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# Reporting on International Economics and Development

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*A Symposium for  
Foreign Journalists  
October 1-3, 1987*

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Foreign Journalists  
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**Sponsored by the  
U.S. Agency for International Development  
and the  
U.S. Information Agency  
in cooperation with the  
Center for Foreign Journalists**

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# INTRODUCTION

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**F**or three days in October 1987, the Bureau for External Affairs in the U.S. Agency for International Development (USAID) hosted a symposium for 20 journalists from 15 developing and newly industrialized countries.

The symposium, conducted at the Center for Foreign Journalists in Reston, Va., provided an opportunity for the visiting journalists to hear from a distinguished group of panelists representing government, business and the media and to examine a variety of economic and development issues.

Participants discussed the economic status of developing countries, U.S. international economic policy and the role of foreign aid in promoting economic growth in developing countries.

Among the panelists were top administrators from USAID, officials from major U.S. banking and investment firms such as Goldman, Sachs & Co. and Citibank, and representatives from important U.S. publications such as the *Wall Street Journal* and the *Los Angeles Times*. The panel presentations were followed by question-and-answer sessions, which produced provocative opinions and lively discussions.

This booklet contains a compilation of excerpts from the symposium.

USAID extends special thanks to Ben Powell for his efforts in planning and organizing the symposium.

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## SPEAKERS

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**THOMAS BLANK** is assistant administrator for the Bureau for External Affairs of the U.S. Agency for International Development. From 1983-86, he served as vice president for external affairs at Rollins Environmental Services. Previously, Blank was associate director for public affairs at USAID in 1983, acting director of public affairs and special assistant at the Department of Transportation from 1981-83, and administrative assistant and press secretary to Rep. Robert Walker.

**JOHN MAXWELL HAMILTON** recently rejoined the World Bank after a two-year absence during which he directed a project for the Society of Professional Journalists. During the Carter administration, he served with USAID as an Asia specialist and as a nuclear non-proliferation specialist for the House Foreign Affairs Committee. Hamilton began his career as a reporter and covered international topics for various publications and broadcasting networks. He is now visiting professor of journalism at the Medill School of Journalism, Northwestern University. He earned a doctorate degree in American civilization from George Washington University.

**ROBERT HORMATS**, vice chairman of Goldman, Sachs International Corp., deals primarily with the development and execution of Goldman, Sachs' business in Western Europe and Canada. From 1981-82, he was assistant secretary of state for economic and business affairs with responsibility for developing and implementing U.S. foreign economic policies. He also served as deputy U.S. trade representative from 1979-81 and was a senior staff member for international economic affairs on the National Secu-

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riety Council during the Nixon administration. His articles have been published in *Foreign Affairs*, the *New York Times*, the *Washington Post*, *American Banker* and the *Financial Times* of London. He holds a doctorate degree in international economics from Tufts University.

**THOMAS HUERTAS**, assistant to the vice chairman of Citicorp/Citibank, is responsible for economic analysis of strategic and regulatory issues. He is the director of the Wall Street Planning Group, a research fellow at the Lehrman Institute and a member of the economic advisory committee for the American Bankers Association. Huertas has had works published in several journals, including *American Banker* and *Issues in Bank Regulation*. He is also co-author of *Citibank: 1812-1970* (Harvard University Press, 1985). Huertas has a doctorate degree in economics from the University of Chicago.

**JACK KRAMER** is editor of the *Washington Business Journal*. From 1978-82, he was Cairo bureau chief for *Business Week* and, during the 1970s, was a reporter for the *Wall Street Journal* and *Time* magazine. Kramer also has started and managed publications in the United States and overseas.

**TIMOTHY O'NEILL**, now with the Treasury Department, was deputy director of the Office of Legislative Affairs at USAID. He was legislative director to Sen. John Heinz (R-Pa.). O'Neill, a graduate of Harvard Law School, is a former associate of the Washington law firm of O'Connor and Hannan.

**ART PINE**, editor of *International Economy*, was chief international economic correspondent for the *Wall Street Journal* from 1981-87. His economic reports have appeared in the *Washington Post*, the *Baltimore Sun* and the *Atlanta Constitution*.

**AMBASSADOR ERNEST PREEG** was chief economist and deputy assistant administrator for the Bureau for Program and Policy Coordination at USAID until his recent retirement. From 1985-86, he served as senior economic adviser to the Philippines and from 1981-83 as the U.S. ambassador to Haiti. Preeg has served as deputy chief of mission in Peru, executive director for the Economic Policy Group of the White House during the Ford administration and deputy assistant secretary of state for international finance and development.

**TOM REDBURN** is an economics reporter in the Washington, D.C., bureau of the *Los Angeles Times*, covering domestic and international economic policy. Redburn also has been a business reporter at another Los Angeles newspaper.

**WILLIAM REINSCH** has been chief legislative assistant to Sen. John Heinz (R-Pa.) since 1976. He is Sen. Heinz's principal staff adviser on international trade issues.

**STANLEY RUBENSTEIN** has served as chairman of Rubenstein, Wolfson and Co., Inc. since 1960. Previously, he was an account executive for Ruder and Finn, and a financial reporter for the *Journal of Commerce*.

**KOMAL SRI-KUMAR** is a senior vice president for international trading and capital development at the investment banking firm of Drexel Burnham Lambert. Sri-Kumar focuses on the growing secondary markets for international debt instruments. He has a doctorate degree in economics from Columbia University.

**LEE VERSTANDIG** is the chairman of Verstandig and Associates, Inc., a government relations, strategic planning and problem-solving consulting business. Over the last 10 years, he has

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served in a number of government positions, including assistant to the President and chief of staff to the First Lady. From 1983-85, he was assistant to the President for intergovernmental affairs, serving as the President's representative to state and local elected officials. Verstandig also has served as the assistant secretary for governmental affairs at the Department of Transportation and as acting administrator at the Environmental Protection Agency. Verstandig has a doctorate degree in history from Brown University.

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Participants at the roundtable discussion on "No Way Out? Facing the Global Debt Problem" consider ways in which the debt burdens of developing countries can be overcome.

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# PARTICIPANTS

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- Ev Bauman:** *El Nacional*; Venezuela  
**Jose Carreno:** *Notimex*; Mexico  
**Julio Cesar Duran:** *El Diario*; Bolivia  
**Raghavendra Chakrapani:** *The Hindu*; India  
**Julio Crespo:** *La Nacion*; Argentina  
**Raphael Fernandez:** *Uno Mas Uno*; Mexico  
**Norman Fu:** *China Times*; Taiwan  
**Josefina L. Ilustre:** *Philippine Inquirer*; Philippines  
**Frantz Israel:** *Cosmo Politique*; Haiti  
**Jing Xianfa:** *The People's Daily*; China  
**Delia Linares:** *Venpress*; Venezuela  
**Samsu Mahfudi:** *Sinar Harapan*; Indonesia  
**Threes Nio:** *Kompas*; Indonesia  
**Bisi Olawunmi:** News Agency of Nigeria; Nigeria  
**Gonzalo Ortiz, Ph.D.:** *Hoy*; Ecuador  
**T.V. Parasuram:** Press Trust of India; India  
**Sulliman Sayed Quinawy:** *Al Ahkbar*; Egypt  
**Stephen Tanzil:** *Jakarta Post*; Indonesia  
**Nayyar Zaidi:** *Jang*; Pakistan  
**Juan Zuniga:** *El Comercio*; Peru

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**Tewfik Mishlawi:** *Symposium coordinator for the  
Center for Foreign Journalists*

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# FOREWORD

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**F**or international development professionals, one of the most significant indicators of progress during the last 25 years has been that sectors other than government have emerged in many developing countries. We have seen, for instance, academic, business, religious and financial sectors take root and grow. This development represents success but also presents a new challenge to donors and recipient countries.

For the first time, there is a real need to communicate with a broader cross-section of those societies with which we work. Communicating our purposes, objectives and intent through the news media in host countries is fast becoming necessary for the U.S. Agency for International Development.

Accordingly, we have expanded our interaction with the U.S. Information Agency by sharing resources and developing joint communications strategies. USAID has created the Office of International Development Communications to manage this effort. Further, the Agency realizes that the media in host countries are important audiences that we need to understand. Likewise, we have recognized a need to ensure that foreign media have adequate knowledge of USAID.

