Ibero-American energy targeted

Bankers warn that an energy collapse and social chaos await those that fail to undergo free market "reform."

The resort center of Cocoyoc, in central Mexico, was the site of an energy seminar Sept. 4-6, sponsored by the World Bank and the Latin American Energy Organization (OLADE). Attended by economic ministers from Ibero-America and the Caribbean, and by the directors of state energy companies of Ibero-America, France, and England, the seminar purported to formulate a new Latin American Energy Pact. In fact, it was designed as a warning to countries still resisting total free market "reform," that social and economic chaos, such as that currently wracking Guatemala, await them.

At the meeting, World Bank Vice President for Latin America Shahib Husain not only announced his veto of any energy project that involved nuclear energy, but declared, during his official presentation to the seminar, that "privatizing Latin America's electricity sector is the key to preventing a shortage of energy resources from choking off economic development of the region." Husain made it clear that the World Bank would only support those governments which had made their commitment to such "necessary economic reforms."

Husain offered as examples of such "cooperation" the governments of Mexico, Bolivia, Chile, and Jamaica, and praised them for heading up the effort to raise restrictive barriers and to give full rein to the free market ethic. Husain predicted that Argentina and Central America would soon follow. "There is a new generation of leaders in their forties, like Mexican President Carlos Salinas, who have no links to the disasters of the past and whose influence will extend to the 21st century," said Husain. "They all speak the same language." Indeed, that of Harvard University!

Husain acknowledged that investment to renew and expand installed energy capacity had become the single most serious obstacle in the region, lagging so far behind growth that some Ibero-American countries were being forced to ration their electricity supply from 12 up to 24 hours a day.

However, the World Bank official said his bank would not pick up the tab for such desperately needed investment, but would instead concentrate on a strategy to transmit *existing* electrical energy capacity from one country to another.

Even as Husain spoke, President Jorge Serrano Elías of neighboring Guatemala was forced to declare a state of emergency in response to violent disturbances and looting, triggered by severe energy rationing that had been imposed for the previous week. According to news reports, "the lack of energy has more than half of Guatemala's 9 million people in total darkness."

During the meeting in Cocoyoc, the Inter-American Development Bank announced authorization of a new $300 million credit for the Mexican electricity sector in 1992. James W. Conrow, vice president of the IADB, said that the credit was part of a $5 billion investment program foreseen for Mexico.

Conrow said that his bank was ready to help those countries of the region which needed help, but that individual energy companies would have to seek out alternatives, such as increases in electricity rates to consumers, private and multilateral sector loans, and direct private investment. He stressed: "The electrical companies, be they public or private, should be managed from a commercial rather than political standpoint, to achieve required levels of efficiency and development."

Mexican Undersecretary of Finance José Angel Gurria readily agreed that his country's Federal Electricity Commission "could explore access to international financial markets, for the purpose of acquiring needed resources for electricity generating projects."

Both World Bank and OLADE officials emphasized that at least $20 billion a year needs to be invested in electricity generation projects in the region, with Mexico alone requiring $4-5 billion. However, neither agency was prepared to specify where such funding would come from.

Indeed, in an interview with Reuters news agency, Husain referred to the dismembering of the Soviet Union and warned that Ibero-America needed to urgently accelerate its economic reform programs if it wanted to be able to compete for scarce economic resources with the newly emerging free market economies of eastern Europe and the Soviet Union.

While Husain did not identify which countries in the region were resistant to the "reforms" his bank was demanding, he did warn that if they persisted in that resistance, they would end up paying a very high price.

The warning could not have gone unnoticed by Mexico's President Salinas, who for all his Harvard training and current "Golden Boy" status, has yet to hand over the state oil company Pemex.