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An Address By

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THE ROLE OF PRIVATE ENTERPRISE IN DEVELOPING COUNTRIES

Governor Bryant, President Reitz, Dr. Wilgus, distinguished participants in the Thirteenth Annual Conference on the Caribbean, Ladies and Gentlemen:

I am sure that all of us who have come here from Venezuela for this meeting appreciate the warm words of welcome from the Governor of the State of Florida and from the President of this outstanding university where we are convened.

We have been aware, of course, for a long time that Florida has had a deep and abiding interest in developing its ties with Venezuela, and many of us who have come up here had the pleasure of meeting Governor Bryant and President Reitz when, with other prominent citizens of this state, they visited Venezuela a year ago. Among the distinguished Floridians who have contributed to this development are Dr. Wilgus, the Director of the University's School of Inter-American Studies, and Dr. Raymond Crist, professor of geography here at Gainesville, who has long been a familiar figure in various regions of Venezuela, carrying out his research projects. We are particularly pleased that we will be able to benefit from their comprehensive knowledge of the area during this conference.

There are very special reasons for the close ties between Florida and Venezuela: geographical proximity, convenient travel and communications facilities, and many points of interest which are mutual. Many of us who live in Venezuela can testify -- a bit ruefully perhaps -- to the irresistible attractions of Florida's great shopping centers. Trade relations go much deeper, however, than personal shopping expeditions. In an economic study made a few years ago, we found that close to $30 million worth of merchandise, together with agricultural and manufactured products, left Florida ports in a single year on their way to Venezuela

Happily, this trade and travel is two-way. Delicious shrimp from Lake Maracaibo are flown up here regularly for the delight of Floridian connoisseurs of fine seafood. There is a large consumption in this state of Venezuelan fuel oil, and if I were speaking here this evening, it would be a good guess that the source of power for the electricity to light the room was our fuel oil. I am happy to report, also, that an increasing number of citizens of this state are taking advantage of the excellent air and sea communications with Caracas to explore Venezuela's fascinating tourist attractions.

There is ample reason to believe that two-way trade, two-way travel and two-way interest will be maintained and increased in the future. This conference organized by the University of Florida will give its participants the opportunity to study the current Venezuelan scene in depth; it reflects an interest on your part that transcends purely economic or geographic factors. Such a study can only bear fruitful results, and it is for that reason that Creole Petroleum Corporation is pleased to be represented here and to have been able to contribute financially to help make this meeting possible.

I

Certainly the conference got off to a brilliant start with the Venezuelan background presentations we heard this morning. Petroleum was mentioned in this connection, and the oil industry in Venezuela may, indeed, look back upon a productive past and also, I hope, look forward to an equally productive future. My own company and its predecessors can now claim 40 years of activity, and at least one of our competitors goes back for nearly half a century.

Were I to recount history, I could tell of the adventurous and ingenious oil pioneers, most of them North American, British or Dutch, who hacked paths through jungle and swamp, who braved all manner of disease and hardship, who even stopped a few Indian arrows, and who brought in the first oil wells. These rough and ready individualists often formed close friendships with the Venezuelans alongside whom they worked, but as large numbers of foreign technicians came to the country to operate an expanding industry, social and economic distinctions sometimes tended, unfortunately, to develop. Great sums of money were needed to build camps and operating installations in those early days, and taxes paid were necessarily low.

This, of course, is the background and blessedly far back it is! The Venezuelan oil industry today takes second place to none in the skill and ability of its work force, the modernity of its plant and equipment, the efficiency of its operations, and its role as a positive factor in the nation's growth. Venezuelans fill a majority of administrative and technical positions. U. S. investment in the industry is the largest by this country in any single nation in the world. As an indication of operational efficiency, it might be mentioned that private oil companies last year were able to pay a daily tax bill of nearly $3 million and still show a profit.

I think a valid point can be made that, with respect to its oil industry, Venezuela today definitely is not an under-developed nation. Oil is Venezuela's principal natural resource, and it has been developed rapidly and energetically by private enterprise. This has provided the Venezuelan nation with a large and steady income for development purposes.

In addition, the private sector of the economy in general has increased greatly in strength and importance since the end of World War II. Eminent representatives of Venezuelan industry, finance and agriculture are with us at this conference. The progress and energy which are increasingly characteristic of the Venezuelan--and Latin American--managerial class should be recognized as one of the most encouraging development in the area.

In Venezuela, raw material producers, industrialists and agricultural operators combine to constitute a creative and productive force of tremendous potential. Their activities, if carried out in an investment climate propitious to private enterprise, can best assure the production of wealth which is the basis for national growth and development.