Today, it generally is accepted that a central objective of development is to foster economic growth. A key ingredient in sustaining the kind of economic growth necessary to raise standards of living in developing countries is the free flow of information. A logical offshoot of this is USAID's desire to encourage a free and responsible press in the societies where we work and, more specifically, to encourage accurate reporting on economic issues. This was the seed from which this symposium grew.

The growth of freedom—economic and otherwise—is the overriding goal of the USAID program. And, we need to ensure that the media throughout the world are a part of that growth.

We are encouraged by the comment of Ev Bauman of Venezuela's *El Nacional*, who closed the conference by noting an important change he has seen: "There is a new freedom in the world and in all of the countries represented here. We are very happy to talk to you."

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# NO WAY OUT?

## *Facing the Global Debt Problem*

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**TEWFIK MISHLAWI:** Our guest is Robert Hormats, vice chairman of the investment banking division for Goldman, Sachs International Corp., and formerly assistant secretary of state for economic and business affairs and deputy U.S. trade representative.

**ROBERT HORMATS:** Over the last few years, finance ministers and central bank governors of the large industrialized countries have been attempting to develop closer economic relations, to reduce an overvalued dollar and to achieve greater coordination of their domestic economic policies to reduce imbalances in the world economy. If the industrialized countries can achieve these goals, the world economy might become more stable.

If the United States attempts to dramatically reduce its trade deficit without a corresponding increase in imports from other industrialized countries, the countries that will suffer the most will be the developing countries, particularly in Latin America. And that, of course, has major implications for the international debt situation.

For instance, suppose the United States attempts to reduce its trade deficit by \$70 billion or \$80 billion from the \$160 billion deficit of 1986 by reducing its budget deficit or raising interest rates and slowing growth, and that at the same time other countries fail to pick up the slack. Developing countries will then find it much more difficult to earn money to service their debt and to increase their exports to gain the foreign exchange needed to grow more rapidly. So the global adjustment problem is related.

The debt situation is linked to how the United States and other countries deal with economic imbalances. We had, in the 1970s, been experiencing high interest rates and high inflation. In the 1980s, governments decided that they must fight inflation by raising interest rates. Banks that loaned money on the expectation of future inflation and countries that had borrowed on that same premise found themselves in difficulty. The issue now is how to solve the problem.

A point worth noting is that debt problems have not affected all developing countries the same way. The international economic environment affects all countries to a degree. But those that pursued more

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prudent domestic economic policies, particularly countries in the Far East and others such as India and Colombia, were able to avoid serious trouble.

On the other hand, countries that borrowed heavily and failed to use the money effectively found themselves in difficulty. Thus, I think most finance ministers would say that the problem has to be dealt with on a case-by-case basis, using a variety of techniques. There is no one answer, but there are a number of partial ones.

Clearly, banks that did the initial lending are going to have to continue to provide a substantial amount of new money, because without it economic activity would wilt in the debtor countries. And increased exports are absolutely necessary. The debt problem will never be

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*“If the United States attempts to dramatically reduce its trade deficit without a corresponding increase in imports from other industrialized countries, the countries that will suffer the most will be the developing countries, particularly in Latin America. And that has major implications for the international debt situation.”*

*Robert Hormats*

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solved without substantial economic growth in the world. That means the United States and other major economies must grow. We also must avoid protectionism. Institutions such as the Export-Import Bank of the United States and export-import banks of other countries should provide enough guarantee authority to ensure more exports to debtor

countries, particularly of needy items. In addition, multilateral institutions such as the World Bank must provide capital increases.

The United States has indicated that it will participate in a large capital increase, as have other countries. However, at a time of budget deficits, asking Congress for more money for the World Bank is difficult, just as it would be in any of your countries if you were cutting your domestic budget in favor of external programs. Thus it's important for other industrialized countries, many of which are large exporters of capital and in a better position, from a budgetary standpoint, to provide more money and more markets.

It's also important to draw distinctions among high-debt countries. The situation of African countries is quite different from that of Latin American countries. Although one can argue that debt relief is inappropriate for some of the larger countries of Latin America, it may well be that that is the only answer for some of the very poor countries of Africa, which for domestic and other reasons simply can't pay all their debt. A large part of their debt, of course, is owed to governments and, therefore, writing down some of that money has a budgetary impact on government. But it doesn't have an impact on the banking system as it would if the Latin American debts were written down. Another point is that developing countries that do face major debt problems need to look at those that have avoided them. It was not inevitable that Latin America get into these difficulties. A number of countries avoided such problems by the right economic policies

I will close with a couple of general points about the world economy. First, the beginning of a new round of international trade negotiations, the Uruguay Round, is under way. That is vital for the developing world because this negotiation is not just about a few tariffs or a few rules. It's about the way the trading system will look in the next century. There is a strong feeling in the United States and other industrialized countries that developing countries are much more significant participants in the international trading system than they have been in the past and that developing countries will have to make a contribution to a more open trading system if they are to obtain more access to markets in the United States or Western Europe. It's difficult to ask the American people to open their markets to developing countries for the products in which they have a comparative advantage if products in which the United States has a comparative advantage are declared off-limits by some developing countries. The internationalization of the trading system means that all countries have to contribute to a more open system.

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Second, over the next few years, debate will grow regarding international monetary reform. It promises to be an interesting debate because it has such an enormous effect on all economies. And it's important that the developing countries play a key role in it.

Exchange-rate rules mean a lot to these countries, and they certainly would have an interest in these negotiations. That means broadening the discussions. The interim committee of the International Monetary Fund (IMF) is a vehicle with which to involve developing countries. These countries should submit their views quickly because they are going to be affected by the system and certainly should have a voice in that system.

**BISI OLAWUNMI:** What is your assessment of adjustment programs?

**HORMATS:** I think many of them have failed, particularly in Africa. The IMF often encourages currency devaluation with the objective of improving a country's export competitiveness. Sometimes, and particularly in Africa, the infrastructure isn't there to generate large amounts of new exports. Also, commodity prices have been weak for most African countries, which hurts exports. There has been progress in some countries, such as Senegal. But in much of Africa, the infrastructure is quite different from that in other countries, and they simply can't make the improvements as quickly or in the magnitude that is expected. And they certainly can't do it in an environment of very weak commodity exports. It can be done, but it involves additional resources to promote that sort of adjustment over a period of time.

**JOSE CARRENO:** One trend on the international scene is debt-for-equity swaps. To what extent do you think they will become a part of the international debt picture?

**HORMATS:** There is room for them, but the amount is going to be relatively small compared to the overall amount of debt. They are one piece of a solution. Even though the amounts aren't enormous, they can be helpful.

One problem is that developing countries do not want foreigners to invest or buy shares in good companies. Instead, the investor is diverted to the worst companies. This is not always the case, but there are instances where it occurs.

Also, in many countries the private sector is squeezed by the government to the point that it can't really be as productive as it should be.

So it's hardly likely that a foreign investor will want to buy into it. If swaps are to work, there need to be more companies available.

**RAGHAVENDRA CHAKRAPANI:** Suppose the debtor countries decide to write off the debts and start with a clean slate. What consequences do you foresee?

**HORMATS:** You would find over a period of time that no one would lend more money to the country. Some countries might not mind that, but most countries depend on trade credits and a constant stream of new credits, and those would stop. Then a country probably would be ostracized by creditors who would make sure it received no more IMF or World Bank loans. I suspect it would be a very unsatisfactory period for that country.

**ERNEST PREEG:** There is a need for macropolicy adjustment among the industrialized countries. There was a positive note in that President Reagan signed a bill to reduce the deficit. There is also some evidence that Japan's current account surplus is being reduced somewhat. That has positive implications for keeping the system in balance and the trading system more open. The German situation is less clear.

A second issue is that the United States has absorbed more than 60 percent of import growth in manufactured products of developing countries. Can this be broadened? There is some indication that the Japanese market is absorbing some additional manufacturing imports from developing countries, but we don't really have a clear picture. The GATT round is very important in terms of a transitional process, particularly for the advanced developing countries. There is now a merging of interests, I would think, in many areas between certain developing countries and certain industrialized countries. The GATT round will not have the traditional north-south polarization, I would say, when we get to real trading interests in the 1990s.

