

Venezuela's unusual strike

By Aurelio F. Concheso

Business organizations are making a fundamental contribution to the cause of democracy and civil liberties in Venezuela. As the economic and political situation worsens, business and labor leaders have joined forces in an effort to defend democracy. Aurelio F. Concheso, President of the Center for the Dissemination of Economic Information (CEDICE), a CIPE grantee, has been a lead organizer of the recent protests against the efforts of President Hugo Chavez to amass authoritarian powers. Mr. Concheso is also President of the Venezuelan Federation of Chambers and Associations of Commerce (FEDECAMARAS) Labor and Social Security Reform Commission.

Democracy in Venezuela recently marked its forty-fourth anniversary, commemorating the day that Gen. Marcos Perez Jimenez was overthrown. But instead of a joyous event, the occasion was marked with the largest ever protest in Venezuela's history against a new threat to our democracy, President Hugo Chavez. After leading a failed coup attempt Chavez managed to legitimately gain power at the ballot box in 1998. Unfortunately, old habits are hard to break and he is now eagerly amassing authoritarian and unconstitutional powers.



Pro democracy protesters in Caracas, Venezuela

Chavez has filled vacancies in the legislature and Supreme Court with his own unconditional supporters. He continuously attacks and criticizes the free press, and has vowed to remain in office at least until 2021, despite the fact that his term of office ends in 2007. Most recently, President Chavez strong-armed the legislature into giving him the authority to enact laws without legislative oversight or a constitutionally mandated consultation process. The result was 49 new laws, hastily enacted in November including agricultural "reforms" which allow the government to dictate what crops farmers can plant under penalty of confiscation and other laws weakening property rights in coastal areas and protecting state run industries at the expense of the private sector.

Close to 200,000 people from all sectors of society joined in the January 23 "Defense of Democracy and Liberty" march against Chavez' increasingly alarming policies. This protest, organized by elements of civil society and political parties with the support of the main labor and business organizations, came only a month after a national "work stoppage" organized by the Venezuelan Federation of Chambers and Associations of Commerce (FEDECAMARAS). *continued on page 4*

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From the Board

The collapse of Enron, one of the largest energy corporations in the United States, has highlighted once again the question of whether a free-market approach to business regulations really works. For some, Enron went bankrupt because deregulation encouraged executives to engage in reckless management, while lawyers and accountants paid little attention to those executives' behavior. But this interpretation has it backwards. Enron's bankruptcy demonstrates that it is not mainly regulation that prevents corporate mismanagement, but rather punishment from the market. While this can be painful for innocent employees and stockholders, the fact remains that the clearing of the market works best when economies are free from burdensome regulations and state intervention. The economically freest economies—those with the fewest regulations—encourage transparency far more than unfree economies. Consequently, while economic failures like Enron eventually are exposed in free economies like that of the United States, they are hidden in unfree economies, thereby perpetuating corruption and poor corporate governance.

Corporate governance comprises both internal and external oversight. The Board of Directors and the Chief Executive Officer provide the internal oversight in the management of the company. Law, regulations and outside auditors provide external oversight. These two sides are deeply interrelated. Little regulation provides incentives for companies to invest and become more efficient, since the returns to their investments are higher than in heavily regulated environments. The prospects of higher returns encourage companies to be transparent, so that they can attract more investment and raise the value of their stock. Heavy regulation, by contrast, removes incentives for investment and subordinates internal management oversight to external oversight.

Enron's bankruptcy is the result of poor corporate governance, not of insufficient regulation. The goal of governments should be to create an environment in which corporations themselves have an incentive to maintain good



Dr. Kim R. Holmes
The Heritage Foundation

Haitian Businesses Focus on National Agenda

The **Center for Free Enterprise and Democracy (CLED)**, a CIPE partner, and ten other business associations and think tanks recently met with President Jean-Bertrand Aristide to share their concerns and submit economic and judicial reform proposals. The meeting was the first opportunity by this coalition of business groups, organized by CIPE and CLED, to influence public policy. Among the recommendations were calls for speedier trials, better law enforcement, respect for human rights, greater accountability and transparency in public expenditures, and increased efforts to combat corruption.