II

In considering the role of private enterprise in developing countries and in the particular segment of these countries that interests us--Latin America--the Alliance for Progress immediately comes to mind. The prophets of gloom and doom have been enjoying a field day recently in their comments on this program, and I'm sure that Ambassador Moscoso will deal adequately with their pessimism later on in this program. I will just say that those who expected the Alliance to transform Latin America overnight, together with those who expected it to be an unbroken series of advances, are simply not being realistic. This is a long-range project, in which progress must be measured in years, rather than in days. But its goal of basic modification of the hemisphere's economic and social structure is a valid one, in which private enterprise is and has been all along profoundly concerned.

The role of private enterprise in the Alliance program is a great deal more important than many people realize. The financing by government and international money agencies is expected to provide little more than one-third of the total of $100 billion, which, according to Ambassador Moscoso's speech in Chicago last month, is the amount of investment needed through this decade to achieve the Alliance goal of an increase of 2.5 per cent per year in Latin American per capita income. Two-thirds of the burden will fall on the private sector, both incoming foreign capital and investment from domestic sources. The dimensions of this staggering figure are indicated by the fact that the sum total of U. S. private investment in Latin America, at the latest reckoning, is just over $8 billion.

I would point out, however, that these investments have been a tremendous factor in Latin American progress. This fact places private enterprise in a strong position to play a major part in fulfilling the aims of the Alliance. I believe that official quarters in both Washington and Latin American capitals are becoming increasingly aware that if the Alliance is to succeed, the chief drive must come from private sources.

If the predominant role of the private sector is acknowledged--as it should be--by government, it follows that the main stress of official policies must be encouragement of domestic savings and investment. The private sector should be assisted and stimulated. It should not be subjected to continual restriction and criticism.

Both in the United States and Latin America, it seems to me, there has been something of a tendency in the past on the part of official quarters to understate the importance of the private sector's contribution. Recently, however, there have been encouraging indications, especially in Washington, that government is more and more according due recognition to the substantial accomplishments of businessmen in the general effort toward economic development. Such recognition goes far, of course, toward establishing the atmosphere for effective cooperation between the private and public sectors that is indispensable to the success of our undertaking. A similar shift in official opinion in the Latin American capitals would further strengthen our prospects for achieving the common goal..

Our governments urgently need the all-out support of private enterprise if the grand design for hemispheric economic and social development is to be carried through, just as private business needs the understanding and comprehension of its efforts in official quarters so that the two sectors can work together on the task that demands the maximum efforts of both.

III

We of the private sector have a right to expect sympathy and understanding from government, but we must not expect that government provide our main defense against the Communist onslaught.

In the idiological realm, as in all others, we must rely on our own efforts. We must realize that the primary weapon of the Marxists is the idea. We must counter Marxist theories of development with our own. We must stand up to their attacks and point out their fallacies.

The Communists and their allies attack private business and investment chiefly on the following grounds: (1) it requires a profit; (2) it is in private hands rather than state-owned; (3) it often is subject to foreign ownership, thus somehow making it contrary to national interests.

Under Marxist theory, the effort to make a profit from economic operations is the ultimate crime. Put as simply as possible, what is the case for making a profit?

First, in the name of profit, private enterprise does its utmost to obtain the optimum use of capital, labor and materials at its disposal. Consequently, more goods and services are produced at lower cost than is possible under any other system. Profits make possible the new investment needed for the growth of any enterprise. It also means that employees of the enterprise are rewarded for merit and are able to advance as fast as their own skills and application permit.

Thirdly, in the name of profits, it can be demonstrated that not only are society's material needs being met, but that human and spiritual values are being promoted as well. We believe it is self-evident that man will discipline himself and develop his own potential more effectively when he is seeking to advance his own interests. The virtues of self-reliance, independence, careful and efficient performance, and individual creativity are by-products of the conditions that prevail under the profit system. And I submit that in fostering these standards, we are making it possible for the individual to live in peace, dignity and mutual respect with his neighbor.

The Communists have proved that an industrial society can be built upon centralized authority and disregard of man, as an individual. We of the West, who want our industrial society imbued with freedom, have in the profit motive the most reasonable basis for democracy, the form of government we believe to be the most satisfactory and rewarding.

IV

Let me turn now to the question of private vs. state enterprise. The point of departure of our Marxist critics in this area is that all means of production must be in the hands of the state. They claim that private enterprise is selfish, exploits its workers, plunders the natural resources of the country and, in the case of developing countries, seeks to keep the host country in the "colonial status" of the last century. By the same token, they declare state enterprise would remedy all these defects.

We believe the most effective answer to all these charges is to be found in an objective comparison of the material well-being of the western countries that have flourished under private enterprise with the conditions in Iron Curtain countries subjected to Marxist economic theory.

In the case of developing countries, we feel there is an urgent need for a common front in which both private enterprise and the state can make maximum contributions toward national growth. Eugene Black, former president of the World Bank and a man who knows probably as much as anyone about the problems of developing countries, has pointed out that perhaps their major problem is the allocation of limited resources. They must, he said, reach the hard decision of how to invest public funds so that they will produce maximum benefits.