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*"Unless countries have the  
right policy orientation, all  
the innovations in the world  
will not work."*

*Ernest Preeg*

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Finally, there's an institutional problem in that finance ministers and trade ministers don't always sit down together. The IMF and GATT should be working with each other closely. As long as there is this separation institutionally of trade and finance, there is a real problem in bringing these issues together. The U.S. government accomplishes that through the Economic Policy Council, but that doesn't exist in the international framework. It's a problem that I hope we can come to grips with over the next three to five years.

Instruments issued by developing countries must offer to investors a rate of return commensurate with the degree of risk that the investor is going to assume. Currently, traditional bank loans, particularly those in which no interest is being paid, do not meet that criteria. The long-run solution, therefore, must be to bring countries back to the global capital markets so that they can attract money on a voluntary basis, money that will enable a country to accelerate its growth, finance its trade and, in general, produce a more efficient economy.

Market-related economic policies are necessary to free economies, put them on the path for self-sustaining growth and make investment in those countries attractive to foreign and domestic investors. The second component that can help a return to the voluntary capital markets is the restructuring of the existing stock of instruments. This would include debt-for-equity swaps, debt-for-debt swaps, buyback schemes, bonds such as the exit bonds, perhaps the new money bonds, and in limited amounts some kind of interest rate adjustments that would give a country some protection against increases in rates. The common theme is that they represent a step toward the market. And in that respect, they contribute toward a solution to the problem.

**KOMAL SRI-KUMAR:** I'd like to suggest that emphasis be placed on market-oriented solutions. I think more emphasis is needed on debt-equity conversion. I think it is possible to do so without raising concern about infringement on national sovereignty. Another market-oriented solution will be swapping debt for commodities. If properly instituted, debt-to-debt swaps linked to the commodities in which some of these countries specialize can serve as exit vehicles as well as vehicles to provide new money to countries. Thus, there are several opportunities.

Bear in mind some historical points. The United States had to borrow to pay its interest as late as 1873, which is not very different from the situation of some countries today. Also, many developing countries, and this would include Western Europe as late as the 1930s, were able to get out of their debt-service difficulties partly because of their ability

to buy back their debt at sharp discounts in the secondary market, which is starting to happen with developing countries today. The problems are not small. But I'm confident that when the proper steps are taken, the debt problem can be solved.

**EV BAUMAN:** In view of the capital outflows in recent years from developing countries, is the amount of new capital sufficient to deal with debt problems?

**THOMAS HUERTAS:** We hope that it will be through cooperation between the countries and their creditors, both official and private. In terms of outflow, the actual stock of debt has increased since 1982, so that countries have been able to increase their debt. There is actually more money going into the countries.

In general, capital flows to those areas where the rate of return is attractive relative to the risk. I think capital inflow or outflow of any country depends on the investment climate offered in that country. Much of the capital outflow from developing countries has been caused by a poor investment climate in the country concerned, while much of the capital flow is from an improvement in the investment climate. In terms of preventing the flight of so-called corrupt money, it's the policy of our bank and the policy of other leading banks not to solicit or accept money that has been taken out of a country in violation of that country's laws or in violation of the laws of the country in which the money is deposited.

**PREEG:** South Korea, for example, is one of the big debtor countries, and yet it is on a very growth-oriented track. Thailand has moved into a very creditworthy position and is borrowing in commercial markets. Newly industrialized countries can turn around quickly when they change their policies and their investment climate.

**JULIO CRESPO:** How much does the U.S. government influence private banks? Are decisions made only on an assessment of the economy of the particular country, or do political considerations play a role?

**HUERTAS:** It is not the role of the private banks to dictate policy. That is the province of governments and the multilateral development banks such as the IMF. The primary focus of a commercial banker is to be able to continue to service his deposits on a timely basis. To do so, the commercial banker must look at appropriate investments commensurate with the risk involved. So that fact of commercial life places a

very constraining role on the political considerations that can enter into a bank's decisions.

The role of the private banks in the restructuring process has been an advisory one as far as I can determine. And the role of the banks on the committee has been to relay to official circles their estimate of what the marketplace can expect in terms of the entire texture of policy agreements. Private banks are reasonably forthright in terms of articulating the kind of policies that the marketplace would find attractive.

**STEPHEN TANZIL:** Mr. Huertas, apart from the poor African countries, do banks rule out writing off debts to countries in severe difficulty such as the Philippines? Is there really much difference between the IMF and the commercial banks in terms of policy?

**HUERTAS:** I think there's a distinction to be drawn between writing off a debt and reserving against possible future losses, and a forgiveness of the debt or an extinguishing of the debt. What banks have done recently is to reserve against possible future losses. They have not actually written off or written down debts.

Banks will continue to follow their policies on write-offs, and certainly there have been extensive write-offs of debt to private-sector enterprises in many developing countries in which banks have decided that a debt is uncollectable because, for example, a company has gone out of business. But even in those circumstances, the bank continues to pursue whatever recovery it can hope to achieve under the laws of that country.

**SRI-KUMAR:** Compared to 1982-83, when the role of the IMF was predominant and that of the World Bank secondary, the World Bank has a bigger role in terms of international assistance among official entities. The IMF, by its nature, has to work hand in hand with the creditors because the IMF's role is to ensure that new credit goes into a country.

But clearly I think the IMF's role has been pivotal. It is much more than an enforcer. It listens to banks and ensures that the banks' views are heard. After all, the banks are independent commercial entities that have to be induced or encouraged to put money into developing countries. So that's a delicate role that the IMF has to play.

**PREEG:** Most of the countries of sub-Saharan Africa and the rest of the continent must undertake basic policy reform in their economies, and this is going to take a number of years. What USAID has been

trying to do over the last two or three years is to determine a medium-term growth strategy for these countries, including policy reform, because there's very limited commercial bank lending.

To support this, several innovative approaches have been taken over the last two or three years, including the policy framework approach in which the IMF, the World Bank and the host government lay out a plan for policy reform over several years so that they are all working from the same brief.

The United States is having problems with its aid levels, but the Japanese are putting in more money, as are the Europeans. The African Development Bank also is very good in the way it goes about using its resources. The World Bank has other ideas about a financing package. There are still some gaps, but each of these elements helps.

The World Bank and the IMF have been evolving very substantially in the last few years to respond to problems. But unless countries have the right policy orientation, all the innovations in the world will not work.

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*"The main reason Americans are learning to appreciate international economic issues, just as they're learning more about foreign languages, is that they're being forced to."*

*Art Pine*

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## KEEPING IN TOUCH: *Communicating on International Trade*

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**JOHN MAXWELL HAMILTON:** Like everyone else, journalists have to stay ahead of the curve, and it's sometimes difficult.

I think American journalists have begun in recent years to do a better job covering international issues. They have not done as good a job as they should have. I think we have a long way to go before we really explain to Americans that what happens abroad really makes a difference to them.

In India, people know about the World Bank because it's a very important institution to them. On the other hand, it's fair to say that most people in the United States don't care about the World Bank, and as a matter of fact, the World Bank probably isn't a very big issue for most Americans. Their relationship to the bank is far different. So the kinds of problems that we all have are different.

**ART PINE:** American journalists have become more interested in international affairs and international economics than they used to be. I think the main reason Americans are learning to appreciate international economic issues, just as they're learning more about foreign languages, is that they're being forced to. The global interdependence and internationalization of financial markets and of economic development have forced Americans to know more about these issues. And I think you will see that reflected in U.S. policy.

**STANLEY RUBENSTEIN:** My perspective is perhaps different from my co-panelists in that I work primarily on behalf of private business.

On the one hand, at times we seek to communicate with the press primarily to create new business opportunity. On the other hand, in more recent times emphasis has been placed on damage control and crisis situations.

The businessman who is doing a good job with the right kind of communication when things are good will gain some understanding from when things aren't so good. Consistency is important in communications. This means there should be a continuing dialogue.

The press-business relationship in the United States is often adversar-

ial. This might differ in some other parts of the world, but that is generally the case in the United States. Because of this, you might find many American executives wary, if not afraid, of dealing with the press. It's not unusual to hear an executive cite instances in which he thinks a journalist has misunderstood or misquoted him. At the same time, the executive knows that his long-term interests are best served by more, not less, communication.

You, as foreign journalists, meeting executives in the United States, have additional barriers to overcome. The competition is fierce. Journalists are better educated and more specialized. The issues are complex, and time is compressed. Language can be a problem. Thus, if you're going to deal with business in this country successfully, you're going to have to do your homework.