CIPE and CLED are currently working with a consortium of 23 business associations to develop a national business agenda in order to promote economic development and democratic reform. As part of this effort, a National Business Agenda Guidebook, offering step-by-step instructions on building consensus and drafting an agenda, has been produced in English and in French.

A national business agenda is vital tool for the business community to encourage investment and stimulate business activity and economic growth. Building an agenda mobilizes the business community to use

their skills to affect public policy by setting legislative and regulatory priorities and communicating them to policy makers.

National business agendas identify laws and regulations that hinder business activity, and offer concrete recommendations and reforms to remove these barriers and improve the business climate. Developing a national business agenda also educates the private sector on public policies that affect them and allows them to present the concerns of the business community to government officials in a unified voice, increasing the likelihood that their agenda will be adopted.

The first meeting of this coalition of 19 representatives from 15 business associations and institutions was held in October in order to select a project advisory committee and plan the nine regional and/or sectoral focus group meetings. In November, project advisory committee members met to identify specific topics for focus groups to address as part of the national business agenda. The first focus group meeting on December 13 brought together 19 business association leaders to discuss the needs of the export assembly industry sector. ❖

From the Board

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governance. This should not be a matter of coercion but of ensuring transparency. In fact, Enron's case will likely strengthen the markets because stockholders now will demand even more transparent accounting and sound corporate governance from companies. In contrast, adding regulations would not only interfere with market discipline but also give corporate leaders and their stockholders a false sense of confidence.

In the end, free economies encourage investment and sound corporate governance because the returns to investment are higher. In other words, they harness the force of the market to ensure that good corporate governance makes good business sense. By contrast, heavy government regulations reduces internal incentives for good governance, focusing efforts instead on pro forma compliance procedures and on ways to get around the additional costs imposed by the new regulations. While these regulations may enable the government to catch some crooks, they would in the end do more harm than good by creating economic inefficiencies and by removing the economic incentive for better internal self-governance. ❖



Dr. Kim Holmes
Vice President, The Heritage Foundation

Business Leaders in Bangladesh Seek End to Political Gridlock

The Dhaka Chamber of Commerce and Industry, a CIPE grantee, hosted a meeting on December 27 titled "Political Decisions and Implementation: Effect on Economic Development," to discuss the problems of enacting economic reforms in the tense political environment in Bangladesh. The meeting occurred just as lawmakers of the Awami League, the main opposition and former ruling party, boycotted the new parliament, renewing political conflicts.

Over 70 participants attended the conference including policy makers, journalists, think tanks and business leaders, and discussed economic policy with the guest speaker, Hon. M.K. Anwar, Minister for Industries. The discussion focused on the problems of inadequate infrastructure, inefficient capital markets, and the financial sector. The policy paper, written and presented by the Dhaka Chamber also highlighted the positive role business and civil society can play in addressing the problems of weak public institutions, poor governance, and over regulation of the private sector.

Minister Anwar told the United News of Bangladesh (UNB), "Economic development and the welfare of the people will not take place until the Parliament is made the focal point of reform activities," as he called upon opposition lawmakers to re-join parliament for the sake of the country's economic development and welfare.

Presenting a 50-point business agenda with recommendations, Moazzem Hossain, editor of the Financial Express, told the UNB that a liberal democratic system can guarantee effective statecraft only if there is mutual accommodation and



Mr. Benajir Ahmed, President, DCCI (on right) presenting a DCCI Crest to Honorable M.K. Anwar, Minister for Industries, Government of the People's Republic of Bangladesh, at a seminar organized by DCCI, a CIPE grantee.

understanding among the political parties, "Otherwise, confrontational politics will continue, taking their toll on governance, the economy and, thus, the nation's development," he observed.

This meeting is part of an ongoing business advocacy project sponsored by CIPE with support from the National Endowment for Democracy to encourage public policy reform efforts in Bangladesh. ❖

Venezuela's Unusual Strike

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On December 10, business and labor groups organized a nationwide protest that virtually paralyzed all Venezuelan economic activity for 12 hours to protest Chavez's policies. This has happened only once before in 1962, early in Venezuela's modern democratic period, when the Venezuelan Confederation of Labor and FEDECAMARAS organized a national strike to help thwart a military coup.

