equal in potential to the European Common Market that has in the past decade been a magnet for U.S. investment. The time has come for the investor to look to the South -- instead of to Western Europe.

For the foreign investor willing to made long-range investments and willing to cooperate with local businessmen, the opportunities are great. Already European and Japanese companies have recognized this -- and U.S. companies will in the future face the competition of Italian, German, Japanese and Belgian companies. I am confident that we can meet this competition -- if we realize now that now is the time to act.

The pattern for business success in Latin America has already been established -- right here in the U.S. The U.S. businessman has a record of unparalleled success in adapting to a changing environment, in combining profitable business ventures with farsighted social welfare programs. American business has recognized that good wages, good working conditions, good educational and health facilities go together with high profits and dividends. To succeed in Latin America they must only apply the same formula. In doing so, they will recognize that if private business is to flourish, disease must be replaced with good health, illiteracy with mass education and slums with good housing. To achieve this, government must necessarily play a large role. But in fulfilling this role of producing healthy, educated citizens, government will be serving private business as much as the public welfare. The partnership of a strong free government and flourishing private enterprise can be the model for success in Central and South America in the next fifty years just as it has been the pattern for success in North America during the past half century.

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R — Parking tickets

D Green Giant