In dealing with people as a news source for the first time, they should try to know your publication, but you can help. Make sure they've seen it before you talk with them. Make them understand the kind of stories that you do, your readership, something about the economy of your country, and why it's important for their organization to communicate with your audience.

I think most American business people are increasingly aware of the world press. The lines of communication are getting shorter and longer. They're longer in the sense that the issues are broader and, as I have noted, more complex. They're shorter in that technology has made communication faster. That means we have to be accurate and fast. It's hard to catch up with the errors.

Finally, you are very important to the U.S. business community, the U.S. financial news sources. Just survey the editorial pages of any U.S. publication today and you'll see that more than half of the news coverage has important international angles. You are in the front line of that communication.

**TOM REDBURN:** Before the first oil crisis in 1973, most Americans did not pay much attention to the rest of the world except for wars, crises or natural disasters. Then we began to wake up to the fact that we are affected by events outside the United States. And that is something that many Americans are still just getting used to.

My experience this year has been to write about what changes in the international economy mean for Americans. I went to Shreveport, La., where an AT&T plant had been building telephones. Two years ago, that plant was shut down and the factory moved to Singapore.

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Some of the workers had never heard of Singapore. But they learned very quickly. Their first instinct was to view the rest of the world as a threat to the United States. It's a lot more complicated than that. People now see, for instance, that foreign investment is playing a largely positive role in the United States. People are recognizing that the rest of the world is not just a threat but an opportunity to the United States. And, I think that's enough to start.

**JACK KRAMER:** The point about folks not knowing where Singapore was is probably an understatement of what's going on. Yet the United States does more trade with the Third World than it does with the Common Market. In spite of more American interest in foreign news, it's still a battle to show it.

**T.V. PARASURAM:** We have always been, for whatever reason, very internationally oriented in India. You'll find India's media covering events in the United States, Britain, the Middle East or wherever.

**PINE:** Most of the major U.S. publications do try and get a flavor of what other ministers are saying, not always to your satisfaction or to mine, but they do. Just as I'm sure you emphasize what the Indian minister says at a World Bank meeting, we would emphasize what the American minister says because it's the local angle.

Newspaper reporters have been limited in recent years by space. I think almost anyone who works on a daily newspaper in the United States will say that he or she has less space than before. Stories are getting shorter, but the issues are becoming more complex. Many of the initiatives in international economics still come from the United States. That's the reality. If the Treasury secretary doesn't propose a new debt plan, for example, who does? It's been a long time since I've seen a plan by a European minister or another industrial country's minister that had the backing to make it a serious international policy. So the American minister has the leadership role in many cases. Thus he becomes news.

**KRAMER:** I've covered a number of OPEC conferences, and American reporters either don't have the background or the insight or haven't been able to do the homework to recognize when we hear a minister expressing his views that he's expressing the position of his country and those he represents.

**NAYYAR ZAIDI:** I think my friend from India represents a wire ser-

vice, and that's an important distinction. A wire service has to go for a broader range.

In developing countries, there is a sharp contrast between the English language papers and the local language papers. The English language papers are more Western-oriented.

But the readership of local language newspapers would not care much about Jim Baker. They wouldn't even know who Jim Baker is. So those newspapers would play up more the local finance minister.

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*“The lines of communication are getting shorter and longer. They’re longer in the sense that the issues are broader and more complex. They’re shorter in that technology has made communication faster. That means we have to be accurate and fast. It’s hard to catch up with the errors.”*

*Stanley Rubenstein*

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**BAUMAN:** What is the U.S. opinion now of OPEC? Even your oil people seem to have different views now of OPEC and would like to see OPEC hold up its price.

**REDBURN:** I think there still are views that OPEC has ridden with the market more than controlled it, and the events of the last few years might suggest something to that view.

There's a sense that the fate of many U.S. industries is tied to OPEC, and I think what has gone on in Texas and the Southwest would certainly confirm that.

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At the beginning, I would say most Americans saw OPEC as an "evil cartel," out to dominate the world, to make our lives miserable. I think there is a much more sophisticated understanding today. I hope so. We have certainly tried to convey in our reporting the complexities of international trade in oil.

**PINE:** I might add that in 1973 there was also a widespread public anger about American oil companies. That has lessened now, too.

**BAUMAN:** I would take issue with Mr. Redburn's comments on OPEC because OPEC really represented the oil-producing states taking control of their own pricing. Previously, other countries controlled the oil market and were interested in keeping oil flowing from their properties.

OPEC has frequently offered an invitation to the industrialized countries to talk about the price of oil, how to determine the value of oil and so forth, and has always been ignored by the industrial countries.

It's a wonderful example of non-interest, lack of understanding or just plain arrogance.

**REDBURN:** I think to some extent the industrialized countries do talk about the price of oil. I'm not sure they talk to OPEC as an institution, but they talk to Saudi Arabia. And many people see Saudi Arabia as the linchpin of OPEC. I think that the price of oil to some extent is affected by discussions between European finance ministers, various people in the United States, and oil ministers.

So I think there is a dialogue between the industrialized countries and OPEC, at least as represented by Saudi Arabia, and perhaps some of the other principal exporters, Mexico to some degree, that is not necessarily done through the institution of OPEC itself.

**TANZIL:** Would an economist with expertise in, say, trade and finance who wanted to get into journalism and write about these subjects need to obtain additional training in journalism?

**KRAMER:** No. I can certainly answer the question from my extremely prejudiced point of view. I don't think it does a bit of good to go to school for journalism. I think one should have a good liberal arts education and be literate before one starts writing.

**PINE:** I would say a journalist is a journalist first, and a good journalist can learn, given a certain amount of time, the issues in a particular

area. A good journalist ought to be able to change his or her scope of coverage. But I think it's possible and, depending upon the cultural differences, very easy for an economist to become a journalist provided one is willing to give up some things.

I think one needs to give up the economist's jargon, the special language of economists, and to learn to write simply as a journalist. I think you have to give up any special views you have about one school, supply side or whatever, that you may have learned.

Journalism is a craft, and I think it has to be practiced. So you have to learn to think like a journalist, learn to ask questions like a journalist, and learn to get a story down quickly, particularly if you're working for a daily newspaper, which is something economists can't always do.

**MISHLAWI:** I agree. You don't have to be a specialist to write about the economy, medicine or engineering. But I think it would help a lot if you knew the fundamentals and the basic concepts.

You want to know, for example, what happens if there is a great supply of something. You want to know, for example, how inflation happens. You want to explain to your readers the meaning of GNP. The economic jargon that Art was talking about must be explained all the time.

When you are writing for a specialized publication, you assume your readers know what you are talking about. But when you are addressing the general public, you have to be very clear. Clarity is vital.

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*"The IMF and GATT should be working with each other closely. As long as there is this separation institutionally of trade and finance, there will be a problem in bringing these issues together."*

*Ernest Preeg*

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**NORMAN FU:** I want to know the panelists' views on the credibility of the U.S. government's economic statistics or reports.

**PINE:** I would say that the statistics from agencies such as the Bureau of Labor Statistics are very good. I think they are very believable. Basically, I don't see an awful lot of rigging. There was an effort, I think, in 1973 to cut out a certain report or cut out a briefing, and there was such a cry raised that the Joint Economic Committee began holding monthly briefings on unemployment.

If you're talking about the report of the President's Council of Economic Advisors, that is an administration document and is going to reflect the administration's view. Everybody knows that in advance, and you can take it with whatever skepticism you think appropriate. But the basic economic statistics have a very high degree of integrity.

**REDBURN:** I think there is a debate about the quality of statistics in the United States. But I do not think it is based on political motivation. It is based on simply the difficulty of keeping track of a very complex and changing economy. In fact, most of the complaints I have heard about economic statistics in the United States have come from people who say that the statistics do not present a more favorable picture of the U.S. economy.

**CARRENO:** As you are aware, the American media have influence in several countries, including Latin America. Have you been aware of such an influence, and how have you and your editors dealt with that?

**PINE:** I have been aware of the influence when I worked for The Wall Street Journal, for example. I don't think of a journalist as a news-maker, so it was an unusual experience. What you do about it is the same thing we do for our own newspapers, which is we try to be as accurate and as fair and as thorough as we can. Sometimes we don't quite achieve that, but we try. And it's the same set of ground rules whether you're writing with a foreign audience in mind or with a domestic audience in mind.