While the Chavez "revolution" did manage to effectively combat corruption, Chavez's approval rating of only 35 percent is now the lowest since he took office, in large part because of his anti-democratic tendencies. For 44 years the country's democratic "experiment" has functioned with all its imperfections while our neighbors lived under a series of military or autocratic regimes. As a result, no Venezuelan under 50 has any recollection of life without freedom of speech, or the right to assembly. It would be indeed difficult if not impossible to place an authoritarian straightjacket on a populace accustomed to democratic freedom. ❖

CIPE Hosts Coalition for Democracy in Burma

CIPE, with the National Democratic Institute, the National Endowment for Democracy, the International Republican Institute, and the American Center for International Labor Solidarity, sponsored the Washington, D.C. portion of an international event, demanding the restoration of democracy in Burma. CIPE Chairman, John Bohn, made the opening remarks for this event, noting that, "All of the institutes here are deeply involved in helping to restore democracy in Burma and free Aung San Suu Kyi."

The event, on December 8 to honoring the 100th anniversary of the Nobel Peace Prize, was designed to bring attention to the plight of Aung San Suu Kyi of Burma. This Nobel Peace laureate has been under house arrest for 11 years, along with an estimated 1,500 other political prisoners, following a military coup.

CIPE has been working for several years with a group of overseas Burmese economists to develop a strategy plan offering a practical economic blueprint that can be implemented by Burma's future democratic government. This group of economists has served as an informal economic think tank for Aung San Suu Kyi and her political party.

The event was held at the U.S. Chamber of Commerce (CIPE is an affiliate of the Chamber) and featured a live satellite broadcast of the official Nobel Committee ceremony in Oslo of the tenth anniversary of the awarding of the Nobel Peace Prize to Aung San Suu Kyi. A message from Washington was also sent around the world live by former Secretary of State and current Chairman of the National Democratic Institute Madeleine K. Albright, AFL-CIO President John Sweeney, and Senator John McCain (delivered by Alison Fortier, IRI Board member).

CIPE worked closely with National Coalition Government of the Union of Burma (in exile) and the Committee for Restoration of Democracy in Burma on the program, which also featured remarks from Julie Finley, NED Board Treasurer, and U Bo Hla Tint, an exiled elected member of the Burmese Parliament. ❖



Former Secretary of State, Madeleine Albright; AFL-CIO President, John Sweeney; CIPE Chairman, John Bohn; IRI Board Member Alison Fortier; and NED Board Member, Julie Fenley watch a message from Aung San Suu Kyi of Burma at the U.S. Chamber of Commerce.

Chinese Think Tank Calls for Corporate Governance Reform

In its continuing efforts to support reform in China, the Center for International Private Enterprise, together with the Institute of World Economics and Politics of the Chinese Academy of Social Sciences, sponsored a conference in Beijing for approximately fifty Chinese government officials, researchers and private entrepreneurs in November. The conference, titled "Corporate Governance Reform: East Asia and China," featured speakers from China, Hong Kong, the United States, Malaysia, Philippines and Australia, and covered many important and practical issues related to corporate governance.

CIPE's Executive Director, John D. Sullivan, delivered the keynote address on the first day of this two-day conference, which covered a range of reform topics including the need for improved property rights, transparency, reform of state enterprises, corporate disclosure, and the importance of establishing strong institutions and shareholder associations.

The current situation in China dominated much of the discussions. Several speakers presented candid descriptions of the challenges facing China in

attempting to introduce corporate governance standards into its business structure, primarily to improve the performance and attractiveness of the state-controlled firms listed on its two stock markets. Two Chinese government bankers emphasized the inherent contradictions in implementing good corporate governance in state-controlled firms.

One of the bankers said the main problem in China is that economic activity is still subject to influence and even domination by political power. He said local governments still interfere in lending decisions, and political pressure distorts the entire incentive system for managers and corporate supervisors. He said that continued government control of banks and holding companies made transparency reform efforts, essential in setting up a functioning market structure, very difficult.

The clear message of the conference was that good corporate governance is relevant primarily to private business entities that are free of government interference. Without real privatization, corporate governance reform may never realize the full potential benefits it can bring to the Chinese economy. ❖

CIPE Executive Director, John Sullivan (far right) discusses corporate governance in Beijing.



