Winds of Privatization Reforms

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THE winds of change have once again come to haunt Eastern Europe. Just like when communism was sweeping one Eastern European country after another and triggering a series of nationalization programs, privatization is now becoming fashionable.

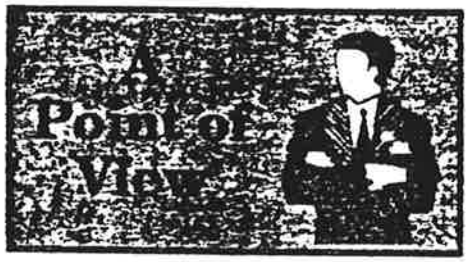
The nationalizations of the 1950s and 1960s are being quickly reversed and the private sector is gaining predominance in a number of Eastern European countries. Virtually every country in the Eastern bloc is adopting rapid and diversified privatization programs that will reshape the structure of their economies. The following paragraphs briefly outline their privatization efforts:

In Hungary the groundwork for privatization was laid down by the October 1988 Law on Economic Association, which allowed state enterprises to convert themselves into joint stock companies. This led to a spurt of spontaneous privatizations as management of state enterprises were given autonomy to move to this new joint stock status.

In Poland, the government has drawn up a list of a dozen profitable and relatively well known companies that will be soon offered for public sale.

In addition, several thousand retail outlets are now part of the government's privatization program. A law on privatization of state owned enterprises was adopted in July 1990, and encourages divestiture through the creation of joint stock companies in a fashion very similar to that of Hungary.

In Czechoslovakia, the Prague government has set-up two privatization ministries that are designing legislation that will allow for the immediate sale of up to 30 percent of the asset's owned by the state. These privatization programs will begin 1 January 1991 with the reprivatization of small properties nationalized in 1959. An estimated 70,000 people will regain expropriated workshops, retail outlets, and apartment blocks.



In the Soviet Union, the Group of 13, under the chairmanship of economist Stanislav Shatalin, has called for the absolute freedom of economic activity for all Soviet citizens and massive privatization of state ownership throughout the economy.

He is calling for the free transfer of ownership of small apartments and private plots, and the mass privatization of state property through leases, loans, and other means. Shatalin also participated in the design of a plan to transform various Russian republics to a market economy within 500 days.

In Romania parliament enacted a privatization law in early August requiring most state-owned companies and farms to transfer 30 percent of their assessed value to the new National privatization Agency. Foreigners will be permitted to own enterprises.

In Yugoslavia a decisive move toward privatization came in 1989 with the enactment of attempting to define procedures for the sale of assets and attempts to lure workers into participating in employee stock ownership plans.

Even Albania, known to be the slowest country to implement privatization reforms in Eastern Europe, is moving to privatize a number of its state enterprises

All of these reforms in Eastern Europe are truly milestones of transition and reflect an obvious desire by the various governments involved to move toward privatization. Egypt can learn a tremendous about from the experiences of these countries who have introduced various legislative mechanisms to implement their privatizations and have even gone as far as to create ministries whose sole activity is to implement divestiture programs.

Egypt is far behind these countries when it comes to designing, and implementing privatization reforms especially in the industrial sector.

If Egypt does not move in the privatization direction and follow Eastern Europe's lead, it may end up being one of many countries, that have simply failed to adapt to what seems to be a new free market world economic order.

We could possibly become a showcase for public sector failure and misallocation if we continue to reject change. We may slowly become a case study of poverty and financial chaos to be written upon and examined by economists from various parts of the world. The way of doing things worldwide is changing and the world economic order is evolving.

Either Egypt adapts to this new way of doing things, or it will simply be left behind.