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# CAPITAL IDEAS:

## *Washington's Role in International Economic Policymaking*

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**THOMAS BLANK:** I deal principally as a spokesman for USAID to the news media. In so doing, I am an advocate of a U.S. government program.

We provide extensive information to legislators, companies and business groups. All of them have an interest in the policymaking process and how it relates to the issues that we've been discussing today.

You know from the discussion we had last evening when Congressman John Porter (R-Ill.) was here that all spending decisions begin with the Congress and that as a member of the House Appropriations Committee he is involved in determining overall levels and also in determining policy for how that money can be spent. And it's necessary to have a collegial relationship with Congress because we cannot administer a program in the executive branch without the cooperation of Congress.

However, there are times when we want to communicate in such a way as to convince another of a particular objective or a particular facet of our program. If that's the case, your job of sorting out the information flow often falls to the congressional staff member, and these panelists, including myself, have all served in one capacity or another as a staff member.

**TIMOTHY O'NEILL:** In dealing with Congress, people in government and in the private industry need to remember the differences. Congress is a horizontal body consisting of 535 members of the House and the Senate. If they're not equal in power, at least they think they are. So it's a much more horizontal system as opposed to the executive branch.

Lobbying is just an extension of an activity that is part of the Bill of Rights, which is a citizen's right to petition the government. So it is expected in the Congress that they will be getting viewpoints not only from U.S. citizens but from foreign nationals and foreign governments.

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That petitioning is protected and somewhat exalted by the Bill of Rights. Because of the amount of issues that people on the Hill face, they rely on input from outside.

That leads to my third point, that congressional staff are overextended and the members bombarded by too many issues. What is always cherished are reliable and credible sources of information. That applies to the media as well as to someone in the executive branch or someone in private industry dealing with Congress.

Anyone can sell anything to the Congress once. But as soon as the ramifications of what one has done are made clear, if one has ever omitted some essential facts, misstated the facts, or worse, outright lied, that will be remembered, and it will have a ripple effect throughout the Congress.

**WILLIAM REINSCH:** The separation of powers between the Congress and the executive branch means that they operate in kind of a constant state of undeclared war, often in a good-natured way, to win a short-term tactical advantage over the other, exercising the leverage that one has.

I think it's fair to say that effective consultation with Congress occurs only to the extent that Congress can exercise its leverage, force it.

**LEE VERSTANDIG:** I would like to talk about the role of lobbyists and about the extent people in the private sector contribute to influencing public policy.

What a lobbyist in the private sector does is to provide information, ideas and documentation on behalf of a particular issue to Washington. That may be to the Congress, the departments and agencies involved in a particular matter, or the White House. The goal is to assist in influencing the development of public policy in this country.

My company had been asked to represent a foreign association, an association of hops farmers, growers and dealers. As some of you know, hops is a component of beer. The issue arose when the Food and Drug Administration and the Environmental Protection Agency decided to prohibit the importation of hops into the United States because pesticides, harmful to health, might have been used in the growing process and the pesticides used might not meet U.S. safety standards.

A variety of things had to be done to try to change that decision, ranging from dealing with the Congress to understanding and clarifying

U.S. regulations to explaining how all major U.S. breweries require the use of imported hops to manufacture beer.

We also talked with the Food and Drug Administration and the Environmental Protection Agency to understand the rationale behind the decision and whether there was any chance to change it.

So what one has to do is look at how one can raise the issues to Congress, to the executive branch, and to the corporations and businesses affected by a decision. In doing so, what you end up becoming is, if you will, an orchestra leader or a coach in terms of trying to deal with various aspects of Washington.

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*“Anyone can sell anything to the Congress once. But as soon as the ramifications of what one has done are made clear, if one has ever omitted some essential facts, misstated the facts, or worse, outright lied, that will be remembered, and it will have a ripple effect throughout the Congress.”*

*Timothy O’Neill*

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In some cases it may require the private sector to provide additional financial support to do research. In some cases it may require trying to get Congress to understand the implications of a decision. Also important in this example had been the role of journalists in helping the U.S. government and the particular party involved to understand the impact of that particular item to the economy and what would happen if a major product like this were denied entry.

Although it is important to provide information and consult with the branches of the government, it’s also important to get the private sector—in this case the brewery industry—to articulate its policies and concerns.

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If you provide the right kind of clear information and make the best possible case that you can, you develop longstanding relationships in terms of compatibility of policy.

**BAUMAN:** How does Congress perceive lobbying on behalf of or by foreign interests or governments?

**VERSTANDIG:** Here's an illustration. We've all read about the problems that Toshiba has had in selling equipment to the Soviet Union in violation of our regulations.

It's one thing for the Japanese government to acknowledge that and for some corporate leaders of that company to resign or to be fired and for the Japanese government to institute major policy reforms to try and correct that.

But it's quite another if you are the American branch of Toshiba, and you employ about 40,000 U.S. citizens in this country. It's important to get that information to Congress as it decides what kinds of restrictive legislation it might pass.

**REINSCH:** Toshiba has done a very smart thing and that is to get Americans to do their work for them. Most of the lobbying that we've had has come from employees or distributors or people who have an economic connection with the company who are explaining their plight directly to us in their terms, because I know that Congress will be much more sensitive to Americans saying it's unfair to penalize them than the Japanese saying it's an unfair thing to penalize them.

With respect to governments, they're as welcome as anybody else. There do seem to be differences in the level of activity of foreign governments in Congress. Governments of the Pacific Rim countries such as Korea, Japan, China and Taiwan are probably more active than most in making representations to Congress, maybe because they have more trade problems and therefore have more to talk about.

**VERSTANDIG:** I would suggest that things depend on the extent to which a foreign country or a foreign company has an understanding of how this government works. The European countries have been dealing with us probably longer on many of these issues than the Asian countries or the African countries.

There are some embassies here, as I'm sure there are U.S. embassies in foreign countries, which have developed good working relation-

ships with the Congress and the executive branch, starting with the State Department. If those relations are longstanding and there is ability to communicate—not only by the ambassador—then they can explain their problems and their successes and not simply wait for a crisis before they come and ask for help.

Some embassies are very good at that. Some embassies in Washington have different roles, some of which may be largely social. Others may have economic roles, and some of them may be monitoring U.S. economic policy or trade policy and in doing so develop relations to enable them to maintain an ongoing dialogue at the staff levels of the Congress, the executive branch or the White House.

One of the things that USAID is beginning to see in many of the countries where we have a presence is that it no longer is satisfactory to deal government to government. There is beginning to be a need to deal with private sectors and with individual citizens of your countries.

And, we have learned that journalists are talking to everybody—the business people, the government ministers, the lobbyists and the legislative staff. Therefore, the perceptions that journalists have are very often accurate and extremely valuable within the policymaking process. We see that here, and I think in a sense that's what we're talking about. But I think from our perspective we also see the maturing role of the journalist beginning to occur in many of your countries.

**O'NEILL:** What a foreign government has to say is important to a senator or a congressman. But on the local level, whether it's a state senator or a local level for a congressman, the foreign interests will always be a secondary one just as the foreign aid interests will be.

What I always used to say about representing USAID and foreign aid is that you have to be a little smarter because you don't have the kind of innate constituency behind you that you would if you were representing the steel industry and you were talking to Sen. Heinz in Pennsylvania.

I think that the foreign entities need to remember that they have to be smarter. They need to find ways to build coalitions and to get their message across in a real punchy way.

The governments and the foreign entities that do best are those that are efficient and don't waste time and resources by constantly beseeching any issue that comes along. They need to be very conscious of the time pressures, of their own role and the priorities that a congressman or a senator has. And that's true when you're in the

administration or even if you're representing a domestic concern. You're only one of many things that might be on the congressman's or senator's mind.

So it's a real challenge for foreigners to get their point across, be aware of the fact that they don't have the domestic constituency benefits, and be sensitive to all of the competing concerns.

**CARRENO:** Senators and congressmen usually jump from commodity to commodity, and very often the real nuts and bolts people are the staffers. I'd like to know what the real weight of the staffer would be.

**REINSCH:** I think the role of the staff is overrated. On a matter of any importance in our office, the senator is going to make up his mind. He asks me questions and I give him the information as I see it, or if I don't know, I'll go find it. But he'll come to his own conclusions. He doesn't need me to tell him.

**O'NEILL:** In certain cases, you will find staff people who function almost as a congressman or, more rarely, as a senator. But it depends on each senator or congressman and the caliber of the staff they have.