Calendar of Events

March 21

Regional Business Association
Workshop
Warsaw, Poland

April 4-10

Mediterranean Development
Forum
Amman, Jordan

March 26-28

Competitiveness, Anti-Corruption
& Corporate Governance
Conference
Budapest, Hungary

May 8-9

Women in Business Workshop
Bucharest, Romania

Corporate Directors Training in Russia

The Russian Institute of Directors, a new organization representing Russian business, along with the Institute for Stock Market and Management, the Russian Federal Commission on Securities Markets, and CIPE, held a second corporate management training-program on December 7 in Moscow. This program, "Corporate Director," is designed to help make the Board of Directors for companies in emerging markets more effective managers, thus improving corporate governance, transparency and accountability and increasing outside investment.

The Russian government has, in fact, undertaken several large-scale efforts in the past eighteen months to improve corporate governance. In particular, the Federal Commission on Securities Market (FCSM) has written a Corporate Governance Code targeted at bringing the best corporate practices to Russian companies and provide protection to investors. The training course topics include methods of providing disclosure information about the company, the role of the board in making and implementing corporate strategy and management and governance restructuring, and analysis of the company's performance through financial documents.

The draft Corporate Governance Code was approved on November 28, making it essential to improve professional skills of representatives in joint-stock companies' governance bodies. High-ranking officials of the Ministry of Property Relations took part in the presentation including Alexander Braverman, state secretary of the First Deputy Minister of Property Relations, and FCSM Deputy Chairman Gennady Kolesnikov.

"The increasing demand for this type of training is proof that an entirely new professional community of corporate directors has appeared in the expanding Russian private sector," said Igor Belikov, Director of the Russian Institute of Directors. "Our primary objective is to ensure that Russian Corporations and their Boards perform with consistent and high quality professional and ethical standards. After all, the Board of Directors is essentially the sole mechanism that shareholders and other constituencies can use to protect their lawful interests." he added. ❖



The Center for International Private Enterprise is an affiliate of the U.S. Chamber of Commerce, established in 1983 to promote private enterprise and market-oriented reform worldwide. As a principal participant in the National Endowment for Democracy, CIPE supports strategies and techniques that address market-based democratic development. CIPE also receives support from the U.S. Agency for International Development (USAID), as well as private corporations and foundations. Since its inception, CIPE has funded more than 700 projects in 80 countries and has conducted business association management training programs in Africa, Asia, Central and Eastern Europe, Eurasia, Latin America, and the Middle East.

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Egyptian Journalists Study Globalization Issues

Twenty Egyptian economics journalists came to the United States for a study tour on globalization hosted by CIPE in order to help in broadening the quality of globalization reporting in Egypt and increase understanding of the relationship between globalization and democratic reform. From January 22 to February 1, the journalists met with business, association, and international institution leaders in Washington, DC, Seattle, and New York City, including Tom Donohue, President and CEO of the U.S. Chamber of Commerce. These journalists represent leading Egyptian press outlets including Al Ahram, one of the Arab world's largest distribution newspapers, and Nile TV.

This study tour is part of an ongoing CIPE globalization program, sponsored by USAID and the Institute for International Education, to help Arab journalists better understand globalization issues. The program began in Cairo where the journalists discussed various globalization issues with Egyptian policy makers and business leaders. They also were exposed to the "South" perspective with study tours organized for Tunis and Turkey. The main purpose of the US study tour was to get the "North" perspective, by having the group meet with various US-based non-governmental organiza-



U.S. Chamber of Commerce President, Tom Donohue and Vice Presidents, Greg Lebedev and Willard Workman, discuss globalization with Egyptian journalists.

tions and think tanks engaged in the globalization debate. The journalists also met with US government representatives to discuss trade policy and Egypt-US commercial relations.

In Washington, DC, the group explored the globalization debate, meeting with various think tanks and organizations engaged in the globalization dialogue. In Seattle the group met with multinational companies, and in New York City discussion topics included the globalization of financial markets, the role of accounting and auditing standards, and the role of media in globalization reporting, as well as NGOs and globalization. ❖

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