In the case of developing countries, particularly, we believe that public funds should be destined to the realization of those projects, essential to the nation's growth, that traditionally are regarded as functions of government. The sum total of such projects has been called by the economists social overhead capital, or infra-structure, and includes roads and communications, education, public health, development of sparsely settled areas and the like.

There are no developing countries with enough resources to carry on these activities and at the same time branch out into fields served efficiently by private enterprise. Furthermore, private enterprise operates in its given field with a high degree of efficiency, while the general experience has been that state enterprises not only fail to show a profit but actually drain the public treasury to supply chronic deficits.

It would seem clear, then, that in all economies there is a function for the state and a function for private enterprise. The combined efforts of both are urgently needed to provide the maximum contribution to national development.

V

In connection with the third principal target of Marxist attack--foreign capital--I would like to refer specifically to the company by which I am employed, Creole Petroleum Corporation.

Our character as a foreign enterprise is self-evident, and we make no attempt to disguise it. But we try to show, by our actions and attitudes, that we are motivated basically by the interests of Venezuela and that we believe the interests of Venezuela to coincide with our own over the long term. The fact that we have been operating there profitably for 40 years would appear to offer evidence that this is a viable position. And although xenophobia has been a convenient rallying cry for demagogues since the days of the Greeks and the Persians, it is possible that this ancient shibboleth may be losing some of its impact in today's world: the steady "shrinking" of the globe and the growing interdependence of nations are having their effect.

No modern industrial nation could have achieved its present status without the aid of capital, techniques and know-how from beyond its borders. It is a familiar story to you all, I'm sure, that our own great industrial and commercial growth of the 19th century received much of its impetus from British and other European capital.

In addition to its direct economic contributions to the host country, foreign capital brings with it many intangibles that may prove of greater ultimate importance. Modern business management methods, large-scale production techniques, transportation and distribution systems and other attributes of up-to-date economic operation are among them. Not the least of these benefits is the training and experience acquired by nationals of the host country, who occupy an increasingly important proportion of the top jobs in our enterprises. Four of the nine members of our board of directors are Venezuelan, a former director is now the head of world-wide producing coordination for our parent firm, Standard Oil of New Jersey, and other Venezuelan executives who received their training in Creole are now active with affiliated companies in Argentina, Colombia, and the U.S.A.

Allow me to illustrate my remarks with a concrete example of the way we seek to contribute, above and beyond our operations as an oil company, to the Venezuelan economy.

Creole has always tried to identify its interests with those of Venezuela. We believe a mutuality of interest exists among the government, the community at large, our employees, and, of course, Creole itself. This position had led us into activities that might seem remote from the oil business but that, in the final analysis, contribute to bolstering the economy. They include scholarship programs, extensive contributions to agriculture, housing programs, public health and education projects and a broad program of investment in such varied projects as hotels, ferry services, food distribution and retailing, hospitals and packing plants.

Last year, we took steps to aid the economy, in a period of stress since 1958, in a more systematic way. We established the Creole Investment Corporation to make investments in Venezuela in private enterprises unrelated to the oil industry. We hope to aid in the industrialization of the country and in promotion of economic recovery. Lack of capital had been a principle obstacle to both objectives.

To date, the Investment Coporation has provided excellent results. It has invested $4.2 million in 17 enterprises that have created 1,300 new jobs directly and several thousand additional jobs in back-up and associated industries. It has received overwhelming public support and has attracted a great deal of favorable comment abroad.

This project, we believe, fulfills all the basic principles of the private enterprise system that I have enumerated. At the same time, it is making a basic contribution to the Venezuelan economy, the economy of a developing country.

I cite it because our company has been directly involved, but other segments of the private sector in Venezuela are carrying out similar projects.

VI

Profit making by private enterprise, whether financed by national or foreign capital, is entirely compatible with a broad degree of public responsibility.

This sense of high responsibility is found in a broad sector of private business in Venezuela: responsibility toward employees, toward the community, toward the public in general and toward the government.

We have been speaking of the economies of developing countries, but, in my view, we could speak with equal relevance of the developing nature of private enterprise. Competitive private enterprise is the most effective system developed to date for providing man with the goods and services he needs and wants in his aspirations for the better life. And it carries with it a flexibility and an adaptability that permits it to grow and to change.

The very forces that have given rise to the revolution against the status quo are forces that were in large degree generated by the economic progress of the western world, operating under an evolving system of private enterprise. It is these forces which constitute the true revolutionary ferment in today's world, and not the doctrine of the Marxists or other totalitarian systems. And it is these forces which impose on private enterprise its demanding role as the chief instrument for progress in the economies of the developing nations. Given its past achievements and its potential for future accomplishment, I am convinced that private enterprise will discharge this role with a full measure of success.

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