**VERSTANDIG:** Most congressmen and senators rarely change committee assignments during their tenure. One of the advantages of staying on the same committee is to get a broader understanding of those issues. And in the House, the congressmen focus principally on the issues of the committees that they serve on, which are just a couple. In the Senate, the senators tend to serve on three or four committees, but because of the nature of the rules of the Senate any senator can talk about any issue on the floor of the Senate.

If amendments are to be made to a bill in the House, they are made through the chairman or the ranking member so that the expertise is a little bit more limited on the House side than on the Senate.

I think the staffs play a support role although there are exceptions where they may play a more active role. We have to remember that congressmen are elected, and they can't be too dependent on their staffs for advice and decisions that may not be acceptable to their constituents because the staff doesn't go out and campaign for re-election. The congressmen and senators do.

**JUAN ZUNIGA:** Is it important for a country to have its own lobbyist? And, is there lobbying from the embassy to the Congress?

**VERSTANDIG:** One of the reasons that former government officials or former congressmen or senators are particularly helpful in getting a case or issue before the government, whether that be Congress or the executive branch, is that they have worked in the process.

One of the disadvantages that foreign countries and foreign governments have is the difficulty in understanding our process, and then there is the question of whether they hire people to help them.

My view is there have been some very capable ambassadors and very capable staffs of embassies in this country. Some may need advice. Some may simply need a broad strategic plan, and there are ways to assist those embassies in doing their job.

When I served in the Senate, I often met with staff members from embassies on a number of domestic and foreign issues, simply for them to try to understand from us how the process works. What would be helpful? Should the ambassador call? Your foreign minister is coming in. He's going to go to a state dinner at the White House. Is it appropriate for the President or the foreign minister to raise a particular question? How do you do that? What's the best way, what's the most effective way, to provide that information? The same thing happens abroad. We ask those questions very often as our companies begin to develop relations with other countries.

**O'NEILL:** While the conflicts and the competing priorities arise, the future markets for American goods are in the developing world.

But when you think about foreign aid vs. school lunches, vs. housing, foreign aid is usually a bit far down the list. And the only reason that foreign aid has done as well as it's been able to do is because people know it's right.

So it's difficult to sell foreign aid. But the best and only thing in our defense is that the message we are giving is universally viewed to be a good one although the political concerns are very low on the member's priorities.

**BLANK:** It's also potentially a function of the information that's out there. What the American public believes about foreign aid is usually that a lot of it is wasted, a lot of it is used on projects that don't work, that often times foreign leaders pocket it.

One of the things that we wrestle with is how we're going to get the American public to know more of the story. That's got to come first before we can begin to see a change in the congressional attitude that will make those aid dollars come easier.

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There couldn't be a better example than the piece that one of our major television networks ran recently on the aid program in Egypt. That was certainly not the whole story of the aid program, which is the largest USAID administers in the world.

But if you looked at that show and looked at that alone, you would think that all we have done is buy some buses that sit someplace in the desert rusting out, and that most Egyptians resent the American presence there, and that there's a cement plant that can't be competitive with its European counterparts even at this time. That's certainly not the whole story.

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*"There do seem to be differences in the level of activity of foreign governments in Congress. Governments of the Pacific Rim countries such as Korea, Japan, the People's Republic of China and Taiwan are probably more active than most in making representations to the Congress, maybe because they have more trade problems and therefore have more to talk about."*

*William Reinsch*

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## USAID'S PERSPECTIVE:

*On the final day of the symposium, a special session was held in which top officials of USAID described some of the Agency's policies and programs and answered questions from the symposium participants. Richard Bissell, assistant administrator for Program and Policy Coordination, moderated this session.*

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**BISSELL:** We would like to provide glimpses of five important bureaus within USAID. In doing so, we would stress two themes. The first is that the Agency is attempting to help the economy in developing countries grow, in large part by ensuring that the fundamentals are right.

The second is that we have an historic focus on the poorest people in developing countries. We are working with the poorest countries to encourage growth within them.

**ROBERT QUEENER** (*Latin America and the Caribbean*): Our program in Latin America is directed primarily to 14 countries.

We are concerned with helping each of these countries correct the economic reversals that have brought real gross domestic product back down to the same level that it was in the late 1960s.

A great deal of the USAID program is directed at helping countries to overcome these problems, stabilize their economies and establish a pattern of progress and of sustainable economic growth.

That breaks down into four major efforts: righting macroeconomic policies; correcting exchange rates, interest rates and pricing policies; reducing government regulations; and reducing government import quotas.

Closely related is providing the basis for production increases and greater export earnings. Export earnings are a particularly difficult area because many Latin American countries have tended to obtain export earnings from primary commodities. In Central America, for example, coffee, sugar, bananas and lumber are the staples; in the Caribbean

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and Jamaica, bauxite, aluminum and sugar. All of these have faced difficult times in international markets.

The long-term prospects aren't much better. The need is to see what can be done to improve the prospects for these primary commodity prices and to diversify the economy so that non-traditional exports can obtain a much higher return.

President Reagan has tried to respond to this problem through the Caribbean Basin Initiative, which applies to all Caribbean and most Central American countries, offering duty-free entry to the United States for a wide range of goods.

The third major area is to try to broaden economic opportunity—to give more of the population a chance to increase their income and improve their livelihoods.

The dual economy from which a large part of the population is excluded has been part of the political problem in Central America. It is very apparent in Nicaragua, El Salvador and Guatemala. It could become an increasing problem in the Andean countries where a large number of people, particularly in the highlands, are not part of the modern economy and experience living standards far lower than the rest of the population.

USAID is trying to help these countries respond to those problems through infrastructure-supporting services, small-scale business development, small-farm development, access to land and land titles, and tilling of land. In other words, by offering real prospects for progress to the people of the country.

We also are working with governments and with private groups to improve and increase social services to a wider range of the population, including basic health, child survival, housing and education.

A particular feature of the USAID program in Latin America is working with governments to help strengthen the democratic process and democratic institutions. This is all part of the same interlocking plan whereby people participate in their economy and their political system and thereby provide the basis for longer-term political and economic stability.

This largely involves assisting and strengthening the court system, investigation mechanisms related to the court system that basically fit under the rules of evidence, bar associations and, in general, the administration of justice.

**DENNIS BRENNAN** (*Science and Technology*): I think of science and technology in terms that are different from the kind of bilateral aid allocation exercise that is partly involved in economic development and partly in the politics that each of us go through in dealing with the countries around the world with whom we cooperate.

In a sense, development means that people have better health, better education and better housing. There is no point in adding up the figures on economic development and macroeconomic growth and exchange rates and policy dialogue and all of those other things that

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*“The recognition that technology and research are directly related to the well-being of people in the developing world has become a major underpinning of the development principle accepted by this Agency.”*

*Dennis Brennan*

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we use as indicators of development if children are not in school, if poor health is endemic in the country, if there is no care for maternal child health, if nutrition is poor, or if eye disease permeates the countryside. All are factors in development because they have to deal with people. Development, fundamentally, is people.

What we have discovered is the extent to which scientific and technological change has made an enormous difference in the growth and the change in the living standards around the world.

You cannot think, for example, of any country in Asia or Latin America or Africa, without thinking of the change in technology over the last generation. Think of the changes in telecommunications, in simple health care, in the control of malaria, in the reduction of polio, in improved nutrition and in better education.

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In one sense or another, almost all of those are a product of research and development 25 or 30 years ago. A lot of it happened in Asia. A lot of it has happened in the agricultural service centers and the centers supporting tropical disease research and diarrheal disease research.

Research has been going on in universities and institutes around the world for the past generation. The effects are now being felt in peoples' lives. USAID also has a research and development program. It is not a very big R&D program.

The total budget of the Science and Technology Bureau is about 15 percent of the development assistance resources of the Agency. Of that, research is only about a third. So five percent of the development assistance budget of the Agency is devoted to R&D.

Five percent: that is not an ambitious budget. Most companies in the world have an R&D budget that is probably greater than that. Taking the long view, I think we recognize, particularly as we come into the 1990s, that technological change is occurring in virtually every aspect of life.

Today, 80 percent of the money in this world is transferred electronically. Nobody ever sees it; yet that money is affecting health, living standards, clothing, nutrition, education, virtually every aspect of life. That process is going to increase dramatically in the 1990s as breakthroughs in biotechnology and in health and family planning improve.

I think the recognition that technology and research are directly related to the well-being of people in the developing world has become a major underpinning of the development principle accepted by this Agency.

What is it that the United States can do through USAID, through a program of economic cooperation, that makes a difference where large-scale capital transfers are probably out of the question for USAID?

Where does the United States have comparative advantage that can be communicated and transferred and made effective in India, Africa, western Asia and Latin America. Science and technology are probably the most important and will probably have the greatest effect.

It is also the most cost-effective way to help people, not by large transfers and not by large exchanges that are not going to be possible, but by trying to find what makes a difference in terms of disease, in terms of nutrition, in terms of family planning.

For example, the family planning program worldwide has been going on for the last generation. Without it, problems would be even more serious. Yet, there isn't any technology in contraception and family planning that is going to make a difference in family planning over the next generation. It is an R&D issue for the whole world.

In villages throughout Africa and Asia we know what measles or any simple disease can do in wiping out half the population of children in those villages. Is there any way to develop a vaccine to do something that is going to make a difference that does not have to go through some elaborate technology to get there?

These are issues that concern people. They make the difference in the living standards of ordinary people in rural areas and people who do not have access to the kind of economic growth and macroeconomic changes that we are talking about.

That is what science and technology at USAID is all about. It is about trying to find the technology to make the difference in the lives of people and to continue to do that into the next generation.

**BRUCE ODELL** (*Asia and the Near East*): In 1988, the Bureau for Asia and the Near East asked for \$3.1 billion from Congress, compared with more than \$4 billion in 1985. A large part of that, about \$2 billion, goes to Israel and Egypt as part of the Middle East peace process. About \$800 million goes to economic support programs dealing with various interests of the United States in foreign policy and economic policy.

A fairly small part, about \$350 million, is devoted to what I would call the classic development assistance programs, perhaps most heavily concentrated in south Asia and the Indian subcontinent.

Our region is a potpourri, really. I mentioned, of course, the Middle East, which takes a great deal of our time. In the Philippines, we are very concerned about strengthening the democratic process going on there. And the United States has interests in southwest Asia.

The Afghanistan-Pakistan situation has led us to substantial programs, especially in Pakistan. We are deeply committed to development in the Pacific Rim and the stability of that region of the world as well.

We in the Asia and Near East program are committed to a concept of development that is broad and deep—to end the dualism that exists in many societies and to work closely with our hosts throughout the region in focusing on the policies and institutions that are necessary to permit growth.

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It goes without saying, as Dennis pointed out, that we are greatly involved in many areas of science and technology. We have a very vigorous and successful family planning program in a number of countries, and we have an excellent primary education program.

We also are adjusting our way of doing business, moving away, perhaps, from the traditional project approach toward what we call sector assistance: looking at a country as a whole and relying more upon the judgment and the capabilities of the host governments themselves to carry out programs, with USAID providing certain key technical resources and assistance.

That is a more mature relationship than perhaps we had 20 years ago. Much of what is happening now in Asia and the Near East is really very much the product of the ideas and the aspirations of the region itself.

We are concerned about the issue of employment in Asia and the

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*“We are adjusting our way of doing business, moving away from the traditional project approach toward what we call sector assistance: looking at a country as a whole and relying more upon the judgment and the capabilities of the host governments themselves to carry out programs, with USAID providing certain key technical resources and assistance.”*

*Bruce Odell*

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Near East. By the year 2000, we expect to have 50 percent of the poor in urban areas in Asia and the Near East.

How is USAID set to deal with that? How are the host countries set to deal with that issue? We see exploding cities, Bangkok, Cairo, Bombay, and almost unbelievable challenges in terms of basic living environment, in terms of employment opportunities for the poor—for everybody really—in these cities.

We have got to focus on that, and we are. The trade and investment theme is very important to us. It is a two-way street as we see, especially in the Asia region.

There are enormous markets and, of course, productive potential in those regions. We need to look very closely at how we can adapt our policies in USAID to assist these countries develop liberal, open trade regimes to work in a way that provides markets for U.S. products as well as products of other regions.

We also are concerned about the issues of water in the Near East, which is such a precious commodity in that area and has to be developed with great care.

**JULIUS COLES** (*Africa*): I have spent a quarter of a century in and out of Africa. One thing I have learned is to develop a healthy respect for the continent and its problems.

When one looks at a continent as diverse as Africa, with so many different problems, one does have a healthy respect. It is hard to speak of Africa in a unified way because the problems of one region are quite different from others.

Population growth is currently very high, at three percent annually. Health and education standards are the lowest in the world. Environmental degradation is serious. What is USAID doing to respond to these very formidable development problems?

One thing that we are emphasizing is policy reform. Many African governments in the independence era that came about in the 1960s and the 1970s adopted a statist approach, with heavy government control of the economy. We have been working with African governments to change some of these policies, to free up pricing and liberalize markets.

The IMF and the World Bank are carrying out reform programs to aid these countries by providing supplemental money to ease this transition and the problems associated with structural reform.

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Another area that we have examined is agriculture. We have devoted resources to agricultural research and, again, to government policy in agriculture pricing and market liberalization. We also have dealt with production problems of various crops.

The United States also is concerned about the environment and natural resource management, child survival programs and health standards.

In many cases, we are just beginning to develop population awareness programs. In some places like Nigeria, we have large programs that are quite successful. We also have trained a number of African students in the United States and are financing the education of African students in other countries.

Given all these projects, I think there is one thing that has profoundly affected U.S. policy toward Africa and the way that the aid program has developed. That was the famine in 1984-1986. I think that single event really hit the American public and its President.

U.S. assistance levels to Africa during that period reached a high of \$1.8 billion, the highest level of aid we have ever provided to the African continent. Most of that was in food assistance, which totaled about \$1.2 billion.

The President has organized a task force to think of ways to help Africa end hunger by the year 2000. A lot of effort has gone into this program, and a lot of recommendations have been made. Those recommendations are now being examined and implemented. The emphasis of this new initiative is on donor coordination and establishment of a special development fund, which has been approved by Congress.

This fund will permit us to reserve money on an annual basis that cannot be put into another region. The money is reserved for Africa and for Africa's development problems.

We are concerned about debt and how to deal with it, as well as how food resources can be used in the reform process. We are interested in the promotion of trade and investment in Africa and how that might be improved, and to involve the private sector much more heavily in African development.

**SEAN WALSH** (*Private Enterprise*): The purpose of the Bureau for Private Enterprise, set up in 1981, is to create within the Agency an organization to focus on the development of the private sector as a component of the overall aid program and the development process.

We firmly believe that the private sector is an efficient vehicle for economic growth. We are supporting market principles.

We, as a bureau, are process-oriented. As Dennis and others have mentioned, the different goals and objectives that cut across the aid program are goals and objectives that we are trying to pursue by enhancing the role of the private sector.

Of all the bureaus, I guess I claim to have the smallest budget. That is because we are not operating overseas as the regional bureaus are.

We are set up to provide support to the missions and through that support to encourage the growth of the private sector. We provide

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*“USAID, the World Bank and other organizations are promoting, with governments, the process of turning over state-run operations to the private sector. We provide assistance to the missions overseas and consult with governments on this process.”*

*Sean Walsh*

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technical assistance to and through the missions in the development of private-sector strategies, analyze the constraints on the private sector and develop strategies to develop more efficient financial markets as a key ingredient in economic growth.

There has been a growing worldwide perception that the private sector can handle more efficiently many activities in which governments now are involved. USAID, the World Bank and other organizations are promoting, with governments, the process of turning over state-run operations to the private sector. We provide assistance to the missions overseas and consult with governments on this process.

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Another element is an investment program that was established several years ago as an R&D center within USAID. It is a laboratory to identify investment techniques with the private sector in activities that are productive and can serve as a catalyst for change.

We are working with private financial institutions to increase the access of small-scale and medium-scale enterprise to the formal credit system. We are experimenting with other investment techniques and, for example, assisted in organizing a private venture capital company in Thailand. We have experimented with similar operations elsewhere.

All of our programs are, to the extent we can, priced as if we were a bank. We look to investments to make a return so that we can continue our program. That program itself is three years old, and I think it has been very successful.

**TANZIL:** Does USAID encourage multinational companies to use more nationals in important positions so that the transfer of skills will be accelerated?

**BISSELL:** It has been USAID's policy for a number of years to bring into our missions and our projects nationals from the developing countries. I am struck by the extent over the last five or 10 years to which this has occurred in USAID missions around the world. We also have very broad training programs.

**BRENNAN:** Over the last five years, training programs supported by USAID have gone from about 6,000 participants a year to about 72,000. It is certainly true that from a cost point of view a multinational will always substitute a national employee for an international employee as soon as possible. An international employee in, for example, Indonesia or Bangkok probably costs a quarter of a million dollars a year. A national employee costs \$50,000 a year.

**COLES:** USAID has very little to do with multinationals per se in our course of development work. But one encouraging trend that we are seeing, especially in the African countries, is that some of the multinational companies are giving USAID some of the money they have earned in countries to carry out training programs for nationals of that country. That has not happened in the past, but it is now.

**CARRENO:** Has there been a change in the political terms of foreign assistance in the last six years?

**O DELL:** I think it is fair to say that the Reagan administration and USAID share, very strongly, a renewed belief in the concept that economic growth is essential to development. It has been drafted onto a longstanding traditional view in USAID of basic development for the poor. Those ideas are not incompatible. You cannot simply think in terms of providing quality of life standards for the poor unless there are job opportunities directly before them, unless the economies are free of the debt problems and are vigorous.

Many people think that government should not control economic activity but assume an appropriate regulatory role that protects the essential public interest. No one denies that government exists to preserve the basic interests of society. The question is how obtrusive that role should be. We want new balance between the private sector and the role of the public sector.

**MISHLAWI:** How often do you encounter questions of national sovereignty in your negotiations with other countries? How are they resolved?

**QUEENER:** We run into sovereignty questions all the time. From the Latin American perspective, two-thirds of the economic assistance that we have been providing over the last 25 years has been from the Economic Support Fund account. That economic assistance provided balance of payment support for countries that have serious problems with their own foreign exchange earnings and that have serious debt problems.

The assistance is provided largely in the form of cash transfer, which means it is deposited in the central bank through a special account. It is used along with other foreign exchange revenue to support imports as the economy moves to produce, provide jobs and earn export revenue as well.

Given that meaning and what we are doing to the fund, our real purpose is twofold. One is to help stabilize the capital mentioned before. The other is to make it possible for that government to choose policies that will boost the economy. If those policy changes are not made, other developments that are crucial to long-term growth cannot occur, and the U.S. government would be foolish to continue its support.

That is where the sovereignty question comes in. Normally it means that the U.S. government, through USAID and the State Department, has an agenda of policy changes. The government, on the other hand, may disagree with some of our agenda and have other things on its agenda.

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It is an ongoing dialogue with give and take, and rarely does the U.S. government meet all its objectives. But almost always the government says, "All right, we are willing to concede some. We will go a little further than we would otherwise have done for the greater good."

You reach some kind of compromise. In Latin America, in most cases that is worked out over time. There are situations in which the government is unwilling yet to take or is taking very slowly some measures that we think are important. But the movement is in the right direction, and we see economic progress as a result of that.

**BAUMAN:** I sense a tremendous paradox here. You gentlemen are talking to us about how you stress private enterprise and yet your dealings are largely government to government.

**BRENNAN:** What you call a paradox results, I think, from our failure to communicate clearly what our program is about. If private firms cannot grow, they have to close down production, shut plants and lay off people, and that means a downward spiral for the economy. I think it is important that this administration and the World Bank have brought a much greater recognition of the importance of the private sector as a factor in economic growth.

What we do, and 90 percent of what we do, is addressed to the 30 percent of the people that many private sectors do not reach. The private sector is not taking care of their health or their schooling or their food or their nutrition or a whole lot of other things.

The aid business is concerned with that bottom 30 percent and concerned with the obligation that those governments have to be responsive to their populations. We have a private sector bureau that has some important things to do, but we are not a private sector agency.

**ODELL:** The largest part of our program is devoted to agriculture and rural development, which in most countries is the private sector. We also are working with small entrepreneurs in the rural areas. Many of our programs are done directly with those people. It really is not just top down. It is not just government to government. Our programs are really going across the spectrum.

**COLES:** If we look at most of the economies of the world with which we work, most of them are not purely market economies; they are mixed economies. We do work with socialist economies. We have tried the growth through equity approach, in the early 1960s and 1970s, and that did not produce the results we wanted.

Now, perhaps we are giving greater emphasis to growth as a part of that equation, but we really have not forgotten about equity.

It seems that in some economies, especially in Africa, policy reform has had important results. Ghana, which has basically a state-oriented economy, is now coming up with an excellent economic reform program. It is a mixed economy, so we are prepared to work with mixed economies to bring about that change. I think we are prepared to work with people who are prepared to make change themselves. That is what we are seeking to do.

**WALSH:** We are looking at systems, policies, institutional development and the behavioral changes that will promote growth and development. We have to have dialogue with governments about the policies, the systems and the institutions that will promote the private sector.

It is true that the private sector was not a major part of the USAID programs of the 1970s. It is now a major consideration in just about everything that USAID does. There is tremendous energy in the private sector. We are trying to create the environment in which it can play a more significant role in development.

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*"As we look at our future as a country, we understand that the business of foreign aid is a risk that we need to continue to take and that our future, in large part, is dependent on the rest of the world, especially in an economic sense."*

*Thomas Blank*

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# CONCLUDING REMARKS

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**BLANK:** Over the past day and a half, three words have come to my mind. The first is complexity.

USAID has been in existence for more than 25 years. In many ways, foreign aid has become more complex. When the United States went into the business of foreign aid, it was essentially government to government, and in some ways it still is. But we have seen other sectors begin to develop to an extent that there is now a need for us to relate to them as well.

In addition, there is now a need for us to relate with a better-educated general public. More people can read, and the development of television has brought another significant influence on the world.

The second word is balance. Almost all the issues that we have discussed involve trying to find some balance, whether it is in our approach to the private sector, in our approach to one another or our approach to development.

What is the proper balance? Over 25 years this has been a process of change. I do not think that anyone in the course of this symposium has suggested that we are in proper balance.

What is most encouraging is that there continues to be a willingness to go forward energetically and enthusiastically to achieve a balance on the issues that we discussed.

The third word, somewhat related to balance, is risk. I think anyone who serves at USAID understands that we are in the business of risk, that the business of foreign aid is a risky one.

The need for a domestic constituency so we can continue to be in the business of foreign aid involves the issue of risk. By the same token, I think that there is an understanding and a commitment, certainly on the part of this administration and the people who serve this Agency, that the rewards associated with these risks are very high.

As we look at our own future as a country, we understand that the business of foreign aid is a risk that we need to continue to take and that our future, in large part, is dependent on the rest of the world, especially in an economic sense. There is a risk in advocating that in the United States because the American public does not necessarily agree with the position that I have taken.

The issues that have been raised are all very important, and it has been a very beneficial project for us to have undertaken. We hope that this is the beginning of a dialogue and a relationship at various levels between USAID and the news media.

We hope that there is a heightened sensitivity, and we hope that there is some improved understanding. I know there is on our part. We trust that this is but the first of many meetings that we will have with you in the months and years ahead.

**BAUMAN:** I have been asked to say a word on behalf of my colleagues. We also have, I think, learned quite a bit, and we are grateful for this opportunity. I would add one other word to the three that you mentioned—freedom. I think there is new freedom in the world and in all of the countries represented here.

I think we have all been very interested in this, as you can tell by the questions. We are very happy to talk to you.

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Noting that some developing countries have avoided huge debt problems, Robert Hormats, right, urges that their example be followed by other developing countries. Ernest Preeg, left, called for greater cooperation between trade and finance officials.

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**T**he Center for Foreign Journalists is an independent, non-profit organization dedicated to sharing knowledge and professional information with the overseas media. It is the only institution in the United States offering a full range of practical services to reporters, editors, media officials and their organizations throughout the world.

Since the center opened in early 1985, it has provided services to some 900 colleagues from 150 countries. It has conducted more than 50 professional workshops, seminars and conferences and published handbooks, manuals and articles to assist in press development. In addition, the center arranges on-site programs overseas, drawing on a broad segment of the world's press and academic communities for expertise.

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The Center for Foreign Journalists is located in Reston, Va., 18 miles from Washington, D.C., in the American Press Institute (API) building. Many publishers' and editors' associations also are located in Reston and share their resources with the center. API has provided career development courses for American journalists since 1